

City of Spring Lake Park

Investment Interest Allocation Policy

1. Purpose

The purpose of this policy is to establish guidelines for the allocation of investment interest earned on the City's pooled investments to ensure fair and transparent distribution among City funds while complying with **Minnesota state law, Governmental Accounting Standards Board (GASB) requirements, and Government Finance Officers Association (GFOA) best practices.**

2. Scope

This policy applies to all investment interest earned from the City's pooled cash and investment accounts, including but not limited to funds held in the **General Fund, Special Revenue Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, and Capital Project Funds.**

3. Policy Statement

Interest earned on the City's investments shall be allocated to individual funds in a manner that reflects each fund's proportionate share of the total pooled investment balance, except where restricted by law, grant agreements, or bond covenants.

4. Allocation Methodology

Investment earnings shall be allocated as follows:

- **Pooled Investments:** Investment earnings from pooled funds shall be allocated on a **monthly basis** based on **each fund's cash and investment balance as of the last day of the month** relative to the total pooled investments.
- **General Fund Administrative Fee:** **Five percent (5%) of total investment interest earnings shall be allocated to the General Fund before distributing the remaining interest to individual funds.** This fee covers administrative costs related to investment management and allocation.
- **Restricted Funds:** Investment earnings on legally restricted funds (e.g., bond proceeds, dedicated enterprise funds) shall be credited directly to those funds as required by law or bond covenants.
- **Negative Balances:** Funds with negative cash balances shall not receive interest and may be charged an interest cost at the rate equivalent to the City's short-term borrowing rate.

5. Accounting and Reporting

- The **Accountant** or designee shall be responsible for calculating and distributing investment earnings on a monthly basis.
- Interest allocation records shall be maintained as part of the City's financial reports and shall be reviewed during the annual audit process.
- Allocations shall be reported to the **City Council** as part of the regular financial reporting cycle.

6. Compliance & Review

- This policy shall be reviewed annually by the **Accountant** and updated as necessary to reflect changes in investment practices, legal requirements, or best practices recommended by **GFOA** or **GASB**.
- Any changes to the allocation methodology must be approved by the **Administrator, Clerk/Treasurer**.

Effective Date: January 31, 2025