

CITY OF CHATFIELD PERSONNEL / BUDGET COMMITTEE
AGENDA
City Council Chambers, 21 SE Second Street, Chatfield, MN 55923
July 13, 2026, 4:30 P.M.

Notice is hereby given that some members may be participating in the meeting by interactive technology.

- A. Minutes
 - 1. [June 8, 2026 Meeting Minutes](#)
Review minutes from the previous meeting.
- B. Financial Report
 - 1. [June Financial Report](#)
- C. Continued Business
 - 1. [Residential Utility Billing Policy Suggested Revision](#)
Review proposed changes, recommend forwarding to Council for adoption.
- D. New Business
 - 1. [Annual Finance Policy Review - 2026 for 2027](#)
Annual review for consideration.
 - 2. [Police Department Staffing](#)
Review information from current Part-time listing.
 - 3. [Special Assessment Request](#)
 - 4. [Parkland Consideration](#)



PERSONNEL / BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: July 13, 2026

Agenda Item: June 8, 2026 Meeting Minutes

Subject | Summary:

Agenda Category:

Submitted By: Michele Peterson

Recommended Motion: Review minutes from the previous meeting.

Community Engagement and Outreach:

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background:

Attachments:

[2026.06.08 Personnel Budget Meeting Notes.pdf](#)



CITY OF CHATFIELD PERSONNEL / BUDGET COMMITTEE

City Council Chambers, 21 SE Second Street, Chatfield, MN 55923

June 8, 2026, 4:30 P.M.

Members Present: Councilors Mike Urban and Paul Novotny

Members Absent: None

Others Present: Brian Burkholder, Rocky Burnett, Kay Wangen, Beth Carlson, and Michele Peterson

- A. **Minutes:** The minutes of the May 11, 2026, committee meeting were reviewed, with no suggested amendments.
- B. **Financial Report:**
 - a. **May 2026 financial Report:** Kay Wangen noted that the financial report looks appropriate to the time of the year, as well as noted that the Fillmore County property tax settlement has been deposited.
- C. **New Business**
 - a. **Land Lease – E&J Underground:** Members reviewed the draft agreement and recommended the agreement go to Council for consideration.
 - b. **RFP for Legal Services Draft:** A draft RFP was presented; it was noted that Attorney Suhler had suggested the RFP have an option for Civil and/or Criminal Prosecutions. Members discussed and recommended that the RFP be for Civil services only. The document will be updated and presented to the City Council at the next meeting.
 - c. **Ambulance – Power Cot Replacement:** Director Burnett noted that a cot had suffered damage to the hydraulic motor. Given the cost of repairing the motor, as well as the replacement schedule of the cot a recommendation is given to purchase a new cot. Stryker is offering financing for three years at zero percent. Burnett has also applied for grant funding and will also contact the Fire Department for assistance with the first year's payment. Members recommended purchase of the new cot be brought to Council for approval at today's meeting.
 - d. **Consideration for waiving sewer fees:** A policy approved by Council from 2017 was reviewed for Residential Utility Billing. The policy will need to be updated given the current rate structure. In addition, a provision will be drafted to include forgiveness of sewer charges for the establishment of new lawns, not to exceed one month in time. Based on the current policy as well as the suggested revision, two requests for waiving fees were recommended:
 - i. **New lawn:** Forgive the sewer usage charges for the current billing period.
 - ii. **Water Softener Failure:** Forgive ½ of the usage charges for both water and sewer for the current months billing.



PERSONNEL / BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: July 13, 2026

Agenda Item: June Financial Report

Subject | Summary:

Agenda Category:

Submitted By: Michele Peterson

Recommended Motion:

Community Engagement and Outreach:

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background:

Attachments:

[2026 Cash & Invstmnt Wrkbk.2026 06.pdf](#)

Monthly Finance Cash & Investment Report

		Jun-26	Jun-26	Jun-26	Jun-26	Jun-26	Jun-26	Jun-26	Jun-26	Jun-26
100	100 GENERAL FUND	\$ 902,115.44	\$ 885,184.28	\$ 363,721.82	\$ 1,423,577.90	ME 50% - In 40-60% Avg12MO 46% - In 40-60% 50% GF Expense Budget but BELOW \$2million wchvr >				General Fund Key YE FndCshBlncRvwKey FndBlnc in Range 40-60% SlightVmcce <=10% (30-39% 61-70%) SgnfcntVmcce >10% (<30% >70%)
211	211 LIBRARY	\$ 45,950.06	\$ 128,360.09	\$ 25,097.42	\$ 149,212.73	ME 42% - Slightly Abv 20-40% Avg12MO25% - In 20-40% expense bdtg.				
212	212 LIBRARY ENDOWMENT FUND	\$ 313,938.26	\$ 202,857.01	\$ 200,000.00	\$ 316,795.27	Cash Balance 189% Collection Value Annual Funding Rate 50%				
220	220 FIRE - OPERATIONS FUND	\$ 69,890.79	\$ 39,884.33	\$ 19,021.56	\$ 90,753.56	ME 57% - Abv 50% Avg12MO 45% Slightly Abv 20-40% NY expense bdtg High ? Xfer to Capital Goods				
221	221 FIRE - CAPITAL FUND	\$ 1,143,234.29	\$ 319,579.81	\$ 300,000.00	\$ 1,162,814.10	Cash Balance = 26% of Capital Goods Collection Value Annual Funding Rate 53%				
230	230 AMBULANCE - OPERATIONS FUND	\$ 216,227.39	\$ 102,641.75	\$ 52,083.68	\$ 266,785.46	ME 57% - Abv 50% Avg 12MO 42% - Slightly Abv 20-40% expense bdtg Annl Twnshp Slightly High Balance No Action				
231	231 AMBULANCE - CAPITAL FUND	\$ 117,653.24	\$ 24,546.47	\$ -	\$ 142,199.71	Cash Balance = 14% of Capital Goods Collection Value Funding Rate 74%				
240	240 COMMUNITY DEV - OPERATIONS	\$ (3,145.26)	\$ 96,025.17	\$ 41,234.09	\$ 51,645.82	ME -29% -In 20-40% Range Avg12MO 11% - Slightly Low Target 20-40% expense bdtg				
242	242 COMMUNITY DEV - CPTL 358 DG OFFSE	\$ 615,417.13	\$ 3,786.75	\$ -	\$ 619,203.88	\$ 330,090.42 Actual 358 Family Dollar Interfund Loan Offset				SpecialRev Ent Key YEFndCshBlncRvwKey FndBlnc in Range 20-40% SlightVmcce <=10% (10-19% 41-50%) SgnfcntVmcce >10% (<10% >50%)
250	250 CCA - OPERATIONS FUND	\$ (302.66)	\$ 46,054.76	\$ 7,796.33	\$ 37,955.77	ME 43% - Slightly Abv Avg12MO 8% - Sgnfcntly Low Target 20-40% of expense buget \$25,000 transferrd				
251	251 CCA - CAPITAL FUND	\$ 74,668.53	\$ 2,975.66	\$ -	\$ 77,644.19					
323	323 2023A GR&PR 623wtrDS 1MoRsv	\$ 57,097.81	\$ 105,184.53	\$ -	\$ 162,282.34					
325	325 2025A 2026 STRT PRJCT	\$ -	\$ 49,866.28	\$ -	\$ 49,866.28					
332	332 2012A-WATER TOWER GO REF 200	\$ 48,412.00	\$ 18,843.85	\$ -	\$ 67,255.85					
335	335 2016A REF10A&11A 20%GF 1MoR	\$ 149,823.07	\$ 177,645.23	\$ -	\$ 327,468.30					
336	336 2016B (WTR) 425K GO REV 337SW	\$ 24,580.88	\$ 12,519.77	\$ -	\$ 37,100.65					
339	339 2017B (WTR) GO UTIL REV (IND)	\$ 7,923.81	\$ 7,565.67	\$ -	\$ 15,489.48					
340	340 2018A GO POOL BOND	\$ 115,852.36	\$ 110,869.46	\$ -	\$ 226,721.82					
342	342 2019A GO TAX ABTMNT. ST LIGHT	\$ 31,116.67	\$ 5,547.04	\$ -	\$ 36,663.71					
343	343 2022A StrmGF 18% (wtr82%303)	\$ 81,128.39	\$ 11,576.60	\$ -	\$ 92,704.99					
344	344 2022B TXGO CIP PWFAC	\$ 8,620.99	\$ 32,534.13	\$ -	\$ 41,155.12					
355	355 TIF DIST 2-7 GJERE ADDITION	\$ (667.60)	\$ 5,464.69	\$ -	\$ 4,797.09					
356	356 TIF DIST 3-6 GRNDST APT RDV	\$ 136.46	\$ 0.86	\$ -	\$ 137.32					
358	358 TIF DIST 2-5 FAMILY DLLR 242	\$ (295,862.53)	\$ 8,594.96	\$ 1,845.89	\$ (289,113.46)	Interfund Loan from 242				
359	359 TIF DIST 2-6 CABIN COFFEE REDE	\$ 256.93	\$ 1.62	\$ -	\$ 258.55					
360	360 REV LOAN FUND - FED/ORIG	\$ 145,733.78	\$ 4,162.53	\$ -	\$ 149,896.31					
361	361 REV LOAN FUND - STATE	\$ 97,091.99	\$ 611.68	\$ -	\$ 97,703.67					
425	425 2025A 2026 STRT PRJCT-CLOSED 03/2026	\$ -	\$ -	\$ -	\$ -	Rsltn 2026-23 Closed 03/2026				
456	456 WHDP GRND ST APT DVLPMNT	\$ -	\$ -	\$ -	\$ -	Rsltn 2026-32 Close 04/27/2026				
601	601 WATER FUND	\$ 119,163.65	\$ 63,934.33	\$ 80,520.16	\$ 102,577.82	ME 40% - In Range Avg12MO 17% - Slightly Low 1 \$150,000 IFL frm 602 12/2024 Project #601WT				
602	602 SEWER FUND	\$ 319,211.91	\$ 100,639.30	\$ 185,336.16	\$ 234,515.05	ME 21% - In Range Avg12MO 27% - In Range Target 20-40% expense bdtg				
603	603 REFUSE (GARBAGE) FUND	\$ 26,754.98	\$ 27,332.72	\$ 30,190.55	\$ 23,897.15					
611	611 WATER-Cptl	\$ 3,200.00	\$ 20.16	\$ -	\$ 3,220.16	Cash Balance = 0% of Capital Goods Collection Value Funding Rate 0%				
612	612 WASTEWATER-Cptl	\$ 5,200.00	\$ 32.76	\$ -	\$ 5,232.76	Cash Balance = 0% of Capital Goods Collection Value Funding Rate 0%				
801	801 CAPITAL GOODS FUND	\$ 1,185,385.33	\$ 1,252,225.37	\$ 1,228,183.22	\$ 1,209,427.48					
803	803 ATV TRAIL	\$ -	\$ -	\$ -	\$ -					
807	807 SE MN TMO-III	\$ -	\$ -	\$ -	\$ -	807 Added 09/2025				
900	900 MEMO FUND	\$ 26,639.04	\$ 11,764.47	\$ 38,403.51	\$ -					
910	910 PAYROLL PASSTHROUGH	\$ (14,432.36)	\$ 115,717.37	\$ 114,052.84	\$ (12,767.83)					
BANYON	Banyon Monthly Fund Cash Balance Combin	\$5,638,014.77	\$3,974,551.46	\$2,687,487.23	\$6,925,079.00					

Holdings | Valuations | Yields - Calculated BB accomodates balance changes due to deposits & withdrawals

Cash & Money Fund Accts		Description	BB OrigVI	(+)	(-)	End Bal MV	Cash & MM Accts	*ClctdB based on EB Face Par Shares	Monthly Yield NAV	Int%	CurValue
10200	Petty Cash		\$ 400.00			\$ 400.00	Petty Cash	\$ 400.00			\$ 400.00
10100 4100078	RRSB CB STMTNT BLNC		\$ 453,321.37	\$ 2,209,700.48	\$ 1,785,697.76	\$ 877,324.09	RRSB CB STMTNT BLNC	\$ 875,868.74	APY Yield Earned %	2.02%	\$ 877,324.09
10101 4000008	F&M MM		\$ 148,971.25	\$ 146.93		\$ 149,118.18	F&M MM	\$ 148,969.96	APY Yield Earned %	1.21%	\$ 149,118.18
10102 76T-154947	Northland MM		\$ 442,629.38	\$ 657.14	\$ 400,000.00	\$ 43,286.52	Northland MM	\$ 43,160.63	30 Day Yield	3.50%	\$ 43,286.52
10104 35529-101	4M -Liquid 4M 4MP & LTD Class		\$ 3,334,389.46	\$ 1,209,870.06		\$ 4,544,259.52	4,544,259.52	\$ -			
LTD Est. 02/2026		\$2,000,000 174034.11 shares @ \$11.492 Share					4MP - Average Monthly Rate	\$ 2,438,942.17	DNY Annl Dvd/CrrntPr Per Share	3.63%	\$ 2,527,378.21
Subtotal		Institution Liquid Cash Total	\$ 4,379,711.46	\$ 3,420,374.61	\$ 2,185,697.76	\$ 5,614,388.31	LTD-11.589 NAV	\$ 1,945,106.87	DNY Annl Dvd/CrrntPr Per Share	3.69%	\$ 2,016,881.31
								\$ 5,452,448.36	Institution Liquid Cash Total		\$ 5,614,388.31
CD's Bonds #		Description	BB OrigVI	(+)	(-)	End Bal OrigVI	CD's Bonds #	Mat Date	Market Value	Est Yld	Est Crrnt Vlue BsdonFullMtrty
10401 702127	F&M CD 60Mo-Mtrd 03/03/2026		\$ -				10401 702127	3/3/2026	\$ -		\$ -
10401 702128	F&M CD 60Mo-Mtrd 03/03/2026		\$ -				10401 702128	3/3/2026	\$ -		\$ -
10402 300185-LM-5	EVGRN BK GRP OAK BOOK IL - 42Mo		\$ 140,000.00			\$ 140,000.00	10402 300185-LM-5	7/27/2026	\$ 139,984.60	3.85%	\$ 159,131
10402 564759-RS-9	MFNCTRS&TRDRS CO - 48Mo		\$ 245,000.00			\$ 245,000.00	10402 564759-RS-9	1/20/2027	\$ 244,958.35	4.00%	\$ 280,105
10402 T-FN-2	CPTL ONE BK USA NTL - 60Mo		\$ 100,000.00			\$ 100,000.00	10402 T-FN-2	4/20/2027	\$ 98,982.00	2.80%	\$ 112,236
10402 61768E-JR-5	MGRN STNLY PRVT BK NATL ASSN - 60Mo		\$ 113,000.00			\$ 113,000.00	10402 61768E-JR-5	5/19/2027	\$ 112,134.42	3.25%	\$ 128,793
10402 254673L38	DSCVR BK GRNWD - 60Mo		\$ 100,000.00			\$ 100,000.00	10402 254673L38	7/6/2027	\$ 99,269.00	3.40%	\$ 114,155
10402 3130ASN96	APY FDRL HM LN BKS - 84 Mo		\$ 200,000.00			\$ 200,000.00	10402 3130ASN96	7/27/2028	\$ 198,920.00	4.20%	\$ 234,981
10404 71768-1 33682	State Bank of India, 856288EQ4 -24MO		\$ 245,000.00			\$ 245,000.00	10404 71768-1 33682	3/9/2028	\$ 243,298.35	3.80%	\$ 247,132
10404 71767-1 33124	Goldman Sachs Bank USA - 36MO		\$ 245,000.00			\$ 245,000.00	10404 71767-1 33124	3/12/2029	\$ 241,717.12	3.75%	\$ 247,085
Subtotal		Institution Fixed Income Total	\$ 1,388,000.00	\$ -	\$ -	\$ 1,388,000.00	CDs Bonds EB/OrgVI	\$ 1,388,000.00	\$ 894,248.37	EstCVBsdFIIMtrty	\$ 1,523,619.14
TOTAL		Institution Combined Cash Money Fund &	\$ 5,767,711.46	\$ 3,420,374.61	\$ 2,185,697.76	\$ 7,002,388.31					
						Bnyn Cmbnd BankRec EB \$ Above					

