

## MILTON TRUSTEES 2011

In 2011 the Milton Trustees continued to develop their Investment Policy both with respect to the Capital Reserve Funds (CRFs) and the privately funded trusts (Private Trust Funds).

To increase interest income for the CRFs, the Town, School District and Water District CRFs were moved from the Citizens Bank's Concentration Account Program (CAP), which offered approximately 7 basis points per year (\$7 interest for each \$10,000 invested) to a program administered by People's United Bank which offers interest of 85 basis points (\$85 interest for each \$10,000 invested). Assuming the closing balances of the CRFs held by the Trustees in 2011 were to remain unchanged in 2012, this change in the investment program would result in approximately \$4,800 of additional income to the CRFs in 2012 without any additional risk to the principal. While the Trustees might be able to increase income further, for the CRFs the Trustees are focused on avoiding risk to the principal of these funds and maintaining liquidity to respond to the Town's and Districts' need to access these Funds with little advance notice. While 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 other investments to increase income, the Governing Bodies were not able to provide such guidance to the Trustees in 2011. This action would permit the Trustees to consider higher yielding but conservative fixed income investments, including six- to twelve-month corporate bond securities. Balances deposited with the People's United Bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and for amounts that exceed FDIC limits the balances are collateralized by a letter of credit issued by the Federal Home Loan Bank of Boston, a triple-A-rated government sponsored enterprise. The price of conservatism and liquidity is a low yield on these Funds and, until there is an increase in the Federal Funds rate which is controlled by the Federal Reserve Bank, interest income for the CRFs will remain relatively low. 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 Trust Funds to earned income. Therefore, the principal and retained earnings of the Private Trust Funds are invested to produce income for the beneficiaries in accordance with the provisions set by the donor. For the Private Trust Funds, 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 Trust Funds and began implementing this revised Policy in the fourth quarter 2009. This action resulted in a notable increase in 2010 and 2011 in the principal and income of the Private Trust Funds compared to the 2009 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 Trust Funds that has evolved over the past 27 months to include a combination of fixed income securities, such as Treasury money markets, corporate bond and preferred securities and high quality income producing dividend stocks. These actions resulted in an increase in the Private Trust Fund balances, including accrued earnings and net of disbursements, from 2009 to 2011 as follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Lewis Nute Common School Fund:	\$111,905.93	\$122,031.17	\$131,164.43
Cemetery Perpetual Care Fund:	\$198,070.63	\$214,419.26	\$221,130.72
Carl Siemon Scholarship Fund:	\$178,807.98	\$192,140.00	\$199,780.92
Rodney Nason Scholarship Fund:	\$ 47,318.21	\$ 53,684.58	\$ 58,006.57
Daniel and Geneva Lockhart Fund:	\$ 79,816.31	\$ 86,749.84	\$ 92,030.23

In 2011 the Trustees implemented a similar investment program for the Nute High School Library Books Fund which had a \$1,108.00 balance at December 31, 2011.

As the value of these Funds has grown, earnings available to support the charitable purposes of the Private Trust Funds increased substantially from 2009.

#### ACCRUED EARNINGS FOR EACH PRIVATE TRUST FUND<sup>1</sup>

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Lewis Nute Common School Fund:	\$ 1,047.67	\$ 3,808.58	\$ 5,818.77
Cemetery Perpetual Care Fund:	\$ 1,911.83	\$ 6,832.78	\$ 11,428.34
Carl Siemon Scholarship Fund:	\$ 1,559.74	\$ 6,311.52	\$ 10,619.78
Rodney Nason Scholarship Fund:	\$ 476.91	\$ 1,523.55	\$ 1,982.62
Daniel and Geneva Lockhart Fund:	\$ 705.33	\$ 2,733.88	\$ 3,590.25

As for the 2010 Town Audit, one item that was successfully resolved from the errors in the 2009 Town Audit was the classification of the Cemetery Perpetual Care Common Fund. The prior misclassification of the Cemetery Perpetual Care Fund as a Permanent Fund in the Town's balance sheet of Governmental Funds was corrected and that Fund is now properly classified as a "Fiduciary Fund" in the Town's financial statements. The Daniel and Geneva Lockhart Fund remains classified in the Audit as a Permanent Fund included in the Town's balance sheet of total Governmental Funds although the Auditor did add a note in the 2010 Audit to confirm that this Fund is not available to finance the budgetary or statutory obligations of the municipality. In addition, the Charitable Trusts Unit of the Attorney General's Office has advised the Trustees that the Durgin Fund (previously known as the Ira S. Knox Fund) is a Private Trust Fund, but that Fund remains incorrectly classified in the Town's financial statements as a Special Revenue Fund.

