INTEREST ON DONATED FUNDS POLICY

1. Donations are routinely expected to be expended for the purpose designated, within the current budget year.

2. Individual donation activities are tracked for amount donated, versus amount spent.

    - *The amount spent against the amounts received has to be computed in order to calculate "net donation balances" referred to in item #3.*

3. Net donation balances at year end, exceeding $5,000 but less than $10,000, will have an appropriate estimated earnings amount calculated and applied, with the resultant balance recorded as a "reserved" portion of City over-all Fund Balance.

    - *The fund balance term "reserved" was eliminated with GASB Statement No. 54, which the City of Stoughton implemented in 2011.*
    - *Under GASB 54, net donation balances would qualify as restricted funds, but any related interest earnings would not be considered as restricted. Interest earnings would be classified as "assigned."*
    - *The language of "appropriate estimated earnings amount" is too vague.*
        - *What is the definition of appropriate? The metric source for the interest rate needs to be defined.*
        - *In calculation the "net donation balances," are expenditures based upon invoice date, general ledger date or the check issuance date?*
        - *Is the interest on net donation balances calculated daily, monthly, or simply upon the year-end balance?*
    - *The current practice is that all funds receive a share of interest income based upon their pro-rata share of pooled cash and investments. Thus, for donations recorded in other funds besides the General Fund, those "net donation balances" are already included in interest calculations.*

4. Ongoing donation activities which have been approved for a multi-year project, (i.e., Opera House), and exceed $10,000 in net balance, will be tracked monthly and have interest earnings calculated and applied monthly based on the month's net activity.

    - *The usage of i.e. (that is) means that this section would only apply to the multi-year project for the Opera House. The correct language would be e.g. (for example) if the intent was for all multi-year projects.*
    - *While this section is specific on monthly tracking, it does not define:*
        - *What metric source for the interest rate should be used*
        - *In calculation the "net donation balances," are expenditures based upon invoice date, general ledger date or check issuance date?*
    - *What happens when these activities begin with balances over $10,000 but then fall into the $5,000 to $10,000 category?*
    - *The current practice is that all funds receive a share of interest income based upon their pro-rata share of pooled cash and investments. Thus, for donations recorded in other funds besides the General Fund, those "net donation balances" are already included in interest calculations.*

5. Minor donation activities, less than $5,000 net, are expected to be expended and will not earn interest.

APPROVED BY THE COMMON COUNCIL: December 14, 1999

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