Monthly Reconciliation		Beg	(+)	(-)	End Bal	CD BONDS MV Summary	EB Original \$	Market Value	MV + (-)	EstCurValue BsdOnFullMtrty
DEPOSITS IN TRANSIT (BEG.) +bb/+ex		\$ -		\$ -	0.00	RRSB-10400	\$ -	\$ -	\$ -	
DEPOSITS IN TRANSIT (END.) +rev/+eb			\$ -		0.00	F&M 10401	\$ -	\$ -	\$ -	
OUTSTANDING CHECKS (BEG) -bb/-ex		\$ (129,696.69)		\$ (129,696.69)	0.00	Northland 10402	\$ 898,000.00	\$ 894,248.37	\$ (3,751.63)	\$ 1,029,402.29
OUTSTANDING CHECKS (END) +ex/-eb				\$ 77,309.31	-77,309.31	4M Fixed Income 10404	\$ 490,000.00	\$ 485,015.47	\$ (4,984.53)	\$ 494,216.84
MONTHLY RECONCILIATION TOTALS		5,638,014.77	3,420,374.61	2,133,310.38	6,925,079.00	TOTAL MV INVSTMNTS	\$ 1,388,000.00	\$ 1,379,263.84	\$ (8,736.16)	\$ 1,523,619.14
OUT OF BALANCE AMOUNT		\$ -	\$ 554,176.85	\$ 554,176.85	\$ -					\$ 7,138,007.45
ACTL OpsCB BLNC nmm Blnc Gdln \$750,000 (3yr avg mnthly ops wd)				160%	\$ 800,014.78	TTLHldngs(CashMMCD&BndEstCrntVitoMat				
		CB Blnc Frmt Key:		High >110% Target DS Pymnts Due		CB Blnce Frmt Key:		In Range 90-110%		Low <90%

Prj# Dept	Reserve Fund "Bucket" Detail	Beg	(+)	(-)	End Bal	CV-ClctnVlu AF-AnnlFndng	% of Portfolio by Institution	EB Est. Crrnt Value	
801AM3	AMCO 3rd Escrw R 32214 E 310	\$ 5,000.00	\$ 13.46	\$ 2,845.00	\$ 2,168.46	1of4SMN % CV % AF % CV % AF Rsltn 2026-49 to 801MB	12% RRSB	\$ 877,724.09	
801CHP 801SMN.1of4	Chip Sealing 39214 Crckfling 801-43100-406	\$ 64,899.32	\$ 12,453.92		\$ 77,353.24		2% F&M	\$ 149,118.18	
801CLK 41500	Administration *use \$7,000 for MN DOT Prprty	\$ 51,190.58	\$ 2,904.68	\$ 986.00	\$ 53,109.26		15% Northland	\$ 1,072,688.81	
801HS 41200	Historical Society R 34030 frm 100-41200-450	\$ -			\$ -		71% 4M	\$ 5,038,476.36	
801HT4 43100	Hilltop 4th Escrw R 32214 E 310	\$ (1,048.82)	\$ (6.55)		\$ (1,055.37)		100% TTL Holdings	\$ 7,138,007.45	
801IT 49950	IT Shared Tech 39204 435 500 (Server / Comp / L	\$ 83,322.99	\$ 6,933.57	\$ 11,593.00	\$ 78,663.56	% CV % AF	Portfolio Est Value Yield (Bsd on Fil Mtrty) Compared to 3 Mo Treasury Bill		
801MB 41940	Municipal Building 39220 (Inc SNR CTZNS RES 20	\$ 195,853.57	\$ 9,053.71		\$ 204,907.28	% CV 51% AF			
801OVR 801SMN.2of4	Overlay 39215 (Incl Small Cities Assist)	\$ 14,602.23	\$ 8,123.57		\$ 22,725.80	1of4SMN % CV 115% AF			
801PD 42110	Police 39206 Vehicles & Cmptr Equip / Sftwr	\$ 181,285.34	\$ 6,163.59		\$ 187,448.93	% CV 42% AF			
801PRK 45200	Park Imp & Ded. Fees 39219 37252 500 (inc BND	\$ 150,739.90	\$ 53,269.55		\$ 204,009.45	CV 40% AF			
ES-OS		\$ (199.81)			\$ (199.81)		Est BB Face Value	\$ 6,840,448.36	
801SEQ 43100	Street Equip 39221 550 / Signs 240 39260 / Trees	\$ 101,522.03	\$ 31,534.95		\$ 133,056.98	% CV 44% AF	EB Est. Crrnt Value	\$ 7,138,007.45	
801SP 45124	Swimming Pool 39201 500	\$ 127,189.27	\$ 4,253.43		\$ 131,442.70	% CV 25% AF	Est Yield	4.35%	
801SS 801SMN.3of4	Storm Sewer 39227 408 763 765 E&J	\$ 42,308.49	\$ 11,052.99	\$ 12,606.64	\$ 40,754.84	1of4SMN % CV 115% AF	3Mo Daily Trrsy Par Yield Curve Rate Monthly Avg	3.81%	
801SWK 801SMN.4of4	SDWLK 39213 SIDEWALK CROSSWALK	\$ (7,422.59)	\$ 6,886.09	\$ 10,161.75	\$ (10,698.25)	1of4SMN % CV 115% AF	Above	0.54%	
801UND 41100	Legislative Undesignated 39201 500	\$ 99,708.18	\$ 532.23	\$ 14,500.00	\$ 85,740.41	Rsltn 2025-83 Closed to Parks	06/01-06/29		
PDBRDG 45200	Pedestrian Bridge 45200)	\$ 76,434.65		\$ 76,434.65	\$ -		https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=		
801 CAPITAL GOODS FUND		\$ 1,185,385.33	\$ 153,169.19	\$ 129,127.04	\$ 1,209,427.48	\$ 1,209,427.48	RRSB CB STMTNT BLNC	APY Yield Earned %	2.02%
							F&M MM	APY Yield Earned %	1.21%
							Northland MM	30 Day Yield	3.50%
							4MP - Average Monthly Rate	DNY Annl Dvd/CrrntPr Pe	3.63%
							LTD-11.589 NAV	DNY Annl Dvd/CrrntPr Pe	3.69%
General		Input	Note		Total				
Format Key		Linked Cell	Calculation		Check Cell				
		Good	Neutral		Bad				



PERSONNEL / BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: July 13, 2026

Agenda Item: Residential Utility Billing Policy Suggested Revision

Subject | Summary:

Agenda Category:

Submitted By: Michele Peterson

Recommended Motion: Review proposed changes, recommend forwarding to Council for adoption.

Community Engagement and Outreach:

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background:

Attachments:

[Residential Utility Billing Policy 2026.06.09.pdf](#)

City of Chatfield

Resolution 2026-xx

A RESOLUTION ADOPTING A REVISED RESIDENTIAL UTILITY BILLING POLICY

WHEREAS, the City of Chatfield provides water and sanitary sewer services to its residents;

WHEREAS, the City Council desires to establish fair, equitable, and administratively efficient billing practices;

WHEREAS, the City previously adopted a Residential Utility Billing Policy on March 27, 2017; and

WHEREAS, the City Council finds it necessary to update and revise said policy to reflect current practices, including provisions related to lawn establishment, vacant properties, and adjustments for excessive water usage;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATFIELD, MINNESOTA:

Section 1. Adoption of Policy. The City Council hereby adopts the revised Residential Utility Billing Policy attached hereto as Exhibit A.

Section 2. Supersession. This policy supersedes the Residential Utility Billing Policy adopted on March 27, 2017.

Section 3. Effective Date. This resolution shall be effective upon adoption.

Adopted by the City Council of the City of Chatfield, Minnesota, this ____ day of _____, 2026.

/s/Beth M Carlson

City Clerk

City of Chatfield

Exhibit A
City of Chatfield
Residential Utility Billing Policy (Revised)

Purpose

The purpose of this policy is to establish consistent, equitable, and administratively efficient practices for billing residential water and sanitary sewer services in the City of Chatfield.

Water Billing

All residential customers shall be billed monthly for actual water usage as measured by the property's water meter.

Sanitary Sewer Billing

Sanitary sewer charges shall be based on metered water usage unless otherwise adjusted under this policy.

Leak or Malfunction Adjustment

In the event of excessive water use caused by a leak or malfunction beyond the control of the property owner, the City may reduce charges for usage exceeding typical usage to 50 percent. If the excess water did not enter the sanitary sewer system, sanitary sewer charges for that excess usage shall be waived.

Lawn Establishment Adjustment (One-Time)

Customers may request a one-month adjustment for water used in establishing a new lawn. Sanitary sewer charges shall be waived for the portion of water usage attributable to lawn watering during the approved period. Upon verification that a residential property is vacant, 100 percent of sanitary sewer usage charges shall be waived. For occupied residential properties, the City may establish an average household usage baseline and waive 100 percent of sanitary sewer charges for usage exceeding that baseline.

Administrative Authority

The City Clerk or designee is authorized to review and approve adjustment requests, require documentation, and implement administrative procedures necessary to carry out this policy.

Meeting Date: July 13, 2026

Agenda Item: Annual Finance Policy Review - 2026 for 2027

Subject | Summary: The proposed 2027 Finance Policies & Procedures are attached for your consideration.

Agenda Category: Departmental Reports - Finance

Submitted By: Michele Peterson

Recommended Motion: Annual review for consideration.

Community Engagement and Outreach: Annual Review Process;

- Administrative and Departmental Review
 - Personnel Budget committee review
 - City Council review & adopt
 - Distribute adopted policies at annual meeting
-

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background: In 2022 it was determined that the Finance Policies would be reviewed yearly to build awareness of our fiscal responsibilities and implement the recommended practice of keeping finance policies current.

Attachments:

[Finance Policy Annual Review Tracking.PB.pdf](#)

[Finance BUDGET Policy - 2026Rvwfor2027.01.pdf](#)

[Finance CAPITAL OUTLAY Policy -2026Rvwfor2027.01.pdf](#)

[Finance DEBT MANAGEMENT Policy - 2026Rvwfor2027.01.pdf](#)

[Finance FUND BALANCE Policy - 2026Rvwfor2027.01.pdf](#)

[Finance INVESTMENT MANAGEMENT Policy - 2026Rvwfor2027.01.pdf](#)

[Finance Procedures & Internal Controls - 2026Rvwfor2027.01.pdf](#)

The proposed 2027 Finance Policies & Procedures are attached for your consideration.

In 2022 it was determined that the Finance Policies would be reviewed yearly to build awareness of our fiscal responsibilities and implement the recommended practice of keeping finance policies current.

- Administrative & Departmental Review - by September / October
(including financial advisor and investment agencies)

Complete - 05/26/2026

In Progress

by 10/26/2026

Distribute 01/13/2027

Recommended changes are indicated by text with ~~strike through~~ for recommended deletions and yellow highlights for new text.

For Tracking Purposes following is a bit of history & a summary of recommended updates by year;

Policy / Procedure	Jun-25	2025 for 2026	2026 for 2027
Budget Policy Orig Adptd - Sep 2008	Delete reference to 614 - CCTV transferred operations to ISD Update EDA reference to Cmmnty Dvlpmnt Clarify Budgeting - all vs Operating Bdgt Reflect modied accrual method for audited financial statements cash basis for internal operations.		No Recommended Changes
Capital Outlay w/Capitalization & Sale of Merchandise Orig Adptd - Sep 2008	Update wording to fit current practices Funds included Replacement cycle vs Depreciation Life clarification Municipal Advisor vs. Financial Planner	Wording Capital Financial Plan vs Capital Improvement Plan	Increase capitalization threshold from \$5,000 to \$10,000 Capital goods plan / capital finance plan relationship clarification Dprctn life updates
Debt Management Policy		Policy Limit 4 years to 5 years Conduit debt fee	No Recommended Changes
Fund Balance Policy Orig Adptd - Sep 2008	2025 0624 CC Apprvd Cash flow guidelines based on NY budgeted expenditures vs revenues.	Delete 614&615 CCTV, Add 242 Community Development,	12 mo average fund balances for cash flow
Investment Management Orig Adptd - Sep 2008	2025 0624 CC Apprvd Rprtng Updts	Simplified with statute reference. Interest Allocated qtrly. Delete duplicate text Custodial funds are not invested / included in interest allocation (pass through of funds)	No Recommended Changes
Accounting Procedures & Internal Controls	Interfund Transfer Clarificaton Deputy City Clerk Asisstant Deputy Clerk Eliminate fuel cards Petty Cash Update		On line payments increasing. Fixed Asset Threshold General clean up / grammer. US Bank approval signature for department head.

PURPOSE

To provide a stable financial environment for the City of Chatfield's operations that allows the City to provide quality services to its residents in a fiscally responsible manner designed to keep services and taxes as consistent as possible over time. This annual budget policy is meant to serve as the framework upon which consistent operations may be built and sustained.

The primary goals in preparing the City's Operating and Capital Budgets are.

1. Maintain a steady, predictable, local tax rate.
2. To maintain the City's debt per capita at \$3,500 or lower.
3. Maintain positive reserves in the City's enterprise funds (sewer, water, and garbage).
4. Develop a budget based on specified needs and goals.
5. Develop work plans based on specific outcomes to develop result-based budgets.
6. Maintain public safety and public works programming that reasonably assures the public of their personal safety, convenience, and maintenance of property value.
7. Develop and maintain technology, communication, and administrative services that allow all interested parties to be well informed, while protecting the City's critical data and operating systems.

OPERATING BUDGET POLICIES

Scope – While it is the City's policy to budget for all governmental and proprietary / enterprise funds (business-type activities – water, wastewater and garbage), the **operating budget** only consists of the funds relating to **governmental activities** (general government, public safety, public works, parks and recreation, library and community development);

- General | Fund 100
- Ambulance | Fund 230,
- Center for the Arts | Fund 250,
- Community Development | Fund 240,
- Fire | Fund 220, and
- Library | Fund 211

The City is required to report levy and expenditure amounts for our Debt Service Fund for Truth-in-Taxation (TNT) purposes, but these levies and expenditures are usually related to capital spending decisions and are therefore excluded from the operating budget policy.

Accounting – The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

These funds use the modified accrual basis of accounting for the audited Financial Statements to meet statutory compliance. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, debt service

expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The internal operational reports, including the monthly finance report and quarterly financial report as well as the fund balance guidelines reflect cash basis reporting as it is viewed as being more reflective of day to day operations.

Stakeholder Input. The annual budget process is intended to weigh all competing requests for City resources within expected fiscal constraints. Requests for new programs made outside the annual budget process are discouraged. The City will provide ample time and opportunity for public input into its budget process every year, including the use of the required TNT (truth in taxation) hearing.

Balanced Budget Adoption – The underlying practice is for a balanced budget. Meaning the City strongly discourages internal or external short-term borrowing, asset sales, or one-time accounting changes to balance the operating budgets. The balanced budget will include a reasonable annual appropriation for contingencies and adjustments to achieve fund balances within established guidelines of the fund balance policy (under separate cover).

Budgetary Controls – The level of budgetary control is at the department level even though budget data is presented at lower levels (e.g. Operating Supplies, Small Tools & Minor Equipment, Other Professional Services, and Capital Outlay). Expenditures should not exceed budget appropriations for the department unless offset by increases in revenues or unless the purchase was made in accordance with the City's Equipment Replacement Schedules / Capital Goods Plans. The City Council may approve supplemental purchases. All unencumbered appropriations lapse at year-end.

The City Administrator may approve budgeted transfers and net \$0.00 budget amendments within a Fund.

Monitoring - Department heads are responsible for administration of their respective department budgets. Such responsibility includes reviewing monthly financial reports to detect errors and assess progress, staying within budget authorization, and submitting requests for budget adjustments, when required.

REVENUE POLICIES

Policies - The City will endeavor to maintain a diversified and stable revenue system to shelter programs and services from short-term fluctuations in any single revenue source.

Property Taxes - It is beneficial for residents and for the City to keep tax rates competitive and consistent from year to year. The city will strive to proactively avoid large increases in the tax rate.

Fees and Charges - The City will consider policy objectives and market rates when setting fees.

Investment Income - The City will reasonably budget for investment revenue in the operating budgets based on the conservative investment strategy outlined in our investment policy (under separate cover).

Adopted by City Council Sep 08, 2008 | Revisions Adopted City Council Aug 23, 2021 | Adopted Annual Reviews: Jan 9, 2023 | Jan 8, 2024 | Revisions Adopted Dec 9, 2024 – Distributed Jan 13, 2025 | Revisions Adopted October 27, 2025 Distributed Jan, 12, 2026.

PURPOSE

The goal of the City's Outlay Plan is to develop a comprehensive program for use by decision makers to guide capital investments in equipment and assets based on an assessment of the community's needs, considering the best use of limited resources by determining the best funding method while practicing responsible stewardship.

There are four components to the City's Capital Outlay Plan.

- Departmental Capital Goods / Equipment Replacement Schedules
- Capital Financial (CFP) – *David Drown & Associates Annual Planning Session*
- Capitalization Policy – Fixed Assets / Depreciation/Departmental Capital Goods
- Sales and Disposal of City Equipment / Goods

DEPARTMENTAL CAPITAL GOODS / EQUIPMENT REPLACEMENT SCHEDULES –

The city strives to maintain its physical assets at a level that minimizes future repair and maintenance costs. To accomplish this goal, the City has established the Departmental Capital Goods / Equipment Replacement Schedules to guide annual budgeting and set aside funds for the timely replacement of city equipment.

Departmental Capital Goods / Equipment Replacement Schedules (Reserve Funds) are maintained for;

- Library | Fund 212
- Fire Department | Fund 221
- Ambulance Department | Fund 231
- Community Development | Fund 242 (*also Dollar General TIF offset*)
- CCA | Fund 251
- Water Department | Fund 611
- Wastewater Department | Fund 612
- General Fund | Fund 801
 - ~~City Clerk~~ *Administration* Department | 41500
 - Municipal Building | 41940
 - Police Department | 42110
 - Public Works Street *Equipment* Department (including Civil Defense) | 43100
 - *Public Works Street Maintenance | 43100 (Chip Sealing | Overlay | Sidewalks & Storm Sewer*
 - Swimming Pool | 45124
 - Parks Department | 45200
 - Technology Shared Components | 49950

CAPITAL FINANCIAL PLAN (CFP) –

- The CFP is a *10-20*-year plan that is updated annually in a work session facilitated by the City's Municipal Advisor. The CFP process includes analyzing projects contributing to the public health and welfare / projects helping to maintain and improve the efficiency of the existing systems, and projects that define a future need within the community.

- The plan identifies the estimated cost and potential funding sources for each capital project proposed in the CFP. Purchase contracts for projects included in the CFP must still be properly authorized.
- The CFP will include major large capital outlays projects that are not included in the Departmental Capital Goods Plans. The capital goods replacement plans are included in the background variables of the capital finance plan. Funded from their reserve funds that fit into an annual budget cycle.

CAPITALIZATION POLICY

CAPITALIZATION POLICY PURPOSE

To provide uniform criteria for identifying City expenditures to be depreciated and for the proper asset classification of capital expenditures, including guidelines for determining the economic useful life of assets.

CAPITALIZATION POLICY

A. SUMMARY OF GENERAL POLICY

1. It is the general policy of the City of Chatfield to identify an expenditure as a capital asset if it meets the following requirements:
 - a. Is City owned
 - b. Costs \$5,000 \$10,000 or more
 - c. Has an economic useful life greater than of five years or more
2. Expenditures on existing assets may be capitalized if the asset's productive capacity is significantly improved or the useful life of the asset is extended by one year or more. Replacement will be capitalized if they meet the three criteria listed above.
3. Capital items in most cases are new or replacement purchases that have been planned for as part of the Capital Goods Replacement Plan. Expense items are generally those which are used up in a short time (less than five years) or are expenditures which maintain an existing asset in good condition, but do not improve it from its original condition.
4. Lower-value (cost below \$5,000 \$10,000) tools and equipment are expensed to reduce the administrative cost of tracking and depreciating them but should be inventoried and tracked if over \$1,000 \$5,000.

B. DEFINITIONS AND POLICY INTERPRETATION

1. Asset Expenditures:
 - i. Assets may be land, buildings, equipment, roadways, physical goods of various kinds, computer software, certain intangible long-lived benefits such as easements, and in certain instances, the cost of demolition, relocation, or renovation of assets. Expenditures for such goods, services and benefits may qualify as capital expenditure. The "cost" of the asset includes purchase price

(including shipping costs), construction costs (including labor, material and overhead used in construction; and reports, studies, plans, consulting, and architectural fees, etc., required in the construction process), capitalized interest (the cost of financing the asset), and in limited, defined instances; (a) the cost of outside legal and issuance costs, and (b) qualifying environmental cleanup and mitigation expenditures. Note: Warranty costs and maintenance agreements are not capital expenditures; they are operating costs and must be expensed.

- ii. A combined or unitary concept will be used in identifying newly purchased or newly constructed assets, and a separable concept when replacing, renovating, or improving major components of existing assets. Example: A newly constructed building is identified as a unitary asset, even though it is composed of major subcomponents. If the HVAC system of an old building is replaced, the new HVAC system is identified as a separable new component with its own estimated useful life. Major components of City assets may be considered separable and subject to separate asset identification, (i.e., an HVAC system, a truck engine, a crane cab, or a building roof). In these cases, either the separable asset may be given; (a) its own new life; (b) the remaining life of the existing asset; or (c) the life of the major asset may be extended, depending on the facts in each case. In other more restricted cases, integral, non-separable elements are considered maintenance expense of the major asset. Example: when bridge pilons are repaired or replaced such expenditures are considered maintenance expense for the bridge and are not capitalized.
- iii. For purchases, it is policy to identify an expenditure as a unitary “system” whenever the components, taken together, may reasonably be understood to work as a single unit. For example, if a purchase is made for a computer, monitor, keyboard, and software, it is understood that this is a purchase of a computer “system”. If these components, purchased together, cost \$5,000 \$10,000 or more (including shipping costs), then the expenditure is considered a single purchase of a computer system and is capitalized as a unit. (Note: Warranty costs and maintenance agreements may not be Capital Expenditures and must be excluded from the calculation which determines asset cost.)
- iv. For purchases in volume of capital items with unit values less than \$5,000 \$10,000 and if the aggregate total of the item exceeds \$5,000 \$10,000, then the group of items may be capitalized providing that the two other tests for capitalization are met (i.e., they must be City-owned and have a useful life of more than 5 years). For example, if one filing cabinet is purchased for \$500 \$1,000, the item will be expensed; but if ten \$500 \$1,000 cabinets are purchased together, they may be capitalized since the aggregate cost is \$10,000 \$5,000. This policy is subject to further interpretation depending on the facts in each case. For example, the purchase of one hundred \$50 \$100 wastebaskets would not be considered a capital purchase. In most situations, it is the intention of this policy to capitalize aggregate purchases of \$10,000 \$5,000 or greater) of furniture, fixtures, and equipment where unit values are at least in the range of \$500 to \$1,000 \$1,000-\$5,000. Items valued at less than \$500

\$1,000 are generally treated as consumable supplies and expensed even though their useful lives may exceed five years. The reason for this policy is to reduce the bookkeeping and tracking expenses for lower valued capital expenditures. The **Administration Clerk's** department will decode policy in those cases where differences of interpretation are otherwise unresolved.

- v. Individual assets that cost less than ~~\$5,000~~ **\$10,000**, but that operate as part of a network, or are part of a kit or collection, will be capitalized in the aggregate, using the group method, if the estimated average useful life is more than five years. The following networks / kits / collections exist within the city
 - a. The telephone system, with an estimated useful life of 10 years.

2. Depreciation

Assets lose value over time; this loss of value is depreciation cost. The principal objective in accounting for depreciation is to charge each accounting period for the estimated loss in value of the depreciable assets incurred during that period.

The City of Chatfield will utilize the straight-line method of depreciation for all assets. Salvage value will not be utilized. Assets will be fully depreciated and carried on the books at \$0.00 value when the book life of the asset has been reached.

3. Economic Useful Life

- a. "Economic useful life / Replacement Cycle" is generally construed to mean the period (years) during which the asset is providing benefit to the city. The "physical life / depreciation life" of an asset is the period (years) in which the asset can perform as originally designed, built, and maintained. The economic useful life (replacement schedule) of an asset may be the same as the physical life, or it may be shorter.
- b. It is general policy to the City to assign asset lives based on the physical life / depreciation life as this aligns with the value of the fixed asset at the time of sale/trade in. This generally aligns with the useful life of the departmental equipment replacement schedules, but not always, the economic useful life / replacement cycle may be less than the period the equipment can perform as originally designed.

4. Improvement: General Improvements & Public Improvements

a. Improvement.

Improvement is a common term used to describe the construction or purchase of a new asset or the betterment of existing facilities or assets. For example, all qualifying expenditures are incorporated into the city "Capital Improvement Program" (CIP. The term "improvement" in a more restricted sense means:

- (i) The substitution of a better asset for one currently in use
- (ii) The expansion of an existing facility to accommodate increased volumes.

(iii) The modification of an existing asset to meet a new or changed use (one not intended by its original design).

b. General Improvements

Expenditure for an improvement are capital expenditures and may be given a separable asset life, or an asset life corresponding to the remaining life of the existing asset; or the existing life may be extended (minimum extension of three years).

c. Public Improvements

“Public Improvements” means improvement to assets used by the public: for example, roads, parking lots, sidewalks, parks, etc.

In the case of streets and roads – if the work done impacts the “base” structure the improvement should be capitalized. i.e., sealcoating is considered maintenance – an overlay is considered capital.

5. Asset Classes & Estimated Physical / Depreciation Lives (if not listed follow the assigned replacement schedule from the Departmental Capital Goods Replacement Schedules)–

Classes of Assets	Threshold	Physical / Depr. Life
Buildings / Structures - Seasonal / Shelters – 20 years - Sewer Treatment Plant – 25 years - Buildings – 40 years	\$5,000 \$10,000	10 – 40 yrs.
Building Improvements Alarm System – 10 years Furniture & Fixtures – 10 years - HVAC Systems – 20 years - Roofing – 20 years - Carpet Replacement – 10 years - Electrical / Plumbing – 30 years	\$5,000 \$10,000	5 – 30 yrs.
Equipment / Machinery - Bobcats / Mower - Fire Department Air Bottles 15 years - Bobcat / Mowers & Pick Ups – 5 years - Plows – 15 years - Dump Trucks – 15 years - Playground Equipment, Scoreboards, bleachers, radio towers, lights, fishing dock – 20 years - EMS Training Equipment – 10 years - Telephone System – 10 years - Turnout Gear – 10 (4 sets/yr)	\$5,000 \$10,000	5 – 20 yrs
Furniture & Fixtures Desks, tables, chairs – 15 years	\$5,000 \$10,000	5 – 20 yrs
Infrastructure - Drainage Sys.- Catch basins & storm pipe – 40 years - Water Dist. System – Pipes – 40 years Tank Mixer 10 yrs - Sewage Collection Sys.– Manholes & Pipes – 40 yrs. - Wells & Storage Syst. – 40 years - Lift Stations – 30 years - Streets - New (bituminous) 60 years Overlay (bituminous) 20 years Mill & Overlay - 25 - Sidewalk – 20 years - Lights – 20 years - Curb & Gutter – 40 years	\$5,000 \$10,000	20 – 40 yrs
Vehicles - Ambulances – 10 years - Cars / Light Trucks – 5 years - Fire Trucks – 15 years	\$5,000 \$10,000	5 – 10 years

All fixed assets with a physical useful life of more than one year and an original value between \$1,000 and \$5,000 will be recorded and inventoried but will not be capitalized and depreciated. These records will be compiled and maintained by the individual departments. The Administration department will track capitalized assets only.

*SALES AND DISPOSAL OF CITY EQUIPMENT / GOODS

SALES AND DISPOSAL POLICY PURPOSE

This policy is intended to streamline the process of disposing of equipment and tangible goods that are no longer needed by the City of Chatfield. Unless otherwise directed by the City Council, all equipment and goods that are owned by the city but no longer needed, * except for land and buildings, and specialty equipment such as ambulances and fire trucks, are to be sold via a standard online auction process.

Minnesota statutes regarding the disposal and sale of city equipment vary based on its estimated value but generally require public notice and a competitive sale process.

Key state statutes and rules

Key state statutes and rules to follow include:

- **Surplus Property Donations:** Under [Minnesota Statutes, Section 471.3459](#), cities can donate surplus public works equipment, emergency/fire gear, and cellular phones to 501(c)(3) nonprofits. The city must adopt a policy for this and explicitly disclose to the nonprofit that the equipment may be defective or unsafe.
- **Municipal Contracting Law:** [The Uniform Municipal Contracting Law \(Minn. Stat. § 471.345\)](#) applies to the sale of surplus city property, dictating when sealed bids, public auctions, or negotiated sales are required depending on the value of the equipment.
- **Employee Purchases:** Pursuant to [Minnesota Rule 1255.0500](#), public employees are typically allowed to purchase surplus property if done via public auction or sealed bid. However, staff directly involved in the disposition process are ineligible to buy items they have specific responsibility for selling.
- **Electronics and Waste Management:** Under the [Minnesota Waste Management Act \(Minn. Stat. ch. 115A\)](#), cities must appropriately recycle or dispose of problem materials (e.g., major appliances, CRTs, and mercury-containing items). Electronic equipment and computers require specific security data-clearing protocols prior to disposal.
- **State & Federal Surplus Programs:** Cities can utilize the [Minnesota Department of Administration Surplus Services](#) to transfer, auction, or otherwise dispose of obsolete assets.

Uniform Municipal Contracting Law (Minn. Stat § 471.345)

~~This is the primary law governing municipal contracts, including those for selling surplus equipment.~~

~~Electronic auctions: Municipalities may sell surplus, obsolete, or unused equipment through an "electronic selling process" like an online auction. This method is an exception to other bidding requirements, provided the sale is conducted in an open and interactive competitive environment.~~

~~Formal bidding: For higher value equipment (exceeding \$100,000 for townships), a formal process with published notice and sealed bids is typically required.~~

~~Sale or purchase of state property; penalty (Minn. Stat. § 15.054)~~

~~This law outlines the general rules for disposing of public property and restricts employees from purchasing it.~~

~~Public notice: When selling property not needed for public use, a city must provide reasonable public notice.~~

~~Auctions or sealed bids: Sales to city employees must be conducted through a public auction or sealed bid process, with at least one week's published notice. The employee cannot be directly involved in the process.~~

~~Officers prohibited: The law prohibits municipal officers from purchasing surplus property from their own city.~~

~~Disposal of unclaimed property (Minn. Stat. § 471.195)~~

~~Cities can adopt ordinances for the disposal of unclaimed personal property that came into their possession during municipal operations. The ordinance must provide for either a public auction or sale through a nonprofit organization, with published notice given at least 10 days before the sale.~~

~~Donation of surplus equipment (Minn. Stat. § 471.3459)~~

~~A local government may donate surplus equipment to a nonprofit organization, but only after adopting a formal policy. The policy must:~~

~~Define the eligibility criteria for equipment to be considered "surplus".~~

~~Outline the types of nonprofits that can receive donations.~~

~~Include a disclosure that the donated equipment may be defective and should not be relied upon for safety purposes~~

City of Chatfield Details

Department Heads will determine the need to dispose of the various pieces of equipment within their area of responsibility and will coordinate the sale of the items with the City Administrator. The City Administrator will have the primary responsibility

to coordinate the sale of the goods, with the Department Head responsible being available to answer questions or show the item to interested parties.

A notice will be posted following the city's general publication protocol making residents aware that an item will be listed for sale and directing them to the online auction site.

All proceeds from the sale of merchandise will be applied to the reserve funds for future capital purchase of the appropriate department.

*Capital Outlay Policy Adopted by City Council Sepr 08, 2008 | Capitalization Policy Adopted Jun 14, 2004
| Capitalization Policy Revised Nov 1, 2007 | Capital Outlay Policy Revisions Adopted Oct 25, 2021 |
Capital Outlay | Capitalization & Sale of Merchandise Policy Combined Jan 09, 2023 | Capitalization
Policy revised to remove collections Ma, 2023 | 2024 Annual Review Revisions Adopted Jan 8, 2024 |
2025 Annual Review Revisions Adopted Dec 9, 2024 – Annual Meeting Distribution Jan 13, 2025, Annual
Review Revisions Adopted Oct 27, 2025 – Annual Meeting Distribution Jan 12, 2026*

Purpose – To provide guidelines to the issuance of debt.