The income from the Cemetery Perpetual Care Fund is used to provide special care and flowers for the lots for which the families purchased perpetual care. As the Trustees' first concern is safety of principal so that these funds will be available to finance the care of these lots for generations, the 2010 and 2011 performance of the Private Trust Funds 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 2013 than is available in 2012.

The Trustees of the Trust Funds commend the Cemetery Trustees for the wonderful care they provide for the cemeteries of our loved ones and urge everyone who has not done so already to consider providing perpetual care for the burial lots of their families. It is truly a wonderful thing to perpetuate the memory of those who are laid to rest in the Milton cemeteries. The earnings of the Carl Siemon Scholarship Fund are used to award scholarships to secondary school graduates who are residents of Milton and intend to pursue their education at a college level. The earnings of the Rodney Nason Scholarship Fund are used to award scholarships to Milton residents who graduate from Nute High School and have demonstrated superior academic achievement and qualities of leadership. In this way the memories of Mr. Siemon and Mr. Nason are perpetuated into the future by young men and women graduating from Nute High School whose college studies are partially supported by these two Funds. Likewise the Lewis Nute and Daniel and Geneva Lockhart Funds benefit the Milton School District and Milton, respectively, and perpetuate the memory of these generous individuals. We hope that those whose financial circumstances are such that they can put aside funds for a charitable purpose will consider the needs of Milton in the coming generations as did the individuals who established these Private Trust Funds.

It is an honor to serve the Milton community. We look forward to seeing you at the 2012 Deliberative Sessions.

Lisa Stewart, Chairman

Marion Trafton, Treasurer

Karen Brown, Trustee

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<sup>1</sup> The amount shown is the Earnings Accrued as defined in Footnote 6. Earnings of the prior year are disbursed in the current year.

## Private Trust Funds 2011

### Cemetery Perpetual Care Fund<sup>2</sup>

Beginning Balance January 2011:	\$214,419.26
Deposits of additional Principal:	800.00
Refund to Lot Holder:	425.00
Disbursements:	6,732.65
Earnings Received during 2011: <sup>4</sup>	11,760.10
2010 accrued earnings received 2011:	1,685.39
2011 accrued earnings due in 2012:	1,353.63
Realized Capital Gains:	(148.01)
Unrealized Capital Gains <sup>5</sup> :	1,889.26
Investment Expenses:	100.48
Ending Balance December 2011:	<u>\$221,130.72<sup>6</sup></u>

### Carl Siemon Scholarship Fund

Beginning Balance January 2011:	\$192,140.00
Deposits of additional Principal:	0
Return of Principal:	0
Disbursements:	5,250.00 <sup>3</sup>
Earnings Received during 2011:	11,264.35
2010 accrued earnings received 2011:	1,747.15
2011 accrued earnings due in 2012:	1,102.58
Realized Capital Gains:	0
Unrealized Capital Gains:	2,371.62
Investment Expenses:	100.48
Ending Balance December 2011:	<u>\$199,780.92</u>

### Lewis Nute Common School Fund<sup>7</sup>

Beginning Balance January 2011:	\$122,031.17
Deposits of additional Principal:	0
Disbursements:	0
Earnings Received during 2011:	6,219.96
2010 accrued earnings received 2011:	656.39
2011 accrued earnings due in 2012:	255.20
Realized Capital Gains:	0
Unrealized Capital Gains:	3,402.36
Investment Expenses:	87.87
Ending Balance December 2011:	<u>\$131,164.43</u>

### Rodney Nason Scholarship Fund

Beginning Balance January 2011:	\$53,684.58
Deposit of additional Principal:	1,000.00
Disbursements:	500.00
Earnings Received during 2011:	1,993.80
2010 accrued earnings received 2011:	11.18
2011 accrued earnings due in 2012:	0
Realized Capital Gains:	0
Unrealized Capital Gains:	1,839.37
Investment Expenses:	0
Ending Balance December 2011:	<u>\$58,006.57</u>

<sup>2</sup> The Cemetery Perpetual Care Common Fund consists of perpetual care funds held in trust for burial lots in two private cemetery associations, the Milton Mills Cemetery Association (62.56%) and the Hayes Cemetery Association (5.27%). The remainder of the funds (32.17%) is held in trust for the perpetual care of burial lots located both in "adopted" private cemeteries within the Town's borders and for certain lots of Milton's deceased residents buried in Lebanon, Maine (all of which are under the oversight of the Milton Cemetery Trustees). Information on each burial lot is provided in the Form MS-9 filed with the Attorney General and the Department of Revenue Administration.

<sup>3</sup> \$6,750.00 was initially disbursed but \$1,500.00 was returned for a net disbursement of \$5,250.00.

<sup>4</sup> Earnings received for the Private Trust Funds include return of capital from two equity investments. The amounts received as return of capital were as follows: Cemetery Perpetual Care Funds (\$1,479); Carl Siemon Scholarship Fund (\$1,479.00); Lewis Nute Common School Fund (\$986.00); Rodney Nason Scholarship Fund (\$458.00); and the Daniel and Geneva Lockhart Fund (\$528.00).

<sup>5</sup> Unrealized capital gains reported are the increase in unrealized capital gains since December 31, 2010.

<sup>6</sup> The Ending Balance December 2011 equals: (Beginning Balance January 2011) plus (Deposits of additional Principal) less (Refund to Lot Holder – Cemetery Perpetual Care Fund) less (Disbursements) plus Earnings Accrued in 2011 plus (Realized Capital Gains) plus (Unrealized Capital Gains) less (Investment Expenses). Earnings Accrued in 2011 equal (Earnings Received during 2011) less (2010 accrued earnings received during 2011) plus (2011 accrued earnings due in 2012). Citizens Investment Services reported an "Ending Value" for the Private Trust Funds both with and without 2011 accrued earnings due in 2012.

<sup>7</sup> The principal for the Lewis Nute Common School Fund was \$50,000 per Provision IX of Lewis Nute's Will of June 1888.

**Daniel and Geneva Lockhart Fund**

Beginning Balance January 2011:	\$86,749.84
Deposits of additional Principal:	0
Disbursements:	1,027.83 <sup>8</sup>
Earnings on Investments:	3,712.75
2010 accrued earnings received 2011:	265.90
2011 accrued earnings due in 2012:	143.40
Realized Capital Gains:	0
Unrealized Capital Gains:	2,805.86
Investment Expenses:	87.89
Ending Balance December 2011:	<u>\$92,030.23</u>

**Nute High School Library Books Fund**

Beginning Balance January 2011:	\$1,005.72
Deposits of additional Principal:	0
Disbursements:	0
Earnings on Investments:	0.01
2010 accrued earnings received 2011:	0
2011 accrued earnings due in 2012:	0
Realized Capital Gains:	0
Unrealized Capital Gains:	127.20
Investment Expenses:	24.93
Ending Balance December 2011:	<u>\$1,108.00</u>

**Capital Reserve Funds 2011<sup>9</sup>****Ambulance Vehicles & Equipment and/or  
Fire Department Vehicles 2005**

Beginning Balance January 2011:	\$45,159.33
Deposits:	10,000.00
Disbursements:	14,428.00
Interest:	91.23
Ending Balance December 2011:	<u>\$40,822.56</u>

**Applebee Road Landfill Cleanup 2008**

Beginning Balance January 2011:	\$ 2,063.00
Deposits:	0
Disbursements:	0
Interest:	5.61
Ending Balance December 2011:	<u>\$ 2,068.61</u>

**Capital Improvement Plan 2005-2011**

Beginning Balance January 2011:	\$ 35,647.40
Deposits:	0
Disbursements:	31,000.00
Interest:	29.29
Ending Balance December 2011:	<u>\$ 4,676.69</u>

**Education of Special Needs Children 2011**

Beginning Balance January 2011:	\$ 0
Deposits:	25,000.00
Disbursements:	0
Interest:	55.39
Ending Balance December 2011:	<u>\$25,055.39</u>

**Fire Department Buildings 2004**

Beginning Balance January 2011:	\$ 6,911.19
Deposits:	60,000.00
Disbursements:	55,615.00
Interest:	30.30
Ending Balance December 2011:	<u>\$ 11,326.49</u>

**Fire Department Equipment/Apparatus 1997**

Beginning Balance January 2011:	\$ 53,117.67
Deposits:	15,000.00
Disbursements:	0
Interest:	144.30
Ending Balance:	<u>\$ 68,261.97</u>

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<sup>8</sup> Disbursements from the Daniel and Geneva Lockhart Fund of \$1,027.83 consisted of \$1,032.07 of actual disbursements less \$4.24 in a refund of a portion of one disbursement.

<sup>9</sup> The Trustees also held \$1.89 in the 1999 Revaluation Fund. There were no deposits, disbursements or interest with respect to this Fund.

**Fire Department Vehicle Repairs & Improvements 2006**

Beginning Balance January 2011: \$ 21,078.92  
Deposits: 10,000.00  
Disbursements: 0  
Interest: 57.26  
Ending Balance December 2011: \$ 31,136.18

**Herbert Downs Fire Station Planning & Engineering 2011**

Beginning Balance January 2011: \$ 0  
Deposits: 5,000.00  
Disbursements: 2,246.00  
Interest: 6.11  
Ending Balance December 2011: \$ 2,760.11

**Highway Special Equipment 1997**

Beginning Balance January 2011: \$ 15,730.78  
Deposits: 15,000.00  
Disbursements: 15,000.00  
Interest: 7.78  
Ending Balance December 2011: \$ 15,738.56

**Highway Truck 1997**

Beginning Balance January 2011: \$ 16,101.82  
Deposits: 15,000.00  
Disbursements: 0  
Interest: 76.98  
Ending Balance December 2011: \$31,178.80<sup>10</sup>

**Industrial Park 1993**

Beginning Balance January 2011: \$ 584.55  
Deposits: 0  
Disbursements: 0  
Interest: 1.58  
Ending Balance December 2011: \$ 586.13

**Milton Cemetery Fund 2010**

Beginning Balance January 2011: \$ 5,000.02  
Deposits: 5,000.00  
Disbursements: 0  
Interest: 13.58  
Ending Balance December 2011: \$ 10,013.60

**Milton Free Public Library 2005**

Beginning Balance January 2011: \$10,667.09  
Deposits: 5,000.00  
Disbursements: 3,570.00  
Interest: 21.20  
Ending Balance December 2011: \$12,118.29

**Milton/Maine Bridges 2000**

Beginning Balance January 2011: \$ 14,134.35  
Deposits: 10,000.00  
Disbursements: 0  
Interest: 38.40  
Ending Balance December 2011: \$ 24,172.75

**Police Department Building 2006**

Beginning Balance January 2011: \$ 706.59  
Deposits: 0  
Disbursements: 0  
Interest: 1.93  
Ending Balance December 2011: \$ 708.52

**Recreation Department 2007**

Beginning Balance January 2011: \$ 25,222.59  
Deposits: 5,000.00  
Disbursements: 0  
Interest: 68.52  
Ending Balance December 2011: \$ 30,291.11

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<sup>10</sup> On December 29, 2011, the Board of Selectmen approved an expenditure from the Highway Truck Capital Reserve Fund (1997) to reimburse the Town's General Fund for the payment of \$27,266.00 issued by the Town on August 1, 2011 to Granite Ford, LLC, for the purchase of a Ford 250 pickup truck. The authorization was accrued December 30, 2011, and payment was issued from the Fund on January 6, 2012. Therefore, the ending balance on an accrual basis of the Highway Truck Capital Reserve Fund (1997) at the end of 2011 was \$3,912.80.

### **School Building Maintenance & Repair 2005**

Beginning Balance January 2011: \$ 85,975.18  
Deposits: 50,000.00  
Disbursements: 0  
Interest: 344.32  
Ending Balance December 2011: \$ 136,319.50

### **School District Technology Trust Fund 2007**

Beginning Balance January 2011: \$ 1,929.73  
Deposits: 0  
Disbursements: 0  
Interest: 5.25  
Ending Balance December 2011: \$ 1,934.98

### **Townhouse Repair/Restoration 2010**

Beginning Balance January 2011: \$ 500.00  
Deposits: 500.00  
Disbursements: 0  
Interest: 1.36  
Ending Balance December 2011: \$ 1,001.36

### **Water District Excavator Equipment 2008**

Beginning Balance January 2011: \$2,027.28  
Deposits: 0  
Disbursements: 0  
Interest: 5.50  
Ending Balance December 2011: \$ 2,032.78

### **Water District Vehicle Purchase 2008**

Beginning Balance January 2011: \$ 22.44  
Deposits: 5,000.00  
Disbursements: 0  
Interest: 10.95  
Ending Balance December 2011: \$ 5,033.39

### **School Bus Fund 1993**

Beginning Balance January 2011: \$ 10,740.72  
Deposits: 0  
Disbursements: 0  
Interest: 29.19  
Ending Balance December 2011: \$ 10,769.91

### **Sewer Fund 1988**

Beginning Balance January 2011: \$ 62,653.54  
Deposits: 0  
Disbursements: 0  
Interest: 170.19  
Ending Balance December 2011: \$ 62,823.73

### **Water District Building Maintenance 2009**

Beginning Balance January 2011: \$ 20,031.34  
Deposits: 5,000.00  
Disbursements: 0  
Interest: 65.32  
Ending Balance December 2011: \$ 25,096.66

### **Water District Maintenance 2006**

Beginning Balance January 2011: \$ 44,731.32  
Deposits: 10,000.00  
Disbursements: 0  
Interest: 143.33  
Ending Balance December 2011: \$ 54,874.65