

## Trust Fund Definition

### Capital Reserve Funds

Per the New Hampshire Department of Revenue Administration, when a municipality identifies the need for a future purchase of a major capital item, or a NH constitutionally required revaluation, it may create a fund in advance to spread the financial impact over time. RSA 35:1-c allows for the establishment of a reserve for items of a non-capital nature or for the maintenance and operation of a specific public facility or type of facility. The town trustees of trust funds must have custody of any capital and non-capital reserve funds. Municipalities may use a Capital Reserve Fund (CRF) for debt payment of a project per RSA 35:15, iii-a, if the CRF was set up in connection with a specific project. It cannot be established as a “general purpose” debt retirement fund and cannot be named a debt retirement fund.

In accordance with RSA 35:1, 35:1-a and 35:1-b, the purposes for which a government may raise and appropriate money for the establishment of a Capital Reserve Fund are:

- The construction, reconstruction or acquisition of a specific capital improvement, or the acquisition of a specific item(s) or equipment; or
- The construction, reconstruction or acquisition of a type of capital improvement or the acquisition of a type of equipment; or
- Revaluation by approved appraisal firms of real estate for tax assessment purposes; or
- The acquisition of land; or
- The acquisition of a tax map of said municipality; or
- Extraordinary legal fees and expenses related to present or foreseeable litigation involving the municipality or its officers and employees; or
- In anticipation of the adoption of the optional fiscal year; or
- To meet the expenses of educating handicapped children; or
- Transportation improvement projects.

The warrant article must distinctly address the purpose for which the CRF is to be established. CRFs may be funded from sources other than taxes or “surplus”, but not from charitable donations. (See RSA 35:5). The appropriations must contain a “sum certain” and a specific dollar amount must be voted on.

The procedure required to establish a new CRF, appropriate to a CRF, appoint agents to expend, to discontinue an existing fund or to authorize withdrawal from an established fund, must be presented by a warrant article at the annual or special meeting. A majority vote of the legal voters present and voting is necessary. Agents to expend cannot be added at an annual meeting. It must be warned on the posted warrant.