

## 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 an 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 Funds Cash Flow** - At the end of each fiscal year, the City will maintain an assigned portion of the fund balance for cash flow in a range equal to 20 – 40% of the following year's budgeted expenditures. 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.

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*