Policy Limits – The City will use debt only for capital improvement or projects that have a life of more than 5 years. The city will avoid using debt for cash flow borrowing, operations or repairs.

When possible, the city will not use debt to finance equipment purchases when it is possible to purchase the equipment on a pay-as-you-go basis with equipment replacement program or capital goods replacement plan reserves.

The City shall use its bonding authority to facilitate private development only when the development merits special consideration.

The City's capital outlay plan shall contain debt assumptions which match this policy and requires a commitment to long-range financial planning which looks at multiple years of capital and debt needs.

Legal Limits – Minnesota Statutes, Section 475 prescribes the statutory debt limit that outstanding principal of debt cannot exceed 3% of estimated market value. This limitation applies only to debt that is wholly tax-supported. The type of debt included is either general obligation debt of any size bond issue (G.O.) or lease revenue bond issues that were over \$1,000,000 at the time of issuance. However, there are also several other types of debt that do not count against the limit. G.O. tax increment, G.O. special assessment, G.O. utility revenue, G.O. recreational facility revenue, and HRA-issued debt are considered to have a separate revenue source other than just taxes and are excluded from the legal debt limit calculation. Local ordinances do not limit the City's ability to issue debt.

Issuance Practices - The City will utilize the sales method that is most advantageous after considering a variety of factors, including but not limited to, structure, size, term, market conditions, applicable regulations, etc.

The City will determine the sales method after consulting with the City's Municipal Advisor and / or other appropriate parties.

Debt Structuring – The City's collective debt shall amortize at least 50% of its principal within 15 years. In all cases, the maturity shall not exceed the life of the related assets.

Conduit Debt – The City may participate in conduit debt financings. Development proposals are reviewed to determine if they meet program objectives and whether the proposals are financially feasible.

It is the practice of the City to charge fees that range from 0.25% to 0.5%, of the bond offering with a maximum fee of \$40,00 to cover the City's cost.

Refunding – Current refunding bonds may be utilized when the projected savings, after factoring in all costs, yields enough savings to warrant moving forward. Council will determine on a case-by-case basis if sufficient savings have been attained.

Advance refunding bonds may be utilized when statutory savings are met (present value savings is at least 3% of refunded debt service).

Adopted Sep 08, 2008 / Revisions Adopted Oct 25, 2021/ Adopted | Annual Review: January 9, 2023 / Adopted | Annual Review: January 8, 2024/ Adopted | Annual Review Dec 9, 2024 – Distribution Annual Mtng Jan13, 2025 Adopted Oct 27, 2025 | - Distribution Annual Mtng Jan 12, 2026

FUND BALANCE POLICIES

Purpose – To provide a stable financial environment for the City of Chatfield’s operations that allows the City to provide quality services to its residents in a fiscally responsible manner to keep services and taxes as consistent as possible over time. This fund balance policy is meant to serve as the framework upon which consistent operations may be built and sustained. The City of Chatfield uses fund accounting to ensure and demonstrate compliance with finance-regulated legal requirements.

Definitions & Policies

Fund Balance - Describes the difference between assets and liabilities in the governmental funds (general fund, special revenue funds, capital project/reserve funds, debt service funds and permanent funds). **This policy covers the governmental funds (general fund unassigned and special revenue funds assigned) fund balances (100, 211, 220, 230, 240, 250)**

Fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned according to the following definitions:

- **NONSPENDABLE** -that portion of the fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.
Policy - At the end of each fiscal year, the City will report the portion of the fund balance that is not available for spending.
- **RESTRICTED**- the portion of the fund balance that has external constraints placed upon their use.
(External creditors, grantors, contributors, laws, or regulations of other governments. e.g., encumbrances for goods or services with outside parties-creditors, grantors outstanding at the end of the year, or restricted by state statutes or grant requirements placed on the use for specific purposes).
Policy - At the end of each fiscal year, the City will maintain a restricted fund balance equal to the amounts required to accommodate; prepaid expenditures, encumbrances or funds restricted by enabling legislation.
- **COMMITTED**- the portion of the fund balance for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.
(for example, an ordinance or resolution passed by a city council).
Policy - At the end of each fiscal year, the City will maintain a committed fund balance for long-term loan receivables such as advances to other funds or otherwise constrained for specific purposes by City Council.
- **ASSIGNED** – the portion of the fund balance that reflects the amounts the City intends to use for a specific purpose. (not restricted nor committed)
The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances to the City Administrator. This is the portion of the fund balance that reflects funds intended to be used by the government for specific purposes assigned by more informal operational plans (e.g. capital goods replacement - the constraint on use is not imposed by external parties or by formal council action). In governmental funds other than the general fund (special revenue funds, capital project funds, debt service funds and permanent funds), assigned fund balance represents the amount that is not restricted or committed.

Policy –

Capital Goods Replacement - At the end of each fiscal year, the City will maintain assigned fund balances (reserve funds) for equipment replacement according to the City's Capital Goods / Equipment Replacement. This includes funds; 212 for the library, 221 for the fire department, 231 for the ambulance, 242 for Community Development, 251 for CCA, 801 for the general fund, as well as balances in 611 for the water department and 612 for the wastewater department.

Special Revenue Operations Funds Cash Flow - ~~At the end of each fiscal year, the City will maintain an assigned portion of the fund balance for cash flow is in a range equal to 20—40% of the following year's budgeted expenditures. An average fund balance of 20-40% of budgeted expenses will be maintained for cash flow. This average will be based on the prior 12 months actual month end balance compared to the budgeted expenses (latest adopted budget). These balances are monitored and reported monthly, quarterly and annually.~~ This includes funds 211 for the library, 220 for the fire department, 230 for the ambulance, 240 for Community Development, and 250 for CCA.

- **UNASSIGNED**- is the residual classification for the positive fund balance within the **General Fund** which has not been classified within the above-mentioned categories as well as the negative fund balances in other governmental funds. This is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications and, therefore, not subject to any constraints. Unassigned amounts are available for any purpose. These are the current resources available for which there are no government self-imposed limitations or set spending plan. Although there is generally no set spending plan for the undesignated portion, there is a need to maintain a certain funding level. Undesignated fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as undesignated can be used to cover expenditures for revenues not yet received.

Policy -

General Fund Cash Flow - ~~At the end of each fiscal year, the City will maintain an unassigned portion of the fund balance for cash flow in a range equal to 40—60% of the following year's budgeted expenses (or \$1 million whichever is greater). In addition to cash flow needs this accommodates compensated absence liability and emergency contingency concerns.~~

An **average** unassigned portion of the general **fund balance** of 40-60% of budgeted expenses (or \$1 million whichever is greater) will be maintained for cash flow. In addition to cash flow needs this accommodates compensated absence liability and emergency contingency concerns. **This average will be based on the prior 12 months actual month end balance compared to the budgeted expenses (latest adopted budget). These balances are monitored and reported monthly, quarterly and annually.**

If amounts designated for cash flow fall above or below the desired range, the City Administrator shall report such amounts to the City Council as soon as practical

~~after the end of the fiscal year.~~ Should the actual amount designated for Cash Flow fall below the desired range, the City shall create a plan to restore the appropriate levels. Should the actual amount designated for cash flow rise above the desired range, any excess funds will remain undesignated pending the Council's final decision concerning transfer to another fund. It is the policy of the City that, to the extent possible, such excess funds will be transferred to the Special Projects Undesignated Reserve Fund (801Und).

Adopted Sep 08, 2008 | Revisions May 23, 2022 | Adopted | Annual Review Jan 9, 2023 / Adopted | Annual Review Jan 8, 2024 / Adopted | Annual Review Dec 9, 2024 – Distribution Annual Mtng Jan 13, 2025 / Adopted Jun 23, 2025 | Updates cash flow from NY revenues to expenses -Distribute Jan 12, 2026 / Adopted Oct 27, 2025 for distribution Jan 12, 2026

1. POLICY

The investment program shall be operated in conformance with federal, state, and other legal requirements, including Minn. Stat. § 118A. It is the policy of the City to invest public funds in a manner which will provide the highest investment return with minimum risk while meeting the daily cash flow demands.

Investment income will be allocated quarterly to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

POLICY CONSIDERATIONS

EXEMPTIONS

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

APPROVAL OF INVESTMENT POLICY

The investment policy shall be formally approved and adopted by the Chatfield City Council.

AMENDMENTS

This policy shall be reviewed on an annual basis at the Annual Meeting. Any changes must be approved by Chatfield City Council.

2. SCOPE

This policy applies to the investment of all funds of the City of Chatfield and Chatfield Economic Development Authority (the "City") except those (if any) which are governed in another manner by specific reference in federal, state and/or local statutes. Proceeds from certain bond issues / construction funds may be covered by a separate policy to conform to federal requirements and / or earn specific sub-account earnings.

All assets to which this policy applies are accounted for in the City's annual Financial Statements and include;

- General Fund (*Governmental Fund*)
 - Special Revenue Funds (*Governmental Fund*)
 - Debt Service Funds
 - Capital Project Funds (*Governmental Fund*)
 - Enterprise Funds (*Proprietary Fund*)
 - Internal Service Funds (*Proprietary Fund*)
 - Any other newly created governmental or proprietary fund
- (Custodial funds are not invested but simply passed through)

The City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiency with regard to investment pricing, safekeeping, and administration.

Resources: City of Edina , David Drown & Associates Municipal Advisor, Northland Securities, 4M & Smith Schafer Certified Public Accountants and Consultants

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3. Standards of care

PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

DELEGATION OF AUTHORITY

Authority to manage the investment program is granted to the City Administrator, hereinafter referred to as investment officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer.

4. INVESTMENT GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and return on investment:

Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio, through diversification and maturity limitations for each pool of fund of investments. The objective will be to mitigate credit risk and interest rate risk.

CREDIT RISK

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities identified as authorized in section 5 of this investment policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with those defined in Section 7 of this investment policy.

Resources: City of Edina, David Drown & Associates Municipal Advisor, Northland Securities, 4M & Smith Schafer Certified Public Accountants and Consultants

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- Diversifying the investment portfolio so that the impact of price fluctuations from any one type of security or from any one individual issuer will be minimized in accordance with section 9 of this investment policy.

INTEREST RATE RISK

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in money market checking accounts, shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section 8).

LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The portfolio will be structured so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of some securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

Yield Return on Investment

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- Liquidity needs of the portfolio require that the security be sold.

5. AUTHORIZED INVESTMENTS

Investment Types consistent with Minn. Stat. § 118A will be permitted by this policy including but not limited to;

- United States Securities
- Money Market Funds
- Minnesota Joint Powers Investment Trust
- State and Local Securities
- Commercial Papers
- Time Deposits
- Fully Collateralized Deposits

Resources: City of Edina , David Drown & Associates Municipal Advisor, Northland Securities, 4M & Smith Schafer Certified Public Accountants and Consultants

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6. SAFEKEEPING AND CUSTODY

Safekeeping

Consistent with Minn. Stat. § 118A.06(a), Investments may be held in safekeeping with;

- (1) Any Federal Reserve Bank,
- (2) Any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to, the bank from which the investment is purchased;
- (3) A primary reporting dealer in United States government securities to the Federal Reserve Bank of New York or;
- (4) A securities broker-dealer, or an affiliate of it, that meets the following requirements:
 - a. It is registered as a broker-dealer under chapter 80A or is exempt from the registration requirements;
 - b. It is regulated by the Securities and Exchange Commission; and
 - c. It maintains insurance through the Securities Investor Protection Corporation or excess insurance coverage in an amount equal or greater than the value of the securities held.

The City's ownership of all securities in which the fund is invested must be evidenced by written acknowledgements identifying the securities by the names of the issuers, maturity dates, interest rates, CUSIP number or other distinguishing marks.

Collateralization

In accordance with M.S. 118A.03 on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

7. FINANCIAL INSTITUTIONS, SECURITY DEALERS, AND CONSULTANTS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 in total assets and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)

Resources: City of Edina, David Drown & Associates Municipal Advisor, Northland Securities, 4M & Smith Schafer Certified Public Accountants and Consultants

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- Proof of state registration
- Completed broker certification form (annual) (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the City's investment policy.

The broker/dealer must sign the Broker Notification and Certification form required by Minnesota Statutes 118A, including this investment policy, prior to any investment transaction with the City. The Broker Notification and Certification must be updated annually.

8. INVESTMENT PARAMETERS

DIVERSIFICATION

The investments shall be diversified by:

- limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities and collateralized deposits),
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities, and
- investing a portion of the portfolio in readily available funds such as local government investment pools or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

MAXIMUM MATURITIES

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than an average expected life of ten (10) years from the date of purchase or in accordance with state and local statutes and ordinances.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

COMPETITIVE BIDS

The investment officer shall consider multiple competitive offerings on all purchases of investment instruments purchased. The investment officer shall have no obligation to purchase and may decline on any or offerings.

9. INTERNAL CONTROLS

The investment officer shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud,

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employee error, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

10. PERFORMANCE STANDARDS

The City's cash management portfolio shall be designed with the objective of meeting or exceeding the average return on three-month U.S. Treasury bills during a market/environment of stable interest rates. The portfolio will take into consideration investment risk constraints and cash flow needs.

11. REPORTING

Administration prepares two financial reports, a Monthly Cash and Investment Report and a Quarterly Financial Report (1st, 2nd & 3rd Quarter, the Audited Financial Statement serves as the fourth quarter report)

MONTHLY FINANCE CASH & INVESTMENT REPORT

- PURPOSE—MONTHLY RECONCILIATION OF ACCOUNTING SOFTWARE BALANCES WITH THE INSTITUTION BANK STATEMENTS (OR ON LINE REPORTING INFORMATION).
- INFORMATION PROVIDED—
 - ACCOUNTING SOFTWARE FUND BALANCES (CASH BASIS REPORTING)
 - RESERVE FUND "BUCKET" BALANCES
 - INSTITUTION CASH & MONEY FUND ACCOUNT BALANCES
 - INVESTMENT HOLDINGS (CD'S, BONDS, SECURITIES) BY MATURITY DATE, MARKET VALUE & ESTIMATED VALUE BASED ON FULL MATURITY
 - % OF PORTFOLIO BY INSTITUTION
 - PORTFOLIO ESTIMATED AVERAGE YIELD (BASED ON FULL MATURITY) COMPARED TO 3 MONTH TREASURY BILL
- DISTRIBUTED TO—
 - CITY ADMINISTRATOR
 - PERSONNEL BUDGET COMMITTEE (COUNCIL REPRESENTATIVES)

QUARTERLY FINANCIAL REPORT (DASHBOARD)

- PURPOSE—REVENUE & EXPENDITURE BUDGET TO ACTUAL ANNUALIZED ACTIVITY ANALYSIS AND YEAR END FUND OPERATIONAL GUIDELINES & POLICY CHECK POINTS MONITORING.
- INFORMATION PROVIDED—
 - FUND LEVEL BUDGET TO ANNUALIZED ACTUAL REVENUE & EXPENSE PROJECTIONS CHART
 - GENERAL FUND DEPARTMENTS BUDGET TO ANNUALIZED ACTUAL EXPENDITURE PROJECTION CHART (GENERAL REVENUE, LEGISLATIVE, ADMINISTRATION, MUNICIPAL BUILDING, POLICE, STREET MAINTENANCE, POOL, AND PARKS)
 - FINANCE OPERATIONAL GUIDELINES & POLICY CHECKPOINTS
 - OPERATIONS CHECK BOOK BALANCE TRACKING CHART—PROPOSED \$750,000 (3YR AVG MONTHLY OPERATIONS EXPENSES)
 - GENERAL FUND UNASSIGNED BALANCE TRACKING CHART
 - SPECIAL REVENUE OPERATIONS ASSIGNED & ENTERPRISE FUND CASH FLOW (CASH BASIS) | YEAR END 20-40% OF THE FOLLOWING YEARS BUDGETED EXPENSES
 - CASH & INVESTMENT BALANCE | PERFORMANCE
 - PORTFOLIO BALANCE TREND CHART
 - QUARTER END PORTFOLIO ESTIMATED YIELD | 3 MONTH TREASURY REPORT
 - QUARTER END PORTFOLIO BALANCE | BY INSTITUTION
 - DISTRIBUTED TO—CITY ADMINISTRATOR | DEPT HEADS | PERSONNEL BUDGET COMMITTEE | COUNCIL

Resources: City of Edina , David Drown & Associates Municipal Advisor, Northland Securities, 4M & Smith Schafer Certified Public Accountants and Consultants

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Adopted Sep 08, 2008 / Amendment Adopted Jun 27, 2022 / Adopted | Reviewed Jan 09, 2023 / Adopted | Reviewed Jan 08, 2024 / Adopted | Annual Review Dec 9, 2024 – Distribution Annual Meeting Jan 13, 2025 / Adopted | Oct 27, 2025 – Distribution at Annual Meeting Jan 12, 2026

Resources: City of Edina , David Drown & Associates Municipal Advisor, Northland Securities, 4M & Smith Schafer Certified Public Accountants and Consultants

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HISTORICAL REFERENCE & BACKGROUND:

The 2008 audit identified two significant deficiencies in internal control.

- *-Accounting and Financial Reporting / Segregation of Duties – This deficiency is inherent in an entity of this size and is not a newly reported deficiency. The report went on to say that it would not be practical for the entity to devote the resources required to overcome this limitation. This deficiency will continue to be reported annually. The only action we can take is to constantly be aware of this and realize the concentration of duties and responsibilities in a single individual is not desirable from an accounting point of view. We have segregated the duties and implemented cross-checks in our practices to the degree we can with the resources we have.*

This document was created in 2009 in response to the second deficiency that was identified.

- *Documentation of Accounting Policies and Procedures – The City should document its accounting policies and procedures in a written policy manual which spells out the accounting policies and procedures that make up the City's internal control system. The documentation should describe the procedures as they are intended to be performed and indicate which employees are to perform which procedures.*

The audit comment from Smith Schafer and Associates was that during their audit they became aware of a matter that was an opportunity for strengthening internal controls and operating efficiency.

In response to this opportunity, the accounting internal control practices have been documented.–The first section provides background information from the State Auditor's office as well as from the City's Code. This purpose of providing the background information is to provide a point of reference for expectations and to provide a basis to measure compliance in order to ensure our practices are sound.

General Overview Statement for City of Chatfield Internal Control Procedures

The City of Chatfield strives to perform daily operations with practices that strike a balance of sound internal accounting controls that fulfill statutory requirements, while also maintaining operational efficiencies, and managing the costs of providing the control in order to safeguard funds, manage assets, provide financial statements that conform to generally accepted accounting principles, and manage finances with responsible stewardship to ensure public confidence and maintain the integrity of the financial systems.

All personnel with a role in the management of the City of Chatfield's fiscal operations are expected to uphold the policies in this manual. It is the intention of the City of Chatfield that this accounting manual serves as our commitment to proper, accurate financial management and reporting.

THE PURPOSE OF DOCUMENTING THESE PRACTICES IS TO:

- *Enhance employees' understanding of their role and function in the internal control system;*
- *Establish responsibilities;*
- *Provide guidance for employees;*
- *Improve efficiency and consistency of transaction processing*
- *Improve compliance with established policies;*
- *Help prevent deterioration of key elements in the entity's internal control system;*
- *Maintain consistency in procedures from year to year and during employee transitions; and*
- *Help decrease circumvention of the entity's policies.*

HISTORICAL REFERENCE & BACKGROUND (CONT.):

INTERNAL CONTROL TOPICS:

STATE AUDITOR & CHARTER REFERENCE INFORMATION

SEGREGATION OF DUTIES

REVENUE MANAGEMENT | RECEIPTS

EXPENSE MANAGEMENT | DISBURSEMENTS

US BANK ONE CARD & FUEL CARD PRACTICES

RECONCILIATIONS

PETTY CASH FUND

FIXED ASSET MANAGEMENT

PAYROLL

COMPUTER SYSTEM BACKUP PROCEDURES

ANNUAL CHECK LIST

HISTORICAL REFERENCE & BACKGROUND (CONT.):

INTERNAL CONTROL TOPIC: STATE AUDITOR & CHARTER REFERENCE INFORMATION

STATE OF MINNESOTA – OFFICE OF THE STATE AUDITOR – STATEMENT OF POSITION –

THE IMPORTANCE OF INTERNAL CONTROLS 2007-1010 –REVISED: FEB 2014 REVIEWED: FEB 2014

Internal controls are designed to protect a local government unit from loss or misuse of its assets. Internal controls also ensure that all transactions are properly authorized, and the information contained in financial reports is reliable.

This Statement of Position will provide public officials and employees with practical answers to some of the questions most frequently asked about internal controls.

What is the purpose of internal controls?

An internal control is a process by which an entity attempts to prevent or minimize the likelihood of accounting-related errors, irregularities, and illegal acts. Internal controls help safeguard funds, provide efficient and effective management of assets, and permit accurate financial accounting. Internal controls cannot eliminate all errors and irregularities, but they can alert management to potential problems.

How much will this cost?

The cost of internal controls should never exceed their expected benefit. When adopting policies and procedures on internal controls, maintain a balance between what is needed to ensure public confidence and to maintain the integrity of the financial systems, and the cost of providing the control in terms of money, time, and efficiency. Many simple and cost-effective internal control procedures are available.

Does someone need to review every transaction?

No. It is not practical or profitable to attempt to independently review every transaction. Instead, management should be alert to “red flags” that could indicate potential problems. Looking into “red flags” will not only detect irregularities, but it will also prevent them from occurring in the first place because an environment of accountability will have been established.

What are some “red flags”?

When an alert is raised, follow-up is critical. Too often we see “red flags” continue unabated long after they were first detected and reported. Here are some examples that would merit further review:

- *Any unusual discrepancy between actual performance and anticipated results (for example, a major budget overrun in “supplies” or an unexplained decline in user fees);*
- *Receipts not matching deposits;*
- *Disbursements to unknown and/or unapproved vendors;*
- *One signature on checks or pre-signed blank checks;*
- *Gaps in receipt or check numbers;*
- *Late reports; or*
- *Disregard for internal control policies and procedures.*

What types of control policies and procedures should be implemented?

The control policies should be adequate to ensure that:

- *All transactions are properly authorized;*

HISTORICAL REFERENCE & BACKGROUND (CONT.):

INTERNAL CONTROL TOPIC: STATE AUDITOR & CHARTER REFERENCE INFORMATION (CONT.)

- *Incompatible duties are segregated.*
- *Accounting records and documentation are properly designed and maintained.*
- *Access to both assets and records is controlled; and*
- *Accounting data are periodically compared with the underlying items they represent.*

Extra care needs to be taken where cash transactions are involved (for example, liquor stores, park and recreation programs, or petty cash funds).

What does it mean to segregate incompatible duties?

Simply put, no employee should be able to commit an irregularity and then conceal it. An example taken from everyday life is a movie theater where one person sells tickets and another person collects the tickets. This helps prevent the person selling the tickets from: (1) collecting the price of the ticket, but allowing entry without a ticket (allowing the ticket seller to pocket the ticket payment without being detected); or (2) allowing entrance without the purchase of a ticket.

Duties can be segregated by department or by individual. Examples of incompatible duties that should be performed by separate individuals are:

- *Receipting collections, posting collections to registers, and making bank deposits.*
- *Signing checks and reconciling the bank accounts.*
- *Receipting collections, and posting collections to the accounts receivable records; and*
- *Approving receivable write-offs/write-downs, and posting adjustments to the accounts receivable records, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.*

What if we are too small to be able to segregate duties?

If it is not practical to segregate duties, management should be aware of the lack of segregation and implement oversight procedures to ensure that employees are following other internal control policies and procedures. In addition, management may want to implement other controls. For example, a mandatory vacation policy or periodic rotation of duties among employees would allow management to observe if there is any noticeable change (for example, a marked increase in cash receipts) while another person is performing the duties. These alternative controls also help lessen potential disruptions caused by employee turnover.

Do some statutes require internal control procedures?

Yes. For example, the statutory requirement that more than one person must sign a check is designed to ensure a deliberate decision about who to pay, how much to pay, and when to pay bills. Pre-signing checks and signature stamps defeat those controls. Statutory requirements should be incorporated in the internal control policies and procedures.

HISTORICAL REFERENCE & BACKGROUND (CONT.):

INTERNAL CONTROL TOPIC: STATE AUDITOR & CHARTER REFERENCE INFORMATION (CONT.)

What sort of accounting documentation is needed?

Accounting records need to be complete. Key documents (for example, invoices, receipts, checks) should be sequentially numbered. Voided documents should be retained. Record retention schedules should be followed. Employee timesheets should be reviewed and countersigned by a supervisor or other third-party.

How do we “compare accounting data with the items represented”?

Bank statements should be routinely reconciled with the cash balances recorded in the books of the account. Check amounts should be compared with the claims approved, as recorded in the minutes. Any differences should be reconciled and documented. An annual inventory of fixed assets will ensure that all recorded items are still in your custody. Similar checks can be made of other accounts (for example, petty cash counts). Explanations of discrepancies should be corroborated by supporting documentation and evidence.

Do we have to write down our procedures?

Proper documentation of control procedures is essential. Written policies and procedures outline the specific authority and responsibility of individual employees, providing for accountability. Written policies serve as a reference and training tool for new employees and ensure that procedures remain in place despite employee turnover. To be effective, an accounting policies and procedures manual must be complete, up-to-date, and readily available to all employees who need it.

Who is responsible for internal controls?

The governing body (county commissioners, city councils, and town boards) and management are responsible for establishing and maintaining internal controls. The governing body sets the tone, educates employees about the importance of internal controls, and provides funding to implement the controls. The governing body must ensure that internal controls remain a top management priority. Management is responsible for evaluating the effectiveness of internal controls on an on-going basis. Even the best-designed internal controls cannot be effective without the active involvement of management. Management can develop a favorable control environment by setting a positive tone, communicating to all employees the importance of internal controls, and taking appropriate action against staff who are not complying with approved internal control policies and procedures. Management should also encourage staff to communicate situations not addressed by the policies and procedures, so that policies and procedures may be adopted as necessary. Finally, management should try to make employees feel comfortable when reporting potential wrongdoing or violations of policies and procedures.

HISTORICAL REFERENCE & BACKGROUND (CONT.):

INTERNAL CONTROL TOPIC: STATE AUDITOR & CHARTER REFERENCE INFORMATION (CONT.)

REFERENCE: CITY OF CHATFIELD – CHARTER

CHAPTER 4 SECTION 16.5 – CITY ADMINISTRATOR –

- D. *To keep the city council fully advised as to financial conditions and needs of the city, and to prepare and submit to the city council for its consideration an annual budget and capital improvements program.*

REFERENCE: CITY OF CHATFIELD – CODE OF ORDINANCES

CHAPTER 2 ADMINISTRATIVE CODE* ARTICLE V – FINANCE –

DIVISION 1. GENERALLY

SEC. 2-75. DISBURSING FUNDS; PAYMENT OF BILLS.

All fund disbursements shall be by order signed by the mayor and administration, duly authorized by the city council, and every such order shall specify the purpose for which the disbursement is made, and indicate that it is to be paid out of the proper fund; but no such order shall be paid until there is money to the credit of the fund out of which it is to be paid sufficient to pay the same together with all then- outstanding encumbrances upon such fund. No claim against the city shall be allowed, except as otherwise provided in this Code, unless accompanied by an itemized bill and voucher, payroll, or timesheet signed by a responsible officer who has personal knowledge of the facts in the case, together with a certificate verifying the correctness and reasonableness of the claim. However, the city council may provide for the regular payment without specific individual authorization or the filing of an itemized bill and voucher, payroll, or timesheet of the salaries and wages of regular employees or laborers, and any other fixed charges which have been previously and duly regularly authorized.

(Code 1999, § 2.7)

SEC. 2-76. PURCHASES AND CONTRACTS

The City Administrator is the chief purchasing agent of the city. Purchases and contracts exceeding \$20,000 are subject to the city council's advance approval. Unless otherwise provided in this Code. All contracts shall be made in accordance with law.

(Code 1999, § 2.8)

State law references: Uniform municipal contracting law, Minn. Stat. § 471.345.

HISTORICAL REFERENCE & BACKGROUND (CONT.):

INTERNAL CONTROL TOPIC: STATE AUDITOR & CHARTER REFERENCE INFORMATION (CONT.)

SEC. 2-96. GENERAL FUND.

The city shall maintain a general fund into which shall be placed or credited all moneys, and from which shall be paid all city expenses, not otherwise appropriated or provided for in other funds created in the city Charter or this article.

(Code 1999, § 2.3.1)

SEC. 2-97. BOND, CERTIFICATES, AND WARRANT FUNDS.

Separate funds shall be maintained for each issue of bonds, certificates, or warrants in the resolution or ordinance authorizing such issuance and into each such separate fund shall be placed and credited all moneys received from taxes and assessments levied and revenues pledged for the payment of each such issue, together with any other moneys appropriated by the city council for their payments. From such funds shall be paid the principal and interest and fiscal agent's fees for making such payment as such become due.

(Code 1999, § 2.3.5)

SEC. 2-98. LIBRARY FUND.

A library fund shall be maintained into which shall be placed and/or credited all money received from revenues of public libraries, from taxes levied therefore or from transfers from other funds. All disbursements shall be made pursuant to law.

(Code 1999, § 2.3.4)

State law references: Disbursements from library funds, Minn. Stat. §§ 134.11, 134.12.

SEC. 2-99. PUBLIC UTILITY FUND.

A public utility fund shall be maintained into which shall be placed and credited all money received from the operation of all public utilities or appropriated by the city council thereto, and from which shall be paid all expenses incurred through the operation of such public utilities.

(Code 1999, § 2.3.2)

INTERNAL CONTROL TOPIC: SEGREGATION OF DUTIES

REFERENCE

Avoiding Pitfall 04/13/2018

When employee responsibilities are arranged so that the work of one employee is checked by another, it is called "segregation of duties."

Ideally, no single official or employee should be able to:

1. Authorize a transaction;
2. Record the transaction in the entity's books; and
3. Obtain custody of the item resulting from the transaction.

Examples of incompatible duties that should be performed by separate individuals include:

- Receipting collections, posting collections to registers, and making bank deposits; or
- Signing checks and reconciling the bank accounts.

To put it another way, a person should not be in a position to commit an irregularity and cover it up.

Due to the limited number of personnel in smaller cities and towns, the segregation of accounting functions necessary to ensure adequate internal control is not always possible. In those situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a single individual is not desirable from an accounting point of view. Example of incompatible duties that should be performed by separate individuals include: receipting collections, posting collections to registers, and making bank deposits; and signing checks and reconciling the bank accounts. To put it another way a person should not be in a position to commit an irregularity and to cover it up.

INFORMATION:

CITY OF CHATFIELD SEGREGATION OF DUTIES PRACTICES:

No financial transaction (authorization, recording & custody) shall be handled by only one person from beginning to end.

The following is a list of personnel who have responsibilities within the administration department:

City Council

1. Review detailed claim listing in each agenda packet showing the vendor ~~to be paid~~, the amount, the fund being charged along with a brief description of the expense.
2. Review and approves quarterly financial reports.
3. Review and adopt annual levy and budget.
4. Reviews and approves all contracts for goods and services that exceed \$20,000.
5. Authorizes all interfund transfers not included in annual budget.

Mayor

1. Signs all checks for city council approved expenditures, except for ACH payroll checks and EFT vendors (IRS, State of Minnesota, PERA, Investments, HSA, administrative processing fees, and debit transactions for lodging associated with approved departmental training).

City Administrator

1. Reviews monthly Revenue and Expenditure Guidelines and Monthly Bank Reconciliation spreadsheet.
2. Prepares annual levy and budget.
3. ~~Prepares listing of interfund transfers.~~

Finance Director

1. Processes daily online banking / fund accounting batch posting reconciliation.
2. Processes disbursements into Fund Accounting to generate claims listing report for City Council Agenda Packets.
3. Generates monthly revenue and expenditure guideline reports.
4. Processes monthly / quarterly and annual sales and use tax
5. Reconciles the bank accounts.
6. Prepares resolutions requesting authorization for interfund transfers not included in annual budget.
7. Prepares quarterly finance report (1st, 2nd & 3rd – Annual Financial Statement serves as 4th quarter).

