

As you are all aware, the GASB 75 information needed from the New Jersey Division of Pensions and Benefits has delayed the completion of the CAFR, delivery of your audit and resulting filing with EMMA and the Federal Clearinghouse for federal single audits. No estimated release date for this information is available based on our latest communication with the New Jersey Division of Pensions and Benefits.

We have reached out to Moody's and Standard and Poor's, two of the key bond rating agencies, regarding GASB 75. They are aware of the delay of the release of the GASB 75 information from the New Jersey Division of Pensions and the resulting delay in the filing of the June 30, 2018 CAFRs. The ratings agencies are also aware that school districts would generally not be recording a liability related to GASB 75 information and that Net Position/Fund Balance would not be impacted. The situation is not a failure of the school districts, does not indicate any stresses on school districts' operations, or within the control of the school districts. Informally, they informed us that school districts' bond ratings should not be impacted by a modified opinion for GASB 75 on the financial statements or a late filing with EMMA due to GASB 75 not being available.

Additionally, if your school district was required to have a federal single audit for this past school year, there is a required filing with the federal clearinghouse within 30 days after the receipt of the audit report or 9 months after the end of the fiscal year – whichever comes first. If the SF-SAC filing is not completed and filed within this timeframe the District would be considered a "high risk" auditee for the next two years. High risk auditees are subject to testing of at least 40% of federal award expenditures as opposed to low risk auditees only being subject to testing of at least 20% of federal award expenditures. Auditors would also be required to report a single audit finding for the SF-FAC not being filed in a timely manner. This would most likely result in additional audit time and expense.

Based on the above we would like to offer you two choices –

1 – Completion of the CAFR by 1/31/19. The independent auditors' report would reflect a modified opinion on the financial statements due to the GASB 75 information not being available. Should this choice be selected we would not be issuing an unmodified opinion on the financial statements when the GASB 75 information is finally released without discussion with your audit partner.

2 – Delay of issuance of the CAFR until the GASB 75 information is available. In this case issuance of your CAFR will be delayed until after the GASB 75 information is available whenever that might be. All required disclosures for GASB 75 will be included in your audit report and an unmodified opinion will be issued on your financial statements.

Both of these choices involve additional audit time due to the delay of the issuance of the reports and the work associated with each choice. The partner assigned to your engagement will contact you to discuss these options with you and to assist you with any questions.