

**Purpose:**

- 1 To provide direction to the allocation of investment income earnings.

**Policy Statement(s):**

- 2 Investment income earnings are allocated to individual eligible accounts at year end.
- 3 Annually, Financial Services determines which accounts are eligible to receive interest and allocates investment earnings to these accounts.
- 4 Allocations for any government transfer program, with the requirement to allocate investment income, are made as outlined within the contract or agreement, or as authorized by the government transfer provider. Government Transfers are allocated investment income earnings before other eligible accounts.
- 5 Unless otherwise stipulated in the government transfer contract, the bank rate is the applied interest rate.
- 6 Actual investment income earned during the year is recorded in either a short term (maturities one year or less) or long term (maturities greater than one year) general ledger investment income account.
- 7 Accounts to receive short term investment income are:
  - (1) Eligible Deferred Customer Contributions
  - (2) Eligible Deferred Government Transfers
  - (3) Eligible Liability Accounts
- 8 Eligible Reserves receive long term investment income.
- 9 Investment Income is not allocated for capital jobs, except as required under policy statement 4.
- 10 Net investment income allocated during the calendar year cannot exceed total interest earned during the calendar year.
- 11 Financial Services determines the investment allocation method.

**Definitions:**

- 12 Deferred Customer Contributions: Liabilities for The City as a result of amounts received from a 3<sup>rd</sup> party, related to expenses of future periods.

- 13 **Deferred Government Transfers:** Liabilities for The City as a result of amounts received from a Provincial or Federal Government, related to expenses of future periods.
  - 14 **Government Transfers:** Grants, transfers of monetary assets, or tangible capital assets from a government to any organization for which the government making the transfer does not:
    - (1) receive any goods or services directly in return, as would occur in a purchase/sale or other exchange transaction;
    - (2) expect to be repaid in the future, as would be expected in a loan; or
    - (3) expect a direct financial return, as would be expected in an investment.
  - 15 **Liability Accounts:** Present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.
  - 16 **Net Investment:** Total investment income less the overdraft fees.
  - 17 **Reserves:** The funds specifically set aside by Council to finance future expenditures, which can be either operating or capital in nature.
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**References/Links:**

- 1 Canadian Institute of Chartered Accountants (CICA) principles and standards
- 2 Enterprise Business Planning Investment Income Guideline – Financial Services
- 3 Public Sector Accounting Board (PSAB) principles and standards
- 4 5333-CP Investment Income Earnings Allocation

**Scope/Application:**

- 1 This policy applies to all divisions and departments except the Culture Managed Fund and deposit accounts.

**Authority/Responsibility to Implement:**

- 1 General Manager of Corporate Services

**Inquiries/Contact Person:**

- 1 Corporate Controller – Budget & Investments, Financial Services

**Policy Monitoring and Evaluation:**

I This policy will be evaluated every three years with revision made as required.

**Document History:**

<b>Date:</b>	<b>Approved/Reviewed By:</b>	<b>Title:</b>
Approved: February 27, 2012	"Craig Curtis"	City Manager
Revised: January 11, 2018	"Craig Curtis"	City Manager
Revised: July 13, 2020	"Allan Seabrooke"	City Manager