



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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November 28, 2016

Educational Service Unit No. 19 Board
Omaha, Nebraska

We have audited the financial statements of the governmental activities and the major fund, and the aggregate remaining fund information of Educational Service Unit No. 19 (ESU No. 19) for the year ended August 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our entrance agenda dated October 12, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ESