

TOWN OF SUDBURY
TOWN TRUST FUNDS

Trustees of Town Donations
Investment Policy and Procedures

Revised: 6/9/2005

OBJECTIVE: Preservation of principal and consistent level of income to beneficiaries. The Town Trust Funds' investments will adhere to the following priority; Safety, Yield and Liquidity.

1. All funds will be invested according to Chapter 180 of the Acts of 1911;
2. All funds will be pooled to maximize the yield and investment opportunities available and managed under a collective investment fund by the Trustees of Town Donations;
3. The Trustees of Town Donations consists of the three members of the Board of Selectmen and the Town Treasurer;
4. The Trustees of Town Donations has investment decision making authority and may seek the advice of the Trust Fund Investment Advisory Group, which consists of three appointed members and the Town Treasurer. Execution of investment decisions will be the responsibility of the Town Treasurer, who will have the authority to execute the necessary documents for purposes of investment.
5. All income generated from the fund should be re-invested until time of use.
6. Performance is rated against standard market measures;
7. Only income can be expended from the Trust Funds on an annualized basis. Income will be reported at the close of each fiscal year. Transfers to operating expense will only be made upon approval of requests received by the Treasurer and Trustees of Town Donations;
8. Principal: The definition of principal includes the original bequest plus any capital gains or other additional income reverted to principal at the beneficiary's request. Principal is permanent.

INVESTMENT DIVERSIFICATION & SELECTION GUIDELINES:

Equities: (up to 25% of the portfolio)

- Equity ownership through mutual fund(s) rather than individual shares.
- Preference is to a No-load Fund(s)
- Low or Below average risk
- Superior Rating by Morningstar
- Major Investment firm sponsors the fund

Bonds:

- US Treasury Notes and Bonds -- 5 & 10 year issues or Off the Run issues
- Investment Grade Bonds -- A rating or better
- Federal Agency Bonds -- Non-prepay issues

Cash (up to 5% of the portfolio)

- Insured Money Market or Cash Account (FDIC, DIF, or the like)

ACCOUNTING POLICIES & PROCEDURES:

1. Assets are recorded on the Town Accounting Records at the Fair Market Value. Year end reports show both historical cost and market value.
2. Income is recorded on a cash basis rather than the accrual method to accommodate the Town's accounting system.
3. Income is defined as interest, dividends and realized capital gains
4. Investments of all trust funds are managed on a pooled basis. Income available for distribution for each fund is based on that fund's percentage of the pooled assets at the beginning of each quarter during the fiscal year.
5. Any income not distributed by the end of the fiscal year following the fiscal year in which the income was earned will be retained as available income which may be used towards Trust expenditures.
6. The Town Treasurer with the Investment Advisory Group will prepare a report on the performance of the investment pool at the end of the fiscal year. The report will consist of both historical cost and market value analysis of the performance and include the performance of relevant market indices for comparison purposes. The year end portfolio and relevant credit or risk ratings will be described. The Investment Advisory Group will provide an analysis of the prior year's performance and any relevant market strategy comments.
7. The Town Accountant will enter onto the Town's General Ledger the approved distributions for the current fiscal year.