

## Frequently Asked Questions

Recently, the Goffstown School District announced findings of the 2017 financial audit during which time it was discovered that a \$9.1m unreserved fund balance had accumulated. The following are frequently asked questions (FAQS) regarding the issue which have been compiled by the Goffstown School Board's Planning and Communication Sub-committee.

**1. What is an Unreserved Fund Balance (URF)?**

The unreserved fund balance is the amount of money in the general fund that is unexpended at the end of the fiscal year. The URF is a combination of funds coming from the over-collection of revenue (such as from receiving more tuitioned students than expected or a new grant) as well as from unexpended funds (such as from purchases coming in under budget and other reductions in operating costs) that had been raised by taxation through the school budget approved each year.

**2. Can the School District keep the Unreserved Fund Balance?**

No. By law, any unreserved funds as of June 30 must be returned to the taxpayers for tax relief.

**3. How did the school district accumulate \$9.1m?**

The audit results indicate this happened through mistakes made in the submission of State forms and the handling of unreserved funds over a period of several years.

**4. How many years has this fund been accumulating?**

Since 2011.

**5. Has the school district returned any money during that time?**

Yes. The school district has returned money to the taxpayers for tax relief every year based on what was understood to be the existing Unreserved Fund balance at the time.

**6. How often does the school district undergo an independent financial audit?**

The school district is audited by an independent auditor annually. Unfortunately, the accumulation of the \$9.1 million was not discovered through the audit process until this year. All previous audits had yielded excellent reports with no management letters issued at all, including on the Unreserved Fund. The most recent audit presentations to the Board took place at their March 21, 2016 meeting (starting at 9:29) and their March 20, 2017 meeting (starting at 29:50) and can be viewed through [GTV](#).

**7. Is there any money missing?**

No. It is important to note that this is not a case of theft, budget shortfall or missing money. A forensic audit has determined that all revenue, expenditures, and funds have been accounted for and there is no concern that money is missing or was spent inappropriately.

**8. Will I be receiving a refund check?**

No. There is no legal means for the district to issue checks to the taxpayers. It is therefore not legal for the district to issue tax refund checks. The only legal mechanism to return the fund balance to the taxpayers is by returning it for tax relief through a reduction in the 2018 tax bill.

**9. What can I expect for a tax reduction?**

The potential reduction for a \$200,000 house would be a total of \$1,242 or \$6.21 per thousand.

**10. What are some of the concerns about a return of this size?**

The primary concern with returning \$9.1m for tax relief in one step is the impact on the tax rate and the after effects. Returning \$9.1m all at once will cause a sharp reduction in the 2018 tax rate of \$6.21. This in itself is not unwelcome as a tax reductions are good. However, since this is an artificial deflation of the tax rate (it's the result of an over accumulation of funds rather than a decrease in operating costs), the following year's tax rate can be expected to return to somewhere in the area of current levels. This can create havoc from a budgetary standpoint. Moreover, any homeowner whose property taxes are in escrow (58% of Goffstown homeowners) can expect a significant fluctuation in their calculated mortgage payment as a result of the tax swing. It is imperative that homeowners are aware of this and communicate with their mortgage company to avoid a situation where their monthly mortgage payment becomes unaffordable as a result of large shifts in the tax rate.

**11. Why is the school board considering options?**

The school board is working very hard to make sure they have a full understanding of this situation so they can be good stewards and make recommendations in the best interest of the community.

**12. Is the School Board trying to keep the money?**

No. The school board has a responsibility to perform its due diligence by making sure it has gathered and considered all the information and potential consequences as it navigates through this situation.

**13. What are possible options for using this money?**

There are a number of options that were discussed by the School Board in the public meeting. The board did not discuss any options in a non-public session.

- a. **Paying down debt:** The school district still owes money including: \$409,600 in interest on the bond for the renovation of GHS in 2000; money for the Honeywell Phase II (energy efficiency/cost-avoidance project); and the portables at Maple Ave. The thought process behind this was to determine if it made sense to pay off the debt to save the taxpayers interest payments over the coming years. It was determined through discussion at our January 3 meeting ([on GTV](#)) that these were not viable options.
- b. **Special state legislation:** This option involves having a law passed at the State level making it legal for the \$9.1m to be held by the district in a reserve fund. Any expenditure of monies from the fund would take place through the public hearing/

warrant article process. Potential benefits would be avoidance of big shifts in the tax rate while allowing the townspeople to make targeted, thoughtful decisions on use of the funds through the electoral process. At their January 3 meeting ([on GTV](#)), the School Board decided not to pursue this option.

- c. **Warrant Articles:** Warrant Articles are how the School Board (or Board of Selectmen on the Town side) ask for voter permission to commit funds for particular items (i.e.: union employee contracts, larger projects like roof repair or boiler replacement, and the establishment of capital reserve funds to gradually save up for very large, anticipated projects). Warrant Articles allow the community to grant or deny permission for expenditures through the electoral process.

#### 14. **What options are the School Board pursuing?**

The School Board did not take any official action in regard to the \$9.1 m fund which means that, by law, this money will be returned to the town for tax relief.

At the January 8, 2018 meeting ([on GTV](#)), the School board did approve two warrant articles for the town ballot which are not directly tied to this fund. The board had been discussing and considering these warrant articles for several years prior. The first warrant article addresses the creation of a Capital Reserve Fund. The other warrant article addresses the purchase of land. These warrant articles will be presented at the town budget hearing on Tuesday, January 9, 2018.

#### 15. **What is the district doing to ensure that this will not happen again in the future?**

It is important to note that audits are traditionally done on revenue received and expenditures made but do not generally include the review of reports submitted to the State. Audits moving forward will always include review of all State submissions. Additionally, the school board will be examining policy and practices to identify and correct procedural shortcomings.