REFERENCE INFORMATION:
When the segregation of accounting functions is not possible due to the size of the entity, management should constantly be aware of this condition. The concentration of duties and responsibilities in a single individual is not desirable from an accounting point of view. Additional internal control policies and procedures should be used to compensate for the lack of segregated duties.

Additional policies and procedures could include:

- *A formal, numbered receipt book should be used for all receipts;*
- *Minutes should include the claim number of bills approved for payment;*
- *Invoices should be canceled to ensure they are not paid twice*
- *Town supervisors or city council members should determine that reports are submitted promptly, and are in agreement with cash balances and grant expenditures; and*
- *The town board or city council should adopt a formal conflicts of interest policy.*

Date this Avoiding Pitfall was most recently published: 04/20/2018

CITY OF CHATFIELD SEGREGATION OF DUTIES PRACTICES(Cont.)

8. Assists Department Heads and City Administrator-with annual budget.
9. Adds capital goods to fixed assets data base.
10. Processes quarterly water department sales and use tax.
11. Has access to Root River State Bank On Line banking to provide enhanced internal control (along with City Clerk, Deputy Clerk(s), Assistant Deputy Clerk(s)).
12. Verifies ACH deposit amounts for Root River State Bank.

City Clerk & Deputy Clerks

1. Processes receipts.
2. Processes utilities & monthly utility billing cycle..
3. Processes the payroll, including payroll tax statements.
4. Has access to Root River State Bank On Line banking to provide enhanced internal control (along with City Clerk, Assistant Deputy Clerk(s), & Finance Director).
5. Provides receipt report for Revolving Loan Fund payments.
6. Mails all checks for payments.
7. Receives and distributes all incoming mail.
8. Files claim vouchers

Deputy City Clerk

- ~~9. Processes receipts.~~
- ~~10. Processes utility receipts & monthly utility billing cycle.~~
- ~~11. Mails all checks for payments~~
- ~~12. Processes the payroll, including payroll tax statements.~~
- ~~13. Has access to Root River State Bank On Line banking to provide enhanced internal control (along with City Clerk, Assistant Deputy Clerk(s), & Finance Director).~~
- ~~14. Receives and distributes all incoming mail.~~
- ~~15. Reconcile petty cash fund monthly.~~
- ~~16. Files claim vouchers.~~

All Department Heads

1. Review all bills for appropriateness / receipt of services or merchandise, initial for authorization and provide expenditure code for process according to where the service or merchandise was budgeted (or forward electronically with notations to Finance Director or Deputy Clerk).
2. Review detailed claim listing in each agenda packet showing the vendor to be paid, the amount, the fund being charged along with a brief description of the expense.
3. Assists with developing first draft of departmental budgets.
4. Accountability to approved departmental budgets in purchasing decisions and in preparing check request vouchers / invoices with the proper account code.

INTERNAL CONTROL TOPIC: Revenue management policy

REFERENCE INFORMATION:

Internal control is necessary for cash receipts to safeguard the assets of the city and to ensure that all cash funds intended for the city is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.

CITY OF CHATFIELD RECEIPT | REVENUE MANAGEMENT
PRACTICES

SEGREGATION OF DUTIES —

No financial transaction shall be handled by only one person from beginning to end.

1. The Deputy City Clerks are the primary people to receive all incoming mail.
2. The Deputy City Clerks are responsible for receiving all payments to the city, whether by mail or in person. Physical receipts will be provided on all cash sales. In the absence of the Deputy Clerks, the Finance Director, City Clerk, Community Development Director, or City Administrator may receive cash payments.
3. The Deputy City Clerks (Finance Director assists with state and county ACH and special project receipts) are responsible for coding and keying the receipt batches in the accounting software, processes the deposits by preparing the deposit slip and delivering the deposit to the bank. In the absence of the Deputy Clerk, the deposits are delivered to the bank by the Finance Director, the City Clerk, Community Development Director or the City Administrator.
4. The Finance Director makes sure each receipt batch is balanced in the accounting software and posts the receipt batches.
5. Financial reports (Revenue & Expenditure Guideline Reports) are prepared by the Finance Director and distributed to the heads of each department monthly. The Revenue & Expenditure Reports and the Bank Reconciliation Spreadsheet showing the cash balances of each fund are distributed to the City Administrator each month. A monthly financial report is distributed to the Personnel Budget Committee. A quarterly report is prepared and distributed to City Council, which provides the Budget to Actual comparisons of the Revenues and Expenditures, the investment maturity and performance information as well as the cash balances in each institution (1st, 2nd & 3rd quarter, the Audited Financial Statement fulfills 4th quarter/ year end reporting).

CITY OF CHATFIELD RECEIPT | REVENUE MANAGEMENT
PRACTICES (CONT.)

SEGREGATION OF DUTIES (CONT.) –

6. Invoices for utility billing are prepared by the Deputy City Clerk, or City Clerk through the Utility Billing Software. Invoices for Chatfield Ambulance Services are prepared by the ~~Assistant~~ Deputy City Clerk through coordination with the contracted billing service (HomeTown billing). Invoices for Fire Services provided are prepared by the Deputy City Clerk, City Clerk or through the Fund Accounting invoicing module, tickets / citations serve as the invoice for the Police Department. Annual Rural Fire and Ambulance invoices are prepared by the Finance Director, City Clerk, Deputy City Clerk, or City Administrator utilizing the Fund Accounting invoicing module. Other receivables invoicing is processed by the City Clerk, Deputy City Clerks, Finance Director, or City Administrator utilizing the Fund Accounting invoicing module. Electronic copies of the Fund Accounting invoices are saved to the accounts receivable folder on the network. Revolving Loan Fund payments are process via ACH transactions through Root River State Bank cash module on a monthly basis.
7. Utility billing is done monthly. The Deputy City Clerk, or City Clerk calls for the electronic reads of the meters and downloads the information. Banyon software is used for utility billing. Exception reports are generated for readings out of the normal range (too low, too high). The Deputy City Clerk works with the Public Works employees to recheck each of these accounts. Invoices are generated out of the Banyon Utility Billing software. Payments come through the mail, a drop box, in cash at the counter, EFT payments as well as electronic submission through the web store and are handled as described below.

RECIPT | REVENUE MANAGEMENT PRACTICES (CONT.)

ACCOUNTING CONTROLS –

1. All payments made to the city are keyed into the Banyon software by the Deputy City Clerk, City Clerk, or Finance Director (Utility Billing or Fund Accounting). A batch name is created for each Fund Accounting software batch. The Finance Director posts and clears the batches according to daily transaction report from the Root River State Bank on line banking inquiry.
2. Receipts batches for each deposit are keyed into the accounting software which includes, receipt date, the amount of the receipt, a description of the item or service being paid for, and the revenue account the revenue is being allocated to. Each receipt batch matches a deposit on the bank statement and is cleared by the Finance Director during the daily reconciliation.
3. All cash receipts (other than utilities) contain a signature, or at least the initials of the staff member receiving the payment (typically the Deputy City Clerks). A sequentially number two part receipt is provided. The first part is given to the payer; the second part is retained by the City. An accounting of cash or check received will be recorded on the receipt and include the check number if applicable.
4. A signed or initialed copy of a utility billing invoice is provided by staff to utility bill payers paying in cash. The City Clerk, Deputy City Clerk or ~~Assistant Deputy Clerk~~, keys the payments into the Utility Billing software crediting each account and prepares a deposit for each batch. The Utility Billing software passes a batch electronically to the Fund Accounting software. These batches match the deposits on the Bank Statement and are cleared by the Finance Director during the daily reconciliation.
5. Receipts are typically deposited in the city's bank account on a daily basis. Under no circumstances shall payments, whether by cash or other instrument, be kept longer than one week.
6. A receipt drawer is kept for cash receipts in a locked cabinet at the counter in the main City Clerks Office. This office is also locked after hours.
7. The Finance Director, City Clerk, or Deputy City Clerk is responsible for processing the receipt of funds received via electronic payments (RevTrack Webstore, MyRec & Fortis pool payments, Minnesota Management & Budget, County Settlements, Revolving Loan Fund Payments, Utility Bill payments, etc.) Transactions are processed on a daily basis. These deposits are reconciled like the other utility receipts matching deposits daily to the Root River State Bank transaction report.

Cash disbursement credit card / fuel card into merged into Expense Management Jan 2023-----

INTERNAL CONTROL TOPIC: EXPENSE MANAGEMENT POLICY

REFERENCE INFORMATION:

Internal control is necessary for cash disbursements to safeguard the assets of the city and to ensure that all cash funds are disbursed only upon proper authorization of management for valid government purposes, and that all disbursements are properly recorded.

MN State Auditor: 2023 Avoiding
Pitfall: Electronic Funds Transfers

CITY OF CHATFIELD GENERAL DISBURSEMENT | EXPENSE MANAGEMENT PRACTICES

SEGREGATION OF DUTIES –

No financial transaction shall be handled by only one person from beginning to end.

1. Each department makes purchases for the operational needs of their department on behalf of the City of Chatfield in compliance with the departmental practices, statutory requirements, as well as opinions and recommendations of the State Auditor and according to the League of Minnesota Public Purchase Expenditures publication.
2. All checks shall require two signatures with the exception of ACH payroll checks administered by automatic deposit ACH and EFT transactions for the IRS, State of Minnesota, PERA, payroll vendor liabilities, utility providers, and administrative fees: preferably the Mayor and either the City Administrator, City Clerk, Finance Director, or Deputy City Clerk. Infrequently, but in order to meet routine administrative processes, two authorized representatives from the Administration department may sign a check for such items as postage, or an administrative transaction previously approved by council for a deposit or delivery, in the absence of the City Administrator.

**2026 Note: Use of online payment services is cautiously increasing for budgeted routine services when available as delivery delays and lost checks are in the rise with postal delivery service.*

- a. Electronic Fund Transfers: Local governments may use electronic fund transfers to pay vendor claims, instead of checks. Electronic funds transfers may also be used to purchase and sell investments.
 - o Those authorized to process payments & investment activity by electronic fund transfers are the authorized signers for each institution.
 - o The individual initiating the transfer must be identified and documented in the transactions audit trail paperwork and receive a second authorization from those on the authorized signers for the banking institution the funds are being disbursed from.
 - o Documentation confirming the transaction, must be made within one business day of the transaction; and
 - o A list of all electronic funds transfers (e-checks in Fund Accounting) must be included in the claims listings at the next regular meeting if they change fund balances (not transfers between institutions).

Reference column

3. Invoices are received through central mail at the City Clerks office. The Deputy City Clerk distributes the invoices to the appropriate Department Head. Utility / recurring monthly vendor invoices are coded and keyed by the Deputy City Clerk.
4. Invoices shall be reviewed, and appropriate general ledger codes applied by the department head and or designated staff member.
5. Upon timely submission of claims by each department (by Tuesday morning prior to the second and fourth Monday of the month), the Finance Director and Deputy City Clerk will review all claims for accuracy and record them into the accounting system. In the absence of the Finance Director or Deputy City Clerk, the City Clerk or City Administrator may record payments. Most claims submitted for payment shall be authorized (physically signed off on, or by e-mail notifications) by the appropriate department. Exceptions to this include local operating supply vendors, and the utility / monthly recurring bills.
6. All claims batches are reviewed by the Finance Director or Deputy City Clerk and reports of claims to be paid are prepared for the City Council packets. Expenditures that were administratively authorized and processed in order to meet a payment deadline, were previously approved by Council display with a preprinted electronic check number on the claims listings.
7. The department heads review these claims listings for accuracy and the City Council will approve all claims paid and to be paid. Claims listings reports are submitted at each City Council meeting.
8. The Finance Director and / or the Deputy City Clerk print the checks. In the absence of the Finance Director and Deputy City Clerk the City Clerk or City Administrator may print checks. Pre-numbered checks are kept in the main office suite of the City Administrator and signed out by payables batch.
9. The Finance Director or Deputy City Clerk prepares and endorses the checks with the first signature. The checks are placed in the Mayors mailbox for endorsing after approved by City Council. If any claim is not approved for payment the check is pulled and is either not signed and / or the check is void.
10. The Finance Director or Deputy City Clerk voids any checks in the software that were not approved.
11. Properly signed and approved checks and remittance advice are prepared for mailing by the Deputy City Clerk, the Finance Director, the City Clerk, or the City Administrator and the vouchers with supporting documentation are filed alphabetically by vendor name.

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT PRACTICES (CONT.)

SEGREGATION OF DUTIES (CONT.) –

12. The Finance Director reconciles the bank statements monthly.
The bank reconciliation spreadsheet showing the cash balance of each fund is distributed to the City Administrator with the Revenue & Expenditure Reports. The bank reconciliation spreadsheet is also distributed monthly to the Personnel Budget Committee.
13. Financial reports (Revenue & Expenditure Guideline Reports) are prepared by the Finance Director and distributed to the heads of each department monthly.
14. A quarterly report is prepared and distributed to City Council, which provides the annualized budget to actual comparisons of the revenues and expenditures, the investment maturity and performance information as well as the cash balances in each institution. This is completed for first, second and third quarter. The annual financial reports prepared by the external auditor is the fourth quarter report.

ACCOUNTING CONTROLS –

The following common internal controls relate to paying bills;

1. All disbursements, except those from petty cash, will be made by pre-numbered checks, or ach banking methods.
2. It is not permissible to draw checks payable to Cash.
3. Under no circumstances will blank checks be signed with both signatures in advance.
4. A disbursement claim voucher shall be prepared for each invoice or request for reimbursement. Detailed receipts are required for all purchases (dates and description of all merchandise or services purchased) that details the payee, amount to be paid, description of expense account to be charged, authorization signature (most invoices), and be accompanied with related source documents. *If a receipt is not provided, is misplaced or lost, staff will provide an e-mail or create a detailed memo receipt listing the merchandise or services purchased with an explanation of the missing receipt. This practice is expected to be an exception but is an accommodation for times when receipt printers are out of paper or e-mails are not received.*

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

ACCOUNTING CONTROLS (CONT.) –

5. Expenditures must be approved in advance by authorized persons.
6. All signed checks will be mailed promptly by the Deputy City Clerk, Finance Director, City Clerk or City Administrator.
7. The check stub will be attached to each claim voucher (with attached invoices) as the checks are prepared for mailing.
8. Invoices and requests for reimbursement are reviewed for accuracy and reasonableness as they are reviewed within the department or as they are keyed into the accounting system. Employee reimbursable expenses must contain itemized receipts or documentation of trip purpose and date for mileage reimbursement and may be processed through the payroll system.
9. The monthly bank reconciliation details the check number, check date and amount for all cleared and outstanding checks for the month and is filed along with the Bank Reconciliation spreadsheet and a copy of each bank statement.
10. Unpaid invoices are routed by each department to the Finance Director or Assistant Deputy City Clerk where they are maintained in an unpaid claim file. Unpaid invoices shall be processed promptly as to avoid incurring late or past due charges.
11. Material (\$5,000) advance receipts / payments to employees or vendors shall be recorded as receivables / payables in the general ledger. Accruals will be made for exceptions to routine operations and materially significant transactions. The payables typically include the January transactions for December of the prior year services for utilities and such. Balance between routine billings that occur on the same vendor billing cycle and materially significant need to be made. While the individual transaction may not be material the batch in total may be material.
12. Expense reports for travel related expenses shall be submitted on a timely basis.
13. Checks by which claims are paid shall have printed on the reverse side, above the space for endorsement: “The undersigned payee, in endorsing this order check, declares that the same is received in payment of a true, just and correct claim against the City and that no part has heretofore been paid.

Reference Column

MN State Auditor Statement of Position (State of Minnesota – Office of the State Auditor-2007-1005, February 2014)

Cities have authority to make purchases using credit cards issued to the public entity. The statutes authorizing credit card use by public entities restrict the use of credit cards to purchases for the public entity. No personal use of the credit card is permitted.

According to Minnesota law, credit cards should only be used by those employees and officers otherwise authorized to make purchases. If the public entity does not authorize a credit card purchase, the officer or employee who made the purchase becomes personally liable for the amount of the purchase.

Purchases made with the credit card must be consistent with other state law. For example, under Minnesota law, claims presented for payment must be in writing and itemized. Monthly statements received from a credit card company lack sufficient detail to comply with these statutory requirements. As a result, public entities using credit cards must retain the invoices and receipts needed to support the items charged in the bill from the credit card company. Similarly, listing only the credit card company on a claims list would merely identify the method of payment. It does not identify the vendors providing the goods and services, as required by law.

