

January 25, 2006

John B. McCulloch, Jr., Treasurer
Dedham-Westwood Water District
50 Elm Street, Box 9137
Dedham, MA 02027

Dear Mr. McCulloch:


I am replying to your letter dated January 2 relative to investment of monies in the District's general fund in municipal bonds.

You state that the District has no trust funds, and so General Laws Chapter 44 §55 applies. The section defines permissible investments as accounts in "...in term deposits or certificates of deposit, in trust companies, national banks, savings banks, banking companies or cooperative banks, or in obligations issued or unconditionally guaranteed by the United States government or any agency thereof and having a maturity from date of purchase of one year or less, or in United States government securities or securities of United States government agencies purchased under an agreement with a trust company, national bank or banking company to repurchase at not less than the original purchase price of said securities on a fixed date, not to exceed ninety days or in shares of beneficial interest issued by money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations, that have received the highest possible rating from at least one nationally recognized statistical rating organization and the purchase price of shares of beneficial interest purchased pursuant to this section shall not include any commission that these companies may charge, or in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine..."

Investment in municipal bonds does not appear to meet these criteria.

You also inquire if personal liability would be shifted to Commissioners of the District if investments were made over the objection of the treasurer. Chapter 41 §35 (which applies to districts under provisions of Chapter 44 §121) provides that the treasurer "...shall receive and take charge of all money..." We have consistently construed the quoted language to include the selection of investments by the treasurer. I therefore feel that "shifting" of liability would not occur.

Sincerely,


James R. Johnson
Director of Accounts