

Report of the Trustees of Trust Funds

During 2010, the Trustees of Trust Funds met eleven times. The Trustees welcomed new trustee William A. Hartley. The Trustees thanked former trustee Robert V. "Vic" Lessard for his 24 years of service as a trustee.

The most significant trust fund in Hampton is the Real Estate Trust Fund, whose main purpose is to provide income to reduce the tax rate in Hampton. The investment policy of the Fund has a target asset allocation of 40% equities (stocks) and 60% fixed income (bonds and cash). The purpose of this balanced asset allocation is to provide an opportunity for the principal of the Real Estate Trust Fund to grow to offset the eroding effects of inflation.

Each month, the Trustees distributed income to the Town from the Real Estate Trust Fund to reduce the tax rate. The total distributable net income on a cash basis was \$647,412, which is a yield of 4.2%. The income was \$181,307 greater than the income in 2009.

There was continuing trustee discussion during the year regarding the Real Estate Trust Fund target asset allocation of 40% equities and 60% fixed income. Ultimately, there were no changes made to the asset allocation.

The market value of the Real Estate Trust Fund rose from \$15,092,977 to \$15,790,536, an increase of \$697,559. At year end, the Real Estate Trust Fund allocation to equities was 31%, which is within the allowable range of 25% to 45% specified by the Investment Policy, and 69% to fixed income.

For most of the year, the investment advisor to the Real Estate Trust Fund was TD Wealth Management Group, a division of TD Bank. On November 22, 2010, the trustees voted to terminate the services of TD Wealth Management and transfer the Real Estate Trust Fund to National Advisors Trust Company, Overland Park, Kansas, who became the new custodian. Further, the Trustees engaged the services of Mackensen & Company, Inc., of Hampton to execute trades and provide reports to the Trustees at no cost to the Town. The Fund is now invested in a broadly-diversified portfolio of 30 low-cost mutual funds and exchange-traded funds.

No leased-land property sales occurred at Hampton Beach during the year.

The Trustees also manage nine categories of smaller trust funds: the Cemetery Burial Trust Fund, the Cemetery Perpetual Care Trust Funds (71 individual trust funds), the Lane Memorial Library Trust Funds (four trust funds), the Campbell Sports Scholarship Trust Fund, the Poor Trust Funds (three individual trust funds), the Winnacunnet School District Special Education Trust Fund, the Winnacunnet High School Building Maintenance Fund, the AED Trust Fund, and a new Hampton School District Special Education Trust Fund.

The Winnacunnet School District Meeting voted on March 9, 2010, to raise and appropriate \$50,000 to be added to the Special Education Expendable Trust Fund created during 2007. This trust fund will help to educate educationally-disabled children. The sum of \$50,000 was delivered

to the Trustees and deposited in the Fund in October. No disbursements from the Fund were made in 2010.

The Winnacunnet School District Meeting voted on March 9, 2010, to raise and appropriate \$50,000 to be added to the Winnacunnet High School Building Maintenance Expendable Trust Fund. The sum of \$50,000 was delivered to the Trustees and deposited in the Fund in October. This expendable trust fund can be disbursed by the School Board upon their vote. No disbursements from the Fund were made in 2010.

The Hampton School District Meeting voted on March 9, 2010, to create a new trust fund, named the Hampton School District Special Education Expendable Trust Fund. The sum of \$50,000 was delivered to the Trustees and deposited in the Fund in October. This expendable trust fund can be disbursed by the School Board upon their vote. No disbursements from the Fund were made in 2010.

Interest income of \$12,205 from the Cemetery Burial Trust Fund was distributed to the Town for cemetery maintenance. The Town added \$27,850 to the Cemetery Burial Trust Fund principal from 2009 cemetery revenue.

Half of the income from the Campbell Sports Scholarship Trust Fund (\$48) was added to the principal of the Fund, per the provisions of the trust document. The other half (\$48) was distributed to the Recreation and Parks Department.

In addition to the Real Estate Trust Fund and the smaller trust funds, the Trustees also manage six capital reserve funds: three Hampton Beach Village District capital reserve funds, the Town Management Information Systems capital reserve fund, the Town Roads capital reserve fund, and the Department of Public Works (DPW) Equipment Capital Reserve Fund.

The Town voted on March 9, 2010, to add \$340,000 to the DPW Equipment Capital Reserve Fund. There were no disbursements from the DPW Equipment Capital Reserve Fund in 2010.

There was one withdrawal of \$40,000 from the Town Roads Capital Reserve Fund for road paving.

There were no additions to or distributions from the three Hampton Beach Village District Capital Reserve Funds.

Due to the declining money market rates in the Vanguard Prime Money Market Fund, the Trustees voted to invest the smaller trust funds and capital reserve funds (with the exception of the Lane Memorial Library Trust Funds) in the Vanguard GNMA Admiral Shares Fund. Sub-accounting for each of the funds was maintained by the Bookkeeper and reported to the Trustees at each meeting.

The total market value (after distributing 2010 income) of these smaller trust funds and capital reserve funds (non-real-estate funds and non-library funds) at the end of 2010 was \$1,169,097. The total return on these funds during 2010 was 7%.

The four library trusts remained invested in the Fidelity Balanced Fund throughout 2010. The initial investment of \$7,664, deposited in June 2009 has now grown to \$9,813 at year end after income of \$188 was distributed to the Library. The total return for the four library trusts during 2010 was 13.7%.

The Automated External Defibrillator (AED) Expendable Trust Fund grew from \$6,845 to \$7,392 during its existence in 2009 and 2010. This expendable trust fund was used to purchase AEDs for the Town. The Trustees wish to recognize the efforts of Maury Friedman and Vic Lessard for accomplishing this needed humanitarian objective. This Trust terminated in 2010.

The Trustees maintained the Trustees of the Trust Funds website to keep the citizens of Hampton informed about the trust funds and the capital reserve funds, and to provide complete transparency under RSA 91-A (the Right-to-Know Law). The website address is: www.HamptonTrustFunds.org. The website features a page for each trust fund and capital reserve fund. The website also lists the next meeting date and the agenda for the next meeting. Copies of past meeting minutes may be downloaded from the website. Applicable state laws (RSAs) are listed on the website for easy reference. Besides the Trustees' website, Trustee meeting notices are posted at the Lane Memorial Library and the Town Office Building.

Trustees of Trust Funds:

David W. Hamilton, Chairman
Edward R. ("Sandy") Buck, Vice Chair
Warren J. Mackensen, Bookkeeper
Norman Silberdick
William A. Hartley