The authority to use credit cards does not authorize the creation of a new form of debt for the public entity. The statutes governing the issuance of debt by a public entity add a number of restrictions to the issuance of any obligation. The credit card statutes simply authorize another method of payment. Therefore, the public entity's governing board must adopt a policy of paying off the credit card charges on a monthly basis.

Some public entities have obtained debit cards instead of or in addition to credit cards. While entities have the authority to make purchases using credit cards, the authority to use debit cards is less clear. Debit cards allow funds to be immediately withdrawn from the entity's financial account, provide fewer protections than credit cards provide, and circumvent statutory claims approval safeguards. We recommend that entities use credit cards, and not debit cards, to make purchases for the public entity.

The ability to use a credit card for small purchases in the ordinary course of business offers many advantages. However, the ability of the card holder to make the public entity liable for an improper or illegal purchase in an inherent risk associated with credit cards. Compliance with statutory requirements and the adoption of and adherence to a policy implementing further internal controls will greatly reduce the public entity's exposure to loss of public funds through theft or misuse of the credit card.

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT PRACTICES (CONT.)

GENERAL CREDIT CARD PRACTICES

(US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES IN NEXT SECTION)

Credit cards are issued for use by staff, for official company use only on an as needed basis. Fuel cards have been phased out as the bulk fuel system has been installed.

This policy applies to all employed staff of the City of Chatfield. Additionally, this policy applies to all usage of the company issued credit/debit cards.

This policy specifies the use of, eligibility, responsibilities, and restrictions on the use of credit cards, debit card and fuel cards issued by the City of Chatfield.

The city utilizes;

- the US Bank One Card (Credit) program
- a Kwik Trip house account (card is on site in Chatfield) for water, and other work-related food purchases, and pet food purchases for the pound
- an Amazon business account – with a credit limit of \$30,000 (04/23/2024 e-mail RB, BC, Amazon Business)
- Swimming Pool lines of credit;
 - Fortis – for swiped card reader transactions. This system met electronic transaction security criteria.
 - Priority Payment System for on line registration / orders processed through MyRec.
- And Nayax, for the bulk water system.

ROLES | RESPONSIBILITIES

MANAGEMENT –

The City Council, department heads and staff are provided with a detailed listing of expenditures in the agenda packets as a review process. The claims listing details the charges that have been made to, Kwik Trip, & US Bank. These vendors issue itemized monthly statements, and the city makes payment in full by check.

- The City Clerk, or Deputy City Clerk issue and track the cards to departmental employees and provide training on authorized uses.
- Ensure correct accounting, procurement and taxation practices are applied.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

GENERAL CREDIT CARDS (CONT.)

(US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES IN NEXT SECTION)

STAFF –

- Staff will be accountable for expenditures and must keep cards secure while on their person.
- Report any loss or theft immediately to Department Head and City Clerk office.
- Staff will ensure correct procedures for use of all cards issued and that all receipts for purchases are returned to Finance at the City Administration office.
- Cards are to be returned to Department Heads for delivery to City Clerk immediately upon termination or notification to terminate employment.
- Violation of this usage policy may result in cancellation of the credit/debit card, formal reprimand and/or termination.

AUTHORIZED USES-

- Cards should only be used where it is necessary to pay for goods and services immediately rather than on an established account with the supplier.
- The account limit at Kwik Trip is \$2,600 (verified 06/2025 per statement) and alcohol and tobacco purchases are prohibited. There is an instore card which requires a pin for purchases. The Kwik Trip account is used for specialty fuel in park equipment, and occasional needs for emergencies (water at fires), or occasional city occurrences such as coffee for elections or committee of the whole.
- Typical uses of the company issued cards are for; gas for city vehicles and equipment, gas for personal vehicles when used and documented usage is for official company business. lodging, on line payments for training, licenses/fees and vendors that do not establish accounts or will not be used frequently and require immediate payment or other expenses when the PO process is not possible due to timing.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

GENERAL CREDIT CARD PRACTICES (CONT.)

(US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES IN NEXT SECTION)

UNAUTHORIZED USES

- Any personal charge whatsoever, including but not limited to personal meals, personal telephone usage and movie rentals included in lodging bills associated with official business purposes.
- Purchases where an existing account with the supplier exists.
- In the case of fuel cards, restricted purchases include.
 - Anything other than fuel, oil and or emergency mechanical repairs for the vehicle or department assigned to the fuel card, (note that the departments are authorized with the use of a pin to make in store purchases at Kwik Trip for water, and other work-related food purchases, and pet food purchases for the pound).
 - Not to be used for any private purchases such as fuel, oil and/or emergency mechanical repairs for the employees personal or any non-work-related vehicle.
- Alcohol and tobacco products are prohibited.
- Cash advances on all credit cards are prohibited.
 - *Note: Two lines of credit exist for the swimming pool operations for citizens funds to pass through as funds are placed on account and then used for admissions and concessions*
 - *Priority Payment Systems for MyRec registration and*
 - *Fortis for on site swiped credit / debit card activity.*
- If an employee who is authorized on behalf of the city has charges that are disallowed and are not repaid prior to the credit card billing date, the city will have a lien on the employee's wages, including final pay.

Violations

Violations of this usage policy may result in cancellation of the credit/debit card, formal reprimand and / or termination.

Documentation

Kwik Trip Receipts

Kwik Trip is used for high octane gas for specialty equipment, water and food purchases for authorized departmental needs. These purchases are made using the in-store account card with a departmental pin. All receipts for Kwik Trip purchases must be submitted to accounts payable to fulfill documentation requirements.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

GENERAL CREDIT CARD PRACTICES (CONT.)

(US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES IN NEXT SECTION)

Procedure / Practices

1. The City has credit cards.
2. Public Works, Police, Ambulance, Administration and Fire Department use credit cards for specialty gas & special occurrences at Kwik Trip.–The Kwik Trip card is kept in the store and requires a departmental pin code to be entered.
3. The cards are to be used for official city business only; no personal purchases/charges are allowed.
4. Department Heads are responsible for verifying and approving purchases for their departments. They are asked to get printed confirmation / detailed receipts of all purchases.
5. Department Heads are then responsible for appropriately processing each invoice with the expense codes and submitting the invoice in a timely manner for processing.
6. The Deputy City Clerk †, or Finance Director / Accounts Payable processes the credit cards like any other invoice.
7. Lost or stolen credit cards or numbers are to be reported to the Department Head immediately.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES

US BANK ONE CARD PURCHASING CARD OVERVIEW

The US Bank One Card provides staff with a method of payment where a tax-exempt house account does not exist, or where on line payment is required.

US Bank One Card Benefits

The One Card concept is to offer a means to charge purchases to the City using a secure process with authorization and security levels pre-determined for each cardholder.

Cardholders will be able to obtain goods and services in a quick and convenient way within the system's controls.

US Bank One Card Definitions

The System Administrator is: The City Clerk

The Alternate Administrator: The Deputy City Clerk

The Program Administrator: The Finance Director

Statement Cycle End Date: 25th day of the Month

Settlement Method: To be paid by check

US Bank Card Program Responsibilities

The success of the US Bank One card system depends on both cardholders and supervisors.

The following are several key areas that are required of **cardholders**:

- Responsibility lies with the cardholder to be informed of the City's expense management policy and procedure.
- Ensure that the US Bank One Card is used for appropriate City purchases and that the purchase meets the public purpose requirement (must benefit the community as a whole, be directly related to functions of the government, and does not have as its primary objective the benefit of a private interest.
- Cardholder should be cognizant of the annual departmental budget and understand the limitations of the City expense management policy.
- Sign the back of the card.
- Ensure that the US Bank One Card is kept secure and that all transactions are signed by the Card holder.
- Ensure that charges are not split to avoid the single-purchase dollar limit.
- Ensure that problems with a billing are resolved with the vendor.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

US Bank Card Program Responsibilities (Cont.)

- Complete the below process for purchases:
 - **On the 26th of the month log on and print the transaction summary report for the prior months purchases** (or use the US Bank Excel expense form), attach the detail receipts, document the appropriate expense code on the summary report, and a brief description of the purpose of the purchase. Turn the paperwork into the **department head or Administrator for approval signature prior to** the Finance Director.
 - Sign the claim.
 - Have **department head** / supervisor sign/**approve the monthly summary report.**
 - **Have administrator sign / approve the monthly summary report for department head activity.**
 - Ensure that the original detailed itemized receipts are attached to the claim form.
 - The transaction summary report or expense forms for purchases are to be turned in monthly to Finance Director by noon on the **26th of the month.** ***The US Bank Card may be revoked if receipts have to be requested for processing from the same individual for multiple statements and / or if the US Bank card is used multiple times for a personal purchase.**
 - If possible sign in on a weekly basis to verify charges to the account are valid and that no unauthorized charges are being made. This will be accomplished by signing onto the cardholder's online account and viewing current activity and statements. See "How Do I View Purchases /Statements Online?" in the Table of Contents for directions on how to access your online account.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

US Bank Card Program Responsibilities (Cont.)

The following are several key areas that require supervisor |
department head support:

- Review and approve US Bank claim forms to ensure that all transactions and charges are accurate, appropriate, and serve a public purpose. Note any account code reclassifications or changes in account distribution.
- Ensure that the Card is not used to make personal purchases.
- Ensure that the Card requirements contained in this User Manual are met.
- Ensure that the Card is used only by the Cardholder.

REQUESTING A NEW PURCHASING CARD OBTAINED

- A Department Head is required to approve the issuance of a Purchasing Card. An e-mail must be sent to the ~~Program~~ System Administrator (City Clerk) by the approving supervisor with the following information:
 - Employee Name
 - Department
 - Date of Birth
 - Last 4 of social security
- Once the System Administrator (City Clerk) receives the card, the employee must meet with the City Clerk to go over the Card User Manual/Policy. The policy must be signed by the cardholder before the card is given to the employee.

All billing, account coding, and card changes questions/ requests
should be referred to the Program Administrator | Finance Director.

Reference Column

CITY OF CHATFIELD GENERAL DISBURSEMENT | EXPENSE
MANAGEMENT PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

Does the purchasing card need to be activated?

Yes, by calling 1-800-344-5696. The ID code is the last four digits of the cardholder's SSN.

Does my purchasing card have a PIN?

After issuance of the Card, the cardholder will receive a PIN number in the mail. Note that Cards are not debit cards and will not allow the cardholder to get cash back. Purchasing Cards issued after October 2015 have the EMV Chip technology. The pin number is for the sole purpose of utilizing the EMV Chip technology. At merchant terminals that accept EMV Chip technology, you will be instructed to "dip" the card in the terminal. The card is inserted and left in the terminal as you complete the purchase. There are two ways in which the transaction can be authenticated, either through using the PIN number or by signature.

Your PIN cannot be changed. If you forget or lose your PIN, you will have to contact customer service and request a reminder be sent. Until you receive the reminder, you will be allowed to conduct transactions using your signature.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

For whom can a cardholder make purchases?

The cardholder may make City business-related purchases within their department or division.

What commodities/goods or services can be purchased using a purchasing card?

The card may be used to purchase only goods or services that are for the express use by the City of Chatfield. In addition, certain products or services may be excluded when the card is programmed by the System Administrator. Purchase of alcohol and tobacco is strictly prohibited.

Is personal use of the purchasing card allowable?

No, use of the purchasing card for personal purchases is strictly prohibited. If the card is inadvertently used for a personal purchase, call the Program Administrator | Finance Director immediately. **The US Bank card may be revoked if used for a personal purchase.**

Can the Card be shared?

The only person entitled to use a card is the person whose name appears on the face of the card. Do not lend the card to another person for use. Card transactions can only be signed for by the cardholder. Use by anyone other than the cardholder is prohibited.

Which Vendors May I Use?

The-card is a Visa Card product. Any supplier or merchant who accepts Visa can accept the Purchasing card. The City has the ability to restrict purchases from certain vendors, based on merchant category codes, which would result in the card being declined at that vendor's place of business. The card may be used for in-store purchases, as well as phone, internet or mail orders.

Where economically feasible, local vendors should be used.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

What if the Vendor Does Not Accept credit cards?

If a supplier or merchant does not accept the card, use another method of procurement such as a purchase order or invoice/claim form.

What are the Guidelines for Sales Tax?

The City qualifies for the local government sales tax exemption; therefore, purchases are tax exempt. If there are questions regarding sales tax, contact the Program Administrator | Finance Director.

The cardholder is responsible for making sure sales tax is not charged on exempt purchases. If necessary, the cardholder should provide the merchant with a Certificate of Exemption (or ST3 form); this document can be obtained from the Forms / Applications section of the city website (<https://www.cityofchatfieldmn/forms>) and clicking on ST-3 Certificate of Exemption under Sales Tax | Tax Payer Forms.

What about receipts for Memberships, Dues, Subscriptions, and Conference Registrations?

For purchases in which a receipt is not normally given, use a copy of the completed application or order form as a receipt. It should clearly indicate payment was made using the card. The receipt must be itemized.

If the agency will send an invoice and allow payment by check that method should be utilized rather than incur a fee for utilizing a credit card.

How are charges paid?

Actual payment will be made by monthly by check. Each billing cycle ends on the 25th of each month.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

What if there is an incorrect billing?

If you have a problem with a billing, try to reach an immediate resolution with the supplier or merchant that provided the item. Your receipt will be the key document. The supplier or merchant should issue credit for a billing correction. This credit may appear on the next weekly statement.

If an agreement cannot be reached with the supplier or merchant, the next step is to contact the Program Administrator | Finance Director.

What if a receipt is lost?

On the rare occasion that a receipt is lost, a written US Bank claim form describing the transaction in detail and reason for no receipt should be sent through the claims process identified above under cardholder responsibilities. Repeated loss of itemized receipts can result in loss of purchasing card privileges.

Can telephone orders be charged?

Order may be made by telephone but be as cautious as you would be if you were giving out your personal credit card number. Request an itemized receipt from the merchant.

What about purchases on the internet?

Using purchasing cards to make transactions over the Internet has risks associates with it. Therefore, when making purchases on the internet be sure to order using a secure site. Request an itemized receipt from the merchant.

What if the card is lost or stolen?

Keep the card in a secure location. It needs to be accessible only to the cardholder. If the card is lost or stolen, contact U.S. Bank immediately by calling the 24-hour telephone number (1-800-344-5696). Immediately after reporting the loss to U.S. Bank, you must inform the **System Administrator (City Clerk)** ~~Program Administrator~~ ~~Finance Director~~ and your supervisor. It is extremely important to act promptly in the event of a lost or stolen card to avoid City liability for fraudulent transactions.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

What if the cardholder is no longer employed by the City?

The cardholder must turn in the card to their department head, who is responsible for notifying the System Administrator (City Clerk) for canceling the card and returning the card to the System Administrator (supervisors or cardholders should not destroy cards – cards must be given to the System Administrator | City Clerk to destroy).

How are purchases returned?

If a purchased item is to be returned, follow the supplier or merchants return procedures.

How do I view purchases / statements online?

You will need to register for an online account in order to view your statement:

1. Go to <https://access.usbank.com>
2. Click the “Register Online” link
3. When asked your company short name, enter **CHAT**
4. Your account number is the 16 digit number on your credit card
5. Enter the remaining required information
6. Click register this account
7. You will then be asked to create a username (7-12 characters in length) and password (8-20 characters in length with at least one alpha, one numeric, and one symbol). Keep this information in a secure location.
8. Complete the user authentication questions. These will be used to authenticate your account if you forget your User ID or Password.
9. Enter your contact information; use your City information and the City Hall address.
10. You should now be registered to view your account activity online.

To view account activity:

1. Go to <https://access.usbank.com>
2. Enter your information to sign in:
 - a. Organization Short Name: **CHAT**
 - b. User ID and Password will be those that you created when you registered.
3. Once you are signed into your account you will have the option on the right to view your statement.
4. Check your account activity frequently so unauthorized charges can be identified as soon as possible.

Reference Column

GENERAL DISBURSEMENT | EXPENSE MANAGEMENT
PRACTICES (CONT.)

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW (CONT.)

Will use affect personal credit?

Use of the card will not have any impact on the cardholder's personal credit rating.

What transactions are unauthorized?

Cards may not be used for excluded categories of goods and services or purchases split to remain under the single transaction dollar limit amount. The issuer provides the City with detailed transaction reports of exceptions by cardholder. These reports list purchases that attempted to exceed the set limits and failed the electronic authorization at the merchant's register. These reports also list purchases with may have been split to avoid dollar control limits. See purchasing policy for detailed information on authorized/unauthorized purchases and purchasing limits.

Per state statute, all purchases by credit card must comply with all statutes, rules or City policies. If a cardholder makes or directs a purchase by credit card that is not approved by the City Council, the employee is personally liable for the amount of the purchase.

What would cause loss of privileges?

Failure to comply with the provisions of this user manual may result in-revocation of card privileges. The following are some examples of violations:

- Splitting of charges to avoid the single purchase dollar limit
- Loaning the card to another employee for use
- Failure to submit charges for payment in a timely manner
- Failure to provide itemized receipts for charges
- The second time an inadvertent personal purchase occurs
- The second time the attached receipts do not match the item description or dollar amounts listed on the monthly statement of account

Intentional misuse of the card for personal purchases is considered theft and will be punishable up to and including termination and/or criminal prosecution.

US BANK ONE CARD PROGRAM PRACTICES | PROCEDURES (CONT.)

US BANK ONE CARD PURCHASING CARD OVERVIEW ACKNOWLEDGEMENT FOR FILE

.....
Acknowledgement

Cardholder Printed Name: _____

I have read the City of Chatfield Purchasing Card System User Manual / Policy. I understand the contents and agree to comply with the said policy.

Cardholder Signature: _____

Date: _____

System Administrator (City Clerk) Signature: _____

INTERNAL CONTROL TOPIC: RECONCILIATIONS

Reference Column

SEGREGATION OF DUTIES —

No financial transaction shall be handled by only one person from beginning to end.

1. The daily deposits are retrieved from the Root River State Bank on line banking application by the Deputy City Clerk for ACH receipt processing in Fund Accounting.
2. The prior days deposits and withdrawals are retrieved from the Root River State Bank online banking application by the Finance Director. The online banking transactions are also accessible by the Deputy City Clerks and the City Clerk for redundancy
 - a. The Finance Director, posts and clears deposits and withdrawals daily in Banyon Fund Accounting based on the daily transaction report from Root River State Bank on line banking and is reconciled on a daily cash balance spreadsheet.
3. On the first (or first business day) of the month Bank Statements are retrieved electronically from the online banking systems. to reconcile the bank accounts using the approved reconciliation spread sheet by the Finance Director. Paper copies are also received in the mail from Root River State Bank in the main office and distributed to the Finance Director a few days later.
4. The Finance Director reconciles each bank account by the 5th of the following month. In the event it is not possible to reconcile the bank statements in this period of time, the City Administrator should be notified.
5. Daily reconciliation / transaction review includes the following;
 - a. Matching the activity dates and amounts of deposits and withdrawals on the daily transaction report from Root River State Bank online banking transaction report with the corresponding transactions in the Fund Accounting software. Matching receipts are posted and checks / withdrawals are cleared in the Fund Accounting bank reconciliation app and on the Check register with cash balance spreadsheet.
 - b. Outstanding transactions on the bank report or unmatched receipt batches or withdrawals are investigated.

Reference Column

INTERNAL CONTROL TOPIC : RECONCILIATIONS (CONT.)
SEGREGATION OF DUTIES –(CONT.)

6. At month end when reconciling the bank accounts, the following items are reviewed:
 - a. A comparison of the monthly totals of amounts of daily deposits and withdrawals as shown on the banks statements with the corresponding transactions in the Fund Accounting software.
 - b. An accounting of the sequence of checks both from month to month and within a month.
 - c. Review check images on the monthly statement for authorized signatures, irregular endorsements and alterations.
 - d. Investigate checks which have been outstanding over six months.
 - e. The completed monthly bank reconciliation spreadsheet along the revenue and expenditure guideline reports are distributed to the City Administrator from the Finance Director.

INTERNAL CONTROL TOPIC: PETTY CASH

Internal control is necessary for petty cash to safeguard the assets of the city and to ensure an appropriate level of fiduciary responsibility by providing guidelines for the use, safekeeping and reporting standards of petty cash funds, while allowing for small purchases or reimbursements to be made from the petty cash funds.

OSA-avoiding pitfalls:

Petty Cash (Imprest Funds – Part I

Petty cash funds, referred to as “imprest funds” in Minnesota’s statutes, are authorized for cities. Due to the fact that these are cash funds (currency in the form of coins and bills), extra security precautions should be taken to safeguard these funds.

Each petty cash fund must be established by an entity’s governing body and a “custodian” of the fund must be appointed. Meeting minutes should document the creation, custodian and amount of any petty cash fund. The governing body should periodically review these funds to determine whether they are still necessary.

Petty cash funds are not separate checking accounts. Rather, by law, these funds are cash (currency). They are allowed for the payment of any proper claim if “it is impractical” to pay the claim in any other manner. The statutes prohibit the funds’ use for salaries or for certain travel advances.

A claim itemizing all disbursements from a petty cash fund must be presented to the governing body at its next meeting. If the governing body approves the claim, the fund’s custodian should be given payment to replenish the fund. If the governing body fails to approve the claim in full, the fund’s custodian is personally responsible for the difference.

SEGREGATION OF DUTIES –

A petty cash fund of \$400.00 is available to City staff to make small purchases or reimbursements, in cash, for items such as postage due, shipping costs, office supplies, and to process change for cash payments received at the counter for utility payments, etc., using the following guidelines:

1. The Deputy City Clerk will act as the custodian of the Petty Cash Fund, backed up by the City Clerk or Finance Director. The Administration staff are the only people to have access to the cash as custodians of the fund.
2. The Deputy City Clerk maintains primary custody of the petty cash and is responsible for reconciling the fund monthly and completing a request to the Finance Director to replenish the fund including a second review from a person in the administration department.
3. The Deputy City Clerk will cash the reimbursement check and validate the balance of the fund when replenishing the funds.
4. The Department Heads and City Council approves all withdrawals from the Petty Cash Fund as part of the accounts payable process by reviewing the Claims Listings. The funds are replenished with a check payable to the City of Chatfield – Petty Cash, signed by the Administration and Mayor (two acceptable signatures).

Note: Use of the petty cash fund is uncommon. The US Bank Card program accommodates most of the transactions that this fund was previously used for. The primary purpose of the petty cash fund is to accommodate making change for utility bill payments made with cash.

ACCOUNTING CONTROLS –

The following guidelines will govern the use and keeping of the Petty Cash:

1. The City Hall Petty Cash will not exceed the amount of \$400.00.
2. The Petty Cash Fund will be kept in a cash drawer ~~box~~ at the front desk.
3. Payment for items costing over \$25 should be made by check rather than reimbursed through petty cash.
4. Advances from the Petty Cash Fund will be made only by completing a Petty Cash Claim Voucher. The voucher must state the date and amount of the withdrawal, the reason the cash was withdrawn, the expenditure account to which the expense should be charged, and the name and signature of the person receiving the cash.

OSA-avoiding pitfalls:

Petty Cash (Imprest Funds – Part II)

Withdrawals from petty cash.

There are two possible methods of withdrawing petty cash funds: the reimbursement method and the advance method. When using the reimbursement method, an individual purchases an authorized item with personal funds, provides the original detailed vendor receipt to the petty cash fund's custodian, and is then reimbursed from the petty cash fund. This method is less complicated than the advance method. There is no risk of loss of petty cash funds due to the purchaser failing to buy the item and/or to submit supporting documentation for the purchase. It also allows the petty cash fund to be replenished more quickly than the advance method. For those reasons, the reimbursement method is generally preferred.

The advance method consists of the fund's custodian advancing petty cash funds to an individual for the purchase of a specific item. The custodian should document the date and person whom the funds were provided, the amount provided, and the purpose for the advance. The individual receiving the advance then purchases the authorized item, returning the original detailed vendor receipt and any remaining change to the petty cash custodian. Under the advance method, the fund's custodian may need to follow up if the individual does not return the receipt and change in a timely manner.

OSA-avoiding pitfalls:

Petty Cash (Imprest Funds – Part III)

Additional Recommended Controls.

The designated petty cash custodian is personally responsible for the cash entrusted to the fund. That person should properly secure petty cash funds in a metal lock box that is maintained in a locked desk, locked cabinet, or locked safe to which access is limited.

Reconciliations of petty cash fund should be done by someone other than the person approving withdrawals from the fund. At any time, the amount of cash on hand plus the receipts, and any outstanding advances if the method of withdrawal is used, should equal the amount of the approved petty cash fund. When replenishing petty cash funds, the total of the original receipts maintained by the custodian should match the amount of the replenishing check. The original receipts should be maintained and filed as supporting documentation.

An entity's governing body should consider adopting a petty cash policy. That policy should include when petty cash funds may be used, what items may not be purchased with petty cash, proper petty cash documentation and procedures for replenishing petty cash.

5. The Deputy City Clerk will reconcile the petty cash drawer monthly. Replenishment will only occur once the drawer balance gets to \$300, then a replenishment petty cash check will be requested.
6. No staff member shall be allowed to cash personal checks, including pay checks, in the petty cash.
7. Under no circumstances shall staff members be permitted to borrow from petty cash.-

INTERNAL CONTROL TOPIC: FIXED ASSET MANAGMENT

Reference Column

Internal control is necessary for fixed assets to safeguard the assets of the city and to ensure an appropriate level of fiduciary responsibility by providing guidelines for the use, safekeeping and reporting standards of fixed assets.

A Capital Goods policy was adopted September 8, 2008 which establishes \$2,500 / greater than one year life threshold for capitalizing the fixed asset purchases. The recommendation is to increase this threshold to \$5,000 upon the next policy review in January of 2023.

ACCOUNTING CONTROLS —

The following guidelines will govern the use and tracking of the City's fixed assets:

1. Each department will maintain a log or database of the fixed assets purchased for their use.
2. The log should contain the following information
 - a. Date of purchase
 - b. Description of item purchased
 - c. Received by donation or purchased
 - d. Cost or fair market value on the date of receipt
 - e. Donor of funding source, if applicable
 - f. Funding source restrictions on use or disposition
 - g. Identification / serial number (if appropriate)
 - h. Items with a cost / value of ~~\$5,000~~ **\$10,000** or greater will be entered in the Fund Accounting Fixed Asset module for depreciation purposes.
 - i. Vendor name and address
 - j. Warranty period
 - k. Inventory tag number (all fixed assets should be tagged with a unique identifying number).
3. At least annually, each department will conduct a physical inspection and inventory should be taken of all fixed assets. Disposition of items need to be reported to the Finance director for removal / disposition from the City's fixed assets.
4. Fixed Assets and the Departmental Capital Goods Plans with Reserve Fund balance will be reviewed / reconciled annually during the budgeting cycle.

INTERNAL CONTROL TOPIC: PAYROLL

Reference Column

SEGREGATION OF DUTIES —

1. The City Clerk is charged with the responsibility of maintaining personnel files on staff persons.
2. Each personnel file should contain the following information, at a minimum.
 - a. Employment application or resume
 - b. Date of employment
 - c. Position, pay rates and changes therein
 - d. Authorization of payroll deductions
 - e. Earnings records for non-active employees
 - f. W-4 Form, withholding authorization
 - g. I-9 Immigration Form
 - h. Termination data, when applicable.
3. All personnel records are to be kept locked in a file cabinet in the City Clerks office.

PAYROLL PREPARATION AND TIMEKEEPING —

1. Timesheets are to be prepared by all staff persons and submitted every two weeks on the Monday following each pay period. If an error needs to be corrected, a line should be drawn through the item and the corrected information recorded, and initialed by the person who made the correction.
2. Time sheets are to include specific time in / out each morning, lunch period and end of day.
3. Time sheets are to be signed by the staff person and his / her supervisor
4. All approved time sheets should be submitted to the Deputy City Clerk for processing in the Banyon Data Systems Payroll module, recording time worked, sick time used, vacation time used.

Both the City Clerk and the Deputy City Clerk routinely process a pay group cycle to retain proficiency and cross training of staff to reduce vulnerabilities for the city.
5. Paychecks are processed by utilizing automatic deposit into the staff persons checking or savings account(s).

INTERNAL CONTROL TOPIC: COMPUTER SYSTEM BACK UP PROCEDURES

Reference Column

1. The computer network is routinely backed up according to the Managed IT agreement with Marco for all network drives.
2. Staff is discouraged from saving information to their individual hard drives and if they do so are accountable for creating a back up of these files.
3. Annual backups of the Banyon year end programs are retained on the network files.

INTERNAL CONTROL TOPIC: ANNUAL CHECKLIST

THE FOLLOWING ITEMS WILL BE ADDRESSED ON AN ANNUAL BASIS —

These policies should reviewed and distributed to the Personnel Budget committee by November for annual review / adoption by City Council in December and be distributed to the new City Council & Staff at the annual meeting – (first meeting in January).

- Authorized depositories shall be adopted
- Authorized bank account signers will be reviewed and updated if necessary
 - Root River State Bank;
 - Mayor
 - Vice Mayor
 - Michele Peterson – City Administrator
 - Kay Wangen – Finance Director
 - Beth Carlson – City Clerk
 - Andrea Eickhoff – Deputy City Clerk
 - Desiree Schlichter – Deputy City Clerk
 - F&M Community Bank;
 - Michele Peterson – City Administrator
 - Kay Wangen – Finance Director
 - Beth Carlson – City Clerk
 - Desiree Schlichter – Deputy City Clerk
 - Northland Securities –
 - Michele Peterson – City Administrator
 - Kay Wangen – Finance Director
 - Beth Carlson – City Clerk
 - 4M Fund –
 - Michele Peterson – City Administrator
 - Kay Wangen – Finance Director
 - Beth Carlson – City Clerk
- The meeting schedule for council, boards and committees will be established
- Costs of services will be reviewed and adopted
- Finance & Accounting policies and procedures will be reviewed;
 - Budget
 - Capital Outlay
 - Debt Management
 - Fund Balance
 - Investment Management
 - Finance Procedures | Practices & Internal Control
- Certified Copies of Accounting Procedures & Internal Controls Distributed to banks that distribute city funds electronically to pay vendor claims or purchase and sell investments.
 - Root River State Bank
 - F&M Community Bank
 - Northland Securities
 - 4M Fund
 - *Source: Avoiding Pitfalls MN State Auditor: Electronic Funds Transfers 2023*

DOCUMENT REVISION TRACKING

Annual Budget Policy Adopted Sep 08, 2008

Expense Management Policy May 22, 2017

Purchasing Card (US Bank Card) Policy Jul 22, 2019

Annual Budget Policy Revisions Aug 23, 2021

Adopted | Annual Review Jan 09, 2023 – Incorporate Expense Management & Purchasing Card Policy

Adopted | Annual Review Jan 2024

Adopted | Annual Review Dec 9, 2024 – Distribution Annual Meeting Jan 13, 2025

Adopted | Annual Review Oct 27, 2025 – Distribution Annual Meeting Jan 12, 2026

Certified Copy of Delegation of Authority to disburse funds electronically.

- Root River State Bank
- F&M Community Bank
- Northland Securities
- 4 M Fund

Official City Seal

City Clerk Signature & Date



PERSONNEL / BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: July 13, 2026

Agenda Item: Police Department Staffing

Subject | Summary:

Agenda Category:

Submitted By: Michele Peterson

Recommended Motion: Review information from current Part-time listing.

Community Engagement and Outreach:

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background:

Attachments:



PERSONNEL / BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: July 13, 2026

Agenda Item: Special Assessment Request

Subject | Summary:

Agenda Category:

Submitted By: Michele Peterson

Recommended Motion:

Community Engagement and Outreach:

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background:

Attachments:



PERSONNEL / BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: July 13, 2026

Agenda Item: Parkland Consideration

Subject | Summary:

Agenda Category:

Submitted By: Michele Peterson

Recommended Motion:

Community Engagement and Outreach:

FISCAL IMPACT:

Amount:

Ongoing Cost :

One-Time Cost :

Included in Current Budget?:

FISCAL DETAILS:

Fund Name(s) (Operations | Capital):

Account Code:

Background:

Attachments: