

## MILTON TRUSTEES 2012

During 2012 the Trustees worked to maintain the interest income of the Town, School and Water District Capital Reserve Funds (CRFs) in a continuing low interest rate environment. As noted in the Trustees' 2011 Report, the Trustees moved the CRFs from Citizens Bank's Concentration Account Program (CAP) to the People's United Bank and in October 2011 were offered a one-year Certificate of Deposit (CD) earning 85 basis points. CRF balances varied significantly over the course of the year due to the timing of additions to and expenditures from the CRFs. In addition, most of the voter-approved March 2012 CRF appropriations were paid into the CRFs at year-end thereby limiting the opportunity for interest to be earned on those appropriations. The Trustees' CD matured in October 2012 and in part due to chronically depressed short-term rates the Bank was unable to reissue the CD at the same yield. The Trustees initially were offered reissuance at yields below 30 basis points but ultimately the Trustees were able to negotiate a 2-year CD at 45 basis points. As comparison, on October 12 2012, the Bank's offer was 43 basis points higher than Citizens Bank's 2 basis points on their CAP product. Also, while the Trustees do not believe there will be a significant increase in interest rates during the term of the new CD, if interest rates were to rise significantly, the Trustees have the option of forfeiting a nominal amount of interest income through an early liquidation of the CD using the proceeds for a higher yielding CD that may then be available. The Trustees are limited in terms of the types of investments that can be used to generate income for the CRFs and for this reason the Trustees maintain a very conservative approach to investing these assets with emphasis on preservation of principal and liquidity.

In the Town's December 2011 Financial Statements published in 2012, the Government Accounting Standards Board (GASB) Statement No. 54 was interpreted to allow the inclusion in the Town's General Fund balance certain CRFs held in the custody of the Trustees. The Trustees disagree with this interpretation of GASB 54 and instead believe that funds held by the Trustees under State law for specified purposes, principally for capital outlays, should not be included in the calculation of the Town's General Fund balance (reference RSA 35:9; 35:15 and paragraphs 29 & 133 of GASB 54), and that most of the Town CRFs should be classified in the Town's Financial Statements as "Capital Projects Funds".

For the Privately Funded Trust Funds (Trust Funds), which are invested in stocks and bonds at Citizens Investment Services (CIS), the Trustees under State law have more flexibility to invest these assets for greater income and long-term capital appreciation. State law restricts the expenditures of these Trust Funds to the income of the Fund. Further, the Trustees over the years have maintained a conservative disbursement approach in an effort to maintain the inflation adjusted value of each Trust Fund in accordance with the donors' intent for Milton's future generations. This approach has resulted in building the retained earnings of the Funds. As expected, the significant growth in earnings of the Trust Funds from 2009 through 2011 resulting from the Trustees' change in Investment Policy in 2009 reached a plateau in 2012. ~~Special distributions received by the Trustees in 2011 from Kinder Morgan Energy Partners did not reoccur in 2012 and the Trustees' investment in a Wells Fargo Capital Preferred Security was called by the issuer.~~ Following an extensive review of fixed income markets, there were no comparable investments available at CIS which met the requirements of the Trustees' Investment Policy and provided yield at the same level as the called Security (largely because the purchase price in 2009 of the Wells Fargo Capital Preferred Security was at a significant discount to par value resulting in a yield to the Trust Funds that was greater than the yield at issuance). Therefore, when the Trustees replaced the Wells Fargo Capital Preferred Security with a high quality JP Morgan Chase Capital Preferred Security, which had a purchase price at a premium to par value, the result was an incrementally lower yield. In part due to the condition of the U. S. debt markets in 2012 there were also fewer short-term corporate bonds in inventory at CIS which met the requirements of the Trustees' Investment Policy. The Trustees in 2013 will be considering an approach to retained earnings which can be adjusted depending on the cycles in the fixed income markets to preserve the real value of the Trust Funds.

The results of the Trustees' change in Investment Policy from 2009 and the plateau in earnings in 2012 can be seen in the following chart of ending balances from 2009 to 2012 for the Trust Funds which were invested by the Trustees beginning in the third quarter of 2009:

## BALANCES INCLUDING ACCRUED EARNINGS AND NET OF DISBURSEMENTS

	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Lewis Nute Common School Fund:	\$111,905.93	\$122,031.17	\$131,164.43	\$135,450.92
Cemetery Perpetual Care Fund:	\$198,070.63	\$214,419.26	\$221,130.72	\$221,071.73
Carl Siemon Scholarship Fund:	\$178,807.98	\$192,140.00	\$199,780.92	\$200,367.96
Rodney Nason Scholarship Fund:	\$ 47,318.21	\$ 53,684.58	\$ 58,006.57	\$ 61,128.00
Daniel and Geneva Lockhart Fund:	\$ 79,816.31	\$ 86,749.84	\$ 92,030.23	\$ 94,427.81

In 2011 the Trustees implemented a similar investment program for the Nute High School Library Books Fund. The balance of that Fund rose from \$1,108.00 on December 31, 2011, to \$1,490.83 on December 31, 2012. The Trustees received from the Town in June 2012 \$3,112.25 representing the balance of Corinn Walters Camp Scholarship Fund. The Fund's assets are now invested and the Trustees are hopeful that scholarships can be issued from the Fund beginning in 2014.

The Trustees received from the Town in December 2012 \$50,480.40 representing the cash balance of the Ira S. Knox Fund (also known as the Durgin Fund). This amount was net of the Selectmen's 2012 expenditures from the Fund. The Fund also owns 132 shares of Consolidated Edison, Inc. The Trustees in 2013 will be working with the Town and the Attorney General's Office to determine the principal value of the Fund. In the interim, the Fund's assets will be invested by the Trustees in accordance with the Trustees' Investment Policy.

There were eight-thousand dollars (\$8,000.00) in scholarships awarded in 2012 by Milton's Carl Siemon Scholarship Committee. These scholarships are scheduled for payment during the 2012 – 2013 academic year. There has also been a notable increase in the earnings of the Rodney Nason Scholarship Fund; the net amount of which is available to the Scholarship Committee for awards in 2013. Special thanks to Betty Nason for her continued support of the Rodney Nason Scholarship Fund to help Milton's students pursue their education now and in the generations to come.

In December 2012 the Trustees earmarked available earnings from the Lewis Nute Common School Fund in support of the School District's proposed Artist in Residence Program (AIR) which is scheduled to commence in March or April 2013 and for music equipment for the Nute High School Band. The AIR Program encourages students and community members to understand the role of the artist in contemporary society, to engage in the creative process, and to think critically about the role of the arts in education. It is inspiring to see the generosity of Lewis Nute over a hundred years ago being able to assist in the development of a wonderful new program for Milton's children and to provide ongoing support to Nute High School's awesome Band.

Significant earnings in 2012 were disbursed in support of the perpetual care of burial lots in Town owned and sponsored cemeteries and the private cemetery associations. Special thanks to the Trustees of Milton's public and private cemeteries for their hard work and the wonderful care they provide for the lots of our departed loved ones.

Most importantly, we renew our suggestion to those whose financial circumstances permit that, as you consider putting aside funds for charitable purposes, please consider the needs of Milton as did Lewis Nute, Alta Durgin, Carl Siemon, Daniel and Geneva Lockhart, and Rodney Nason. We are forever grateful to those who can assist Milton both now and in future generations.

The Trustees' notices and meeting minutes can be viewed online at the Town of Milton's web site under "Boards and Committees" "Trustees of Trust Funds". In addition we welcome your attendance at our meetings.

Respectfully your team of Trustees,

Lisa Stewart, Chairman

Marion Trafton, Board Treasurer

Karen Brown, Trustee

## Private Trust Funds 2012<sup>1</sup>

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

Beginning Balance January 2012:	\$221,130.72
Deposits of additional principal:	2,400.00
Disbursements:	8,595.71
Earnings received in 2012: <sup>3</sup>	8,921.68
2011 accrued earnings received 2012:	1,353.63
2012 accrued earnings due in 2013:	636.92
Change in investment value: <sup>4</sup>	(2,068.25)
Ending Balance December 2012:	<u>\$221,071.73</u>

### Carl Siemon Scholarship Fund

Beginning Balance January 2012:	\$199,780.92
Deposit of additional principal:	0
Disbursements:	5,500.00
Earnings received in 2012:	8,711.74
2011 accrued earnings received 2012:	1,102.58
2012 accrued earnings due in 2013:	544.52
Change in investment value:	(2,066.64)
Ending Balance December 2012:	<u>\$200,367.96<sup>5</sup></u>

<sup>1</sup> Beginning in October 2011 National Financial Services as Custodian for accounts held by Citizens Investment Services began reporting ending balances both with and without accrued interest. Prior to October 2011 ending balances were reported with accrued interest only. Beginning in January 2012, the Bank began reporting its January 1 beginning balances without accrued interest which balances are different from the Bank's December 31 ending balances with accrued interest. Generally Accepted Accounting Principles require that the Trustees report both beginning and ending balances with accrued interest.

<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 (63.58%) and the Hayes Cemetery Association (5.26%). The remainder of the funds (31.16%) is held in trust for the perpetual care of burial lots located both in sponsored 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.

2011 net earnings of \$8,595.71 of the Cemetery Perpetual Care Common Fund were disbursed in 2012 as follows: (i) to the Town of Milton per the Cemetery Trustees in the amount of \$2,572.57 for perpetual care services; (ii) in the amount of \$106.10 as reimbursement for flowers; (iii) to the Milton Mills Cemetery Association in the amount of \$5,470.05 for perpetual care services; and (iv) to the Hayes Cemetery Association in the amount of \$446.99 for perpetual care services. Additional perpetual care in the amount of \$200 purchased in December 2012 through the Milton Mills Cemetery Association and received by the Trustees after our year-end deadline was accrued and deposited by the Trustees to the Cemetery Perpetual Care Fund on January 2 2013.

<sup>3</sup> Earnings received in 2012 include the dividend and interest income of each Trust Fund.

<sup>4</sup> Change in Investment Value reported for each Fund is the sum of: (i) the realized capital gains on assets sold during 2012 less unrealized capital gains on those assets prior to 2012; and (ii) the increase or decrease, as applicable, in unrealized capital gains since December 31, 2011, on assets owned by the Fund as of December 31, 2012. Capital gains are reduced by brokerage commissions paid by Trustees on certain transactions. The Trustees incurred no other investment expenses. Cumulative capital gains at December 31 2012 on the equity investments of each Fund (in the custody of the Trustees prior to 2012) were as follows: Cemetery Perpetual Care Fund: \$20,119.77; Carl Siemon Scholarship Fund: \$20,104.40; Lewis Nute Common School Fund: \$13,939.70; Daniel and Geneva Lockhart Fund: \$10,196.74; Rodney Nason Scholarship Fund: \$7,134.46; and Nute High School Library Books Fund: \$409.80. Realized and unrealized capital gains are permanently restricted.

<sup>5</sup> Scholarship awards of the Carl Siemon Scholarship Fund in a calendar year are disbursed during the recipients' academic year, e.g. Fall 2012 – Spring 2013.

#### Lewis Nute Common School Fund<sup>6</sup>

Beginning Balance January 2012:	\$131,164.43
Deposit of additional principal:	0
Disbursements:	0
Earnings received in 2012:	4,939.02
2011 accrued earnings received 2012:	255.20
2012 accrued earnings due in 2013:	254.24
Change in investment value:	(651.57)
Ending Balance December 2012:	<u>\$135,450.92</u>

#### Daniel and Geneva Lockhart Fund<sup>7</sup>

Beginning Balance January 2012:	\$ 92,030.23
Deposit of additional principal:	0
Disbursements:	1,060.85
Earnings received in 2012:	3,077.91
2011 accrued earnings received 2012:	143.40
2012 accrued earnings due in 2013:	127.57
Change in investment value:	396.35
Ending Balance December 2012:	<u>\$ 94,427.81</u>

#### Ira S. Knox Fund ("Durgin Fund")<sup>8</sup>

Ending Balance December 2012:	<u>\$ 50,480.40</u>
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#### Rodney Nason Scholarship Fund

Beginning Balance January 2012:	\$ 58,006.57
Deposit of additional principal:	1,000.00
Disbursements:	0
Earnings received in 2012:	1,793.19
2011 accrued earnings received 2012:	0
2012 accrued earnings due in 2013:	127.57
Change in investment value:	200.67
Ending Balance December 2012:	<u>\$ 61,128.00</u>

#### Nute High School Library Books Fund

Beginning Balance January 2012:	\$ 1,108.00
Deposit of additional principal:	0
Disbursements:	0
Earnings received in 2012:	75.30
2011 accrued earnings received 2012:	0
2012 accrued earnings due in 2013:	0
Change in investment value:	307.53
Ending Balance December 2012:	<u>\$ 1,490.83</u>

#### Corinn Walters Camp Scholarship Fund<sup>9</sup>

Beginning Balance June 11, 2012:	\$ 3,112.25
Earnings received in 2012:	65.59
2011 accrued earnings received 2012:	0
2012 accrued earnings due in 2013:	0
Change in investment value:	(83.84)
Ending Balance December 2012:	<u>\$ 3,094.00</u>

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<sup>6</sup> The principal of the Lewis Nute Common School Fund was \$50,000 per Provision IX of Lewis Nute's Will of June 1888.

<sup>7</sup> The ending balance does not include \$73.15 held in the Trustees' checking account for an accrued disbursement.

<sup>8</sup> The Ira S. Knox Fund (also known as the "Durgin Fund") was held by the Town Treasurer from inception to December 2012. On December 18 2012 the Trustees received from the Town a check dated December 6 in the amount of \$50,480.40 representing the cash balance of the Fund net of the Selectmen's 2012 expenditures from the Fund. The Fund at December 31 2012 also owned 132 shares of Consolidated Edison, Inc. Common Stock which as of December 31 had a value of \$55.54 per share (\$7,331.28). There were no earnings, disbursements, capital gains or investment expenses on the assets held in the custody of the Trustees from December 19 to December 31, 2012.

<sup>9</sup> The Corinn Walters Camp Scholarship Fund was held by the Town Treasurer from inception to June 2012. On June 8 2012 the Trustees received from the Town a check in the amount of \$3,112.25 representing the balance of the Fund. The Fund was partially invested on July 30 2012 and the remainder on November 20 2012. The change in investment value is net of the commissions paid to purchase common and preferred stocks.

## Capital Reserve Funds 2012<sup>10</sup>

### Ambulance Vehicles & Equipment and/or Fire Department Vehicles 2005

Beginning Balance January 2012:	\$ 40,822.56
Deposits:	10,000.00
Disbursements:	38,288.00
Interest:	160.77
Ending Balance December 2012:	<u>\$ 12,695.33</u>

### Applebee Road Landfill Cleanup 2008

Beginning Balance January 2012:	\$ 2,068.61
Deposits:	0
Disbursements:	0
Interest:	15.95
Ending Balance December 2012:	<u>\$ 2,084.56</u>

### Capital Improvement Plan 2005-2011

Beginning Balance January 2012:	\$ 4,676.69
Deposits:	0
Disbursements:	0
Interest:	36.05
Ending Balance December 2012:	<u>\$ 4,712.74</u>

### Fire Department Buildings 2004

Beginning Balance January 2012:	\$ 11,326.49
Deposits:	0
Disbursements:	0
Interest:	87.33
Ending Balance December 2012:	<u>\$ 11,413.82</u>

### Fire Department Equipment/Apparatus 1997

Beginning Balance January 2012:	\$ 68,261.97
Deposits:	15,000.00
Disbursements:	49,160.00
Interest:	427.31
Ending Balance December 2012:	<u>\$ 34,529.28</u>

### Fire Department Vehicle Repairs & Improvements 2006

Beginning Balance January 2012:	\$ 31,136.18
Deposits:	10,000.00
Disbursements:	0
Interest:	240.06
Ending Balance December 2012:	<u>\$ 41,376.24</u>

### Herbert Downs Fire Station Planning & Engineering 2011

Beginning Balance January 2012:	\$ 2,760.11
Deposits:	30,000.00
Disbursements:	11,800.00
Interest:	52.84
Ending Balance December 2012:	<u>\$ 21,012.95</u>

### Highway Special Equipment 1997

Beginning Balance January 2012:	\$ 15,738.56
Deposits:	15,000.00
Disbursements:	0
Interest:	121.34
Ending Balance December 2012:	<u>\$ 30,859.90</u>

<sup>10</sup> The Trustees also held \$1.90 in the 1999 Revaluation Fund as of December 31, 2012. There were no deposits or disbursements with respect to this Fund. One cent of interest was credited to the Fund in 2012.



**Highway Truck 1997<sup>11</sup>**

Beginning Balance January 2012:	\$ 31,178.80
Deposits:	15,000.00
Disbursements:	27,266.00
Interest:	49.51
Ending Balance December 2012:	<u>\$ 18,962.31</u>

**Industrial Park 1993**

Beginning Balance January 2012:	\$ 586.13
Deposits:	0
Disbursements:	0
Interest:	4.52
Ending Balance December 2012:	<u>\$ 590.65</u>

**Milton Cemetery Fund 2010**

Beginning Balance January 2012:	\$ 10,013.60
Deposits:	5,000.00
Disbursements:	0
Interest:	77.20
Ending Balance December 2012:	<u>\$ 15,090.80</u>

**Milton Free Public Library 2005**

Beginning Balance January 2012:	\$ 12,118.29
Deposits:	5,000.00
Disbursements:	1,500.00
Interest:	92.64
Ending Balance December 2012:	<u>\$ 15,710.93</u>

**Milton/Maine Bridges 2000**

Beginning Balance January 2012:	\$ 24,172.75
Deposits:	10,000.00
Disbursements:	3,374.97
Interest:	185.00
Ending Balance December 2012:	<u>\$ 30,982.78</u>

**Police Department Building 2006**

Beginning Balance January 2012:	\$ 708.52
Deposits:	0
Disbursements:	0
Interest:	5.46
Ending Balance December 2012:	<u>\$ 713.98</u>

**Recreation Department 2007**

Beginning Balance January 2012:	\$ 30,291.11
Deposits:	5,000.00
Disbursements:	0
Interest:	233.54
Ending Balance December 2012:	<u>\$ 35,524.65</u>

**School Building Maintenance & Repair 2005**

Beginning Balance January 2012:	\$ 136,319.50
Deposits:	50,000.00
Disbursements:	89,336.81
Interest:	779.58
Ending Balance December 2012:	<u>\$ 97,762.27</u>

**School Bus Fund 1993**

Beginning Balance January 2012:	\$ 10,769.91
Deposits:	0
Disbursements:	0
Interest:	83.04
Ending Balance December 2012:	<u>\$ 10,852.95</u>

**School District Education of  
Special Needs Children 2011**

Beginning Balance January 2012:	\$ 25,055.39
Deposits:	25,000.00
Disbursements:	0
Interest:	212.51
Ending Balance December 2012:	<u>\$ 50,267.90</u>

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<sup>11</sup> As reported by the Trustees in our 2011 Report, on December 29, 2011, the Board of Selectmen approved a disbursement in the amount of \$27,266.00 from the Highway Truck Capital Reserve Fund (1997) to reimburse the Town's General Fund for payment issued by the Town on August 1, 2011 to Granite Ford, LLC, for the purchase of a Ford 250 pickup truck. As all supporting documentation for this transaction was received by the Trustees on January 6, 2012, the Trustees issued reimbursement from the Fund to the Town on that date. The \$27,266 reimbursement from the Fund was accounted for by the Town as a 2011 accrual and by the Trustees as a 2012 disbursement.

**School District Technology Trust Fund 2007**

Beginning Balance January 2012: \$ 1,934.98  
Deposits: 0  
Disbursements: 0  
Interest: 14.92  
Ending Balance December 2012: \$ 1,949.90

**Townhouse Repair/Restoration 2010**

Beginning Balance January 2012: \$ 1,001.36  
Deposits: 500.00  
Disbursements: 0  
Interest: 7.72  
Ending Balance December 2012: \$ 1,509.08

**Water District Excavator Equipment 2008<sup>12</sup>**

Beginning Balance January 2012: \$ 2,032.78  
Deposits: 0  
Interest: 11.90  
Transfer to Water District  
General Fund: 2,044.68  
Ending Balance December 2012: \$ 0

**Water District Maintenance 2006**

Beginning Balance January 2012: \$ 54,874.65  
Deposits: 10,000.00  
Disbursements: 0  
Interest: 435.55  
Ending Balance December 2012: \$ 65,310.20

**Sewer Fund 1988**

Beginning Balance January 2012: \$ 62,823.73  
Deposits: 0  
Disbursements: 0  
Interest: 484.36  
Ending Balance December 2012: \$ 63,308.09

**Water District Building Maintenance 2009**

Beginning Balance January 2012: \$ 25,096.66  
Deposits: 2,500.00  
Disbursements: 0  
Interest: 196.62  
Ending Balance December 2012: \$ 27,793.28

**Water District Equipment Fund 2012**

Beginning Balance January 2012: \$ 0  
Deposits: \$ 2,500.00  
Disbursements: 0  
Interest: \$ 4.34  
Ending Balance December 2012: \$ 2,504.34

**Water District Vehicle Purchase 2008**

Beginning Balance January 2012: \$ 5,033.39  
Deposits: 5,000.00  
Disbursements: 0  
Interest: 45.03  
Ending Balance December 2012: \$ 10,078.42

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<sup>12</sup> The Milton Water District Excavator Equipment Capital Reserve Fund was discontinued in 2012 by the Water District per Warrant Article 5 and the assets in the Fund transferred to the Water District's Unreserved General Fund. In accordance with the District's 2012 Warrant Article 6 the Milton Water District Equipment Fund was established in the amount of \$2,500 in part consisting of the funds transferred from the discontinued Fund to the District's Unreserved General Fund with the remainder from funds available in the District's Unreserved General Fund.