

MILTON TRUSTEES 2010

The Milton Trustees navigated the storms of economic uncertainty in 2010 with an eye toward balancing the need for liquidity in the Town, School District and Water District Capital Reserve Funds (CRFs) with a long-term approach for the privately funded trusts designed to increase income while growing principal with limited risk.

Capital reserve funds remained invested in the Citizens Bank's Concentration Account Program (CAP) to preserve principal due to the Town's and Districts' need to be able to use these funds with little advance notice. Balances in the Citizens Bank's CAP are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and for amounts that exceed FDIC limits the balances are collateralized with United States backed Government National Mortgage Association (GNMA) securities. The price of conservatism and liquidity is a low yield on the CAP (which is correlated with the Federal Funds rate). The Trustees recommended that the Governing Bodies for the Town and Districts provide the Trustees with guidance on anticipated expenditures from CRFs over the next 12 to 24 months so that the Trustees could consider investments for the CRFs outside the low-yielding CAP program for balances that are not expected to be spent during that period. This action would permit the Trustees to consider higher yielding but conservative fixed income investments, including three- to six-month corporate bond securities.

Unlike CRFs, where both the principal and interest on CRFs may be expended for the voter-approved purposes, State law restricts the expenditures from private trusts to earned income. Therefore, the principal and retained earnings of the private trusts are invested to produce income for the beneficiaries in accordance with the provisions set by the donor. For the private trusts, the Trustees must balance the need to produce income for the beneficiaries with the inflationary pressures that erode the real value of principal over time.

To address these competing dynamics, in the third quarter of 2009 the Trustees revised the Board's investment policy governing the private trusts. This action resulted in a notable increase in 2010 principal and income of the private trusts compared to the prior year's results. Specifically, with the guidance of the Trustees' Investment Advisor at Citizens Investment Services the Trustees established a plan of asset allocation for the private trusts that evolved over the year to include a combination of fixed income securities such as Treasury securities, money markets, corporate and preferred securities; and high quality income producing dividend stocks. These actions resulted in an increase in private trust fund balances (not including the Library Books Fund which was invested in the Citizens Bank's CAP until July) from \$615,919 to \$669,025 as follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>
Lewis Nute Common School Fund:	\$111,905.93	\$122,031.71
Cemetery Perpetual Care Fund:	\$198,070.63	\$214,419.26
Carl Siemon Scholarship Fund:	\$178,807.98	\$192,140.00
Rodney Nason Scholarship Fund:	\$ 47,318.21	\$ 53,684.58
Daniel and Geneva Lockhart Fund:	\$ 79,816.31	\$ 86,749.84

Therefore, income available in 2011 to support the charitable purposes of these private trust funds in accordance with the goals set by the donors increased substantially from the level available in 2010. As the Trustees' first concern is safety of principal so these funds will be available for future generations, it is very important to understand that 2010 performance of the private trusts is not easily repeated. The Trustees are acutely aware that changing market conditions may require a rebalancing of invested assets to reduce risk. If such action were required, there would be less income available in 2012 than is available in 2011.

It is an honor to serve the Milton community. We look forward to seeing you at the 2011 Deliberative Sessions.

Lisa Stewart, Chairman

Marion Trafton, Treasurer

Karen Brown, Trustee

Private Trust Funds 2010

Cemetery Perpetual Care Funds¹

Beginning Balance January 2010:	\$198,070.63
Deposits of additional Principal:	2,400.00
Disbursements:	2,011.80
Earnings on Investments:	6,832.78
Realized Capital Gains:	160.30
Unrealized Capital Gains ² :	9,082.59
Investment Expenses:	115.24
Ending Balance December 2010:	<u>\$214,419.26</u>

Carl Siemon Scholarship Fund

Beginning Balance January 2010:	\$178,807.98
Deposits of additional Principal:	0
Disbursements:	2,250.00
Earnings on Investments:	6,311.52
Realized Capital Gains:	777.89
Unrealized Capital Gains:	8,607.85
Investment Expenses:	115.24
Ending Balance December 2010:	<u>\$192,140.00</u>

Lewis Nute Common School Fund³

Beginning Balance January 2010:	\$111,905.93
Deposits of additional Principal:	0
Disbursements:	0
Earnings on Investments:	3,808.58
Realized Capital Gains:	394.10
Unrealized Capital Gains:	6,021.35
Investment Expenses:	98.79
Ending Balance December 2010:	<u>\$122,031.17</u>

Rodney Nason Scholarship Fund

Beginning Balance January 2010:	\$47,318.21
Deposit of additional Principal:	1,000.00
Disbursements:	500.00
Earnings on Investments:	1,523.55
Realized Capital Gains:	749.58
Unrealized Capital Gains:	3,641.64
Investment Expenses:	48.40
Ending Balance December 2010:	<u>\$53,684.58</u>

Daniel and Geneva Lockhart Fund

Beginning Balance January 2010:	\$79,816.31
Deposits of additional Principal:	0
Disbursements:	451.82
Earnings on Investments:	2,733.88
Realized Capital Gains:	715.27
Unrealized Capital Gains:	4,034.98
Investment Expenses:	98.78
Ending Balance December 2010:	<u>\$86,749.84</u>

Nute High School Library Books Fund

Beginning Balance January 2010:	\$1,004.95
Deposits of additional Principal:	0
Disbursements:	0
Interest on CAP Jan-July ⁴ :	0.77
Realized Capital Gains:	0
Unrealized Capital Gains:	0
Investment Expenses:	0
Ending Balance December 2010:	<u>\$1,005.72</u>

¹ The Cemetery Perpetual Care Funds consist of Hayes Cemetery, Milton Mills Cemetery Association and the Milton Cemetery Association. Information on each burial lot is provided in the Form MS-9 filed with the Attorney General.

² Unrealized capital gains reported are the increase in unrealized capital gains since December 31, 2009.

³ The Principal for the Lewis Nute Common School Fund was \$50,000 per Provision IX of Lewis Nute's Will of June 1888.

⁴ "CAP" refers to the Citizens Bank's Concentration Account Program for municipalities.

Capital Reserve Funds 2010⁵

Ambulance Vehicles & Equipment and/or Fire Department Vehicles 2005

Beginning Balance January 2010:	\$35,109.57
Deposits (12/31/2010):	\$10,000.00
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$ 49.76
Ending Balance December 2010:	<u>\$45,159.33</u>

Capital Improvement Plan 2005-2011

Beginning Balance January 2010:	\$64,136.94
Deposits:	\$ 0
Disbursements (Police vehicle):	(\$28,543.55)
Interest on CAP Jan -Dec:	\$ 54.01
Ending Balance December 2010:	<u>\$35,647.40</u>

Fire Department Vehicles Repairs 2006

Beginning Balance January 2009:	\$ 11,063.22
Deposits (12/31/2010):	\$ 10,000.00
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$ 15.70
Ending Balance December 2010:	<u>\$ 21,078.92</u>

Highway Special Equipment 1997

Beginning Balance January 2010:	\$ 729.71
Deposits (12/31/2010):	\$ 15,000.00
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$ 1.07
Ending Balance December 2010:	<u>\$ 15,730.78</u>

Milton Cemetery Fund 2010

Beginning Balance January 2010:	\$ 0
Deposits (12/31/2010):	\$ 5,000.00
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$.02
Ending Balance December 2010:	<u>\$ 5,000.02</u>

Applebee Road Landfill Cleanup 2008

Beginning Balance January 2010:	\$ 2,060.08
Deposits:	\$ 0
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$ 2.92
Ending Balance December 2010:	<u>\$ 2,063.00</u>

Fire Department Equipment/Apparatus 1997

Beginning Balance January 2010:	\$38,063.68
Deposits (12/31/2010):	\$15,000.00
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$ 53.99
Ending Balance December 2010:	<u>\$53,117.67</u>

Highway Truck 1997

Beginning Balance January 2010:	\$ 1,100.20
Deposits (12/31/2010):	\$ 15,000.00
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$ 1.62
Ending Balance December 2010:	<u>\$ 16,101.82</u>

Industrial Park 1993

Beginning Balance January 2010:	\$ 583.76
Deposits:	\$ 0
Disbursements:	\$ 0
Interest on CAP Jan-Dec:	\$.79
Ending Balance December 2010:	<u>\$ 584.55</u>

Milton Fire Department Buildings 2004

Beginning Balance January 2010:	\$ 7,708.37
Deposits:	\$ 0
Disbursements (roof materials):	\$ 807.18
Interest on CAP Jan-Dec:	\$ 10.00
Ending Balance December 2010:	<u>\$ 6,911.19</u>

⁵ The Trustees also held \$1.89 in the 1999 Revaluation Fund and \$22.44 in the 2008 Milton Water District Vehicle Purchase Fund. There were no deposits, disbursements or income with respect to these two Funds.

Milton Free Public Library 2005

Beginning Balance January 2010: \$11,291.79
Deposits (12/31/2010): \$ 5,000.00
Disbursements (repair windows): \$ 5,640.00
Interest on CAP Jan-Dec: \$ 15.30
Ending Balance December 2010: \$ 10,667.09

Milton Recreation Department 2007

Beginning Balance January 2010: \$20,193.98
Deposits (12/31/2010) \$ 5,000.00
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 28.61
Ending Balance December 2010: \$ 25,222.59

Milton Water District Building Maintenance 2009

Beginning Balance January 2010: \$ 10,011.90
Deposits (08/02/10): \$ 10,000.00
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 19.44
Ending Balance December 2010: \$ 20,031.34

Milton Water District Maintenance 2006

Beginning Balance January 2010: \$ 34,676.96
Deposits (08/02/10): \$ 10,000.00
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 54.36
Ending Balance December 2010: \$ 44,731.32

School Bus Fund 1993

Beginning Balance January 2010: \$10,725.54
Deposits: \$ 0
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 15.18
Ending Balance December 2010: \$ 10,740.72

School District Technology Trust Fund 2007

Beginning Balance January 2010: \$26,783.63
Deposits: \$ 0
Disbursements (technology): \$ 24,875.43
Interest on CAP Jan-Dec: \$ 21.53
Ending Balance December 2010: \$ 1,929.73

Milton/Maine Bridges 2000

Beginning Balance January 2010: \$ 14,113.36
Deposits: \$ 0
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 19.99
Ending Balance December 2010: \$ 14,134.35

Milton Townhouse Repair/Restoration 2010

Beginning Balance January 2010: \$ 0
Deposits (12/31/2010): \$ 500.00
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 0
Ending Balance December 2010: \$ 500.00

Milton Water District Excavator Equipment 2008

Beginning Balance January 2010: \$ 2,024.41
Deposits: \$ 0
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 2.87
Ending Balance December 2010: \$ 2,027.28

Police Department Building 2006

Beginning Balance January 2010: \$ 705.58
Deposits: \$ 0
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 1.01
Ending Balance December 2010: \$ 706.59

School Building Maintenance & Repair 2005

Beginning Balance January 2010: \$ 65,875.42
Deposits (09/21/10): \$ 20,000.00
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 99.76
Ending Balance December 2010: \$ 85,975.18

Sewer Fund 1988

Beginning Balance January 2010: \$ 62,564.91
Deposits: \$ 0
Disbursements: \$ 0
Interest on CAP Jan-Dec: \$ 88.63
Ending Balance December 2010: \$ 62,653.54