
Nutley Board of Education

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Frequently Asked Questions

17th April 2024

Overview

This document contains a series of frequently asked questions (FAQs) and answers related to the ongoing financial situation of the District. Although not all encompassing, these FAQs will provide a reference for those seeking further clarification. This repository is dynamic and will continuously be updated as more information is available or further questions are presented.

Questions

Please be advised the Administrative office and the Board of Trustees are bound by certain legal restrictions as we are still conducting an active investigation. Until this investigation is completed the level of detail in our responses may be limited.

The following questions are answered within this document:

1. What is the amount of the deficit?
2. What gave rise to the current structural deficit?
3. When did the district know the full extent of the financial problem?
4. What actions have been taken by the Superintendent and Board of Trustees since March 13, 2024?
5. What is a Corrective Action Plan (CAP) and what is it used for?
6. Will the New Jersey Department of Education require a monitor in Nutley?
7. Do you anticipate significant changes in the operations of the school district?
8. Will the deficit significantly affect the academic and extracurricular programs of our students?
9. Will there be any criminal or civil action taken against any parties?
10. What is the impact on the Preschool Expansion program?

Frequently Asked Questions

1. What is the amount of the deficit?

The District Administration, in conjunction with the Board of Trustees, our external auditor, and the New Jersey Department of Education (NJDOE) have identified a budgetary shortfall in the current year (2023-2024) of approximately \$7 million dollars.

2. What gave rise to the current structural deficit?

While rising costs linked to employee headcount, healthcare, special education, and transportation are factors affecting many educational systems over the past decade, this acute condition was not adequately addressed in the creation of the school district budget over the past two budgetary cycles.

Through the discovery process we have identified multiple misstated revenue expectations, expenditures and unbudgeted expenses which have depleted our reserves and gave rise to our cash shortfall. Examples of these budgetary items can be found in Section ii of our Corrective Action Plan.

3. When did the district know the full extent of the financial problem?

In order to close out the 2022-2023 fiscal year, an outside accounting firm was engaged to assist in resolving the backlog of work arising from an extended leave of a key business office employee, necessary for the completion of the external audit. Their work occurred from September 2023 to December 2023. This preparatory work identified a deficit for the fiscal year ended June 30, 2023 of **(\$686,291)** and gave rise to concerns related to preparation of the 2023-2024 by the business office.

The 2022-2023 independent audit was issued on February 7, 2024, the results of that audit report showed a reduction of Fund Balance from June 30th 2022 of \$9,014,534 to \$2,239,806 on June 30, 2023. Given the reduction in fund balance, the auditors were directed by the Superintendent and Finance Committee of Board of Trustees to create a 2023-2024 mid-year status report, with end of the year and cash flow projections. Independently, the Superintendent directed internal personnel to complete the same tasks. The full severity of the district's financial position became known on March 7, 2024 and internally verified on March 13, 2023 which projected a shortfall of approximately 7 million dollars.

During this time period, the district's financial position had been consistently minimized by the Business Office.

4. What actions have been taken by the Superintendent and Board of Trustees since March 13, 2024?

1. Immediately notified the New Jersey Department of Education (NJDOE) Executive County Superintendent and the Nutley Board of Commissioners.
2. Collaborated with the Executive County Business Administrator to confirm the district's current financial position.
3. Initiated the process to secure state relief funding in the amount of approximately 7 million dollars.
4. Developed a comprehensive corrective action plan.
5. Assistant Superintendent of Business/Board Secretary has been placed on administrative leave. Interviews for an interim Business Administrator are underway.
6. Submitted a preliminary budget on March 20, 2024, as required by statute, for the 2024-2025 fiscal year. Final budget due May 14, 2024.

5. What is a Corrective Action Plan (CAP) and what is it used for?

A Corrective Action Plan (CAP) is a structured approach used to address deficiencies or non-compliance issues identified in a review of the district financial position. The CAP is reviewed and adopted by the Board of Trustees and represents the roadmap used by the District, Board of Trustees, NJDOE and regulatory agencies to ensure remediations are completed. The District's action plan addresses key areas in fiscal accountability to improve self-identified deficiencies in budget creation, oversight, and monitoring.

The district will partner with independent resources to verify appropriate processes and procedures are in adherence. These external partners will have direct communication with the Superintendent and will meet quarterly with the Board of Trustees in conjunction with a monitor from the NJDOE to provide updates as to the district's financial health.

This corrective action plan, as well as, ongoing connectivity with the NJDOE will increase transparency for the Nutley Board of Trustees and Board of Commissioners.

6. Will the NJDOE require a monitor in Nutley?

If the district needs an advance of state aid to relieve the shortfalls, then the NJDOE may assign a monitor in the district to ensure and control the fiscal stability of the district. The final decision to assign a monitor and for what length of time will be determined by the NJDOE.

7. Do you anticipate significant changes in the operations of the school district?

Given the previous years' budget design artificially inflated revenues, the district will base next year's operating budget on confirmed revenues. Throughout the investigative process a bottom-up needs-based budget assessment was performed throughout the District. We identified several areas where there is excess expenditures or underutilized staffing and inconsistent adoption of vendors and services.

The District's goal is to establish a long term, sustainable budget which grows in conjunction with the needs of the students in a fiscally responsible manner.

8. Will this deficit significantly affect the academic and extracurricular programs of our students?

No, but there may be minimal changes impacting the student programming for the 2024-2025 academic year.

9. Will there be any criminal or civil action taken against any parties?

Subject to the completion of a forensic investigation directed by the NJDOE, the information at hand points to unreliable revenue and expense assumptions in the preparation of the district's budgets. A determination will be made upon completion of a forensic audit directed by the NJDOE. Once the forensic audit is completed, the board will comply with any reporting requirements directed by the Commissioner of Education.

10. What is the impact on the Preschool Expansion program?

The Preschool program will not be impacted. The 2024-2025 Preschool Budget has been approved by NJDOE, and the district's preschool will grow as expected for the 2024-2025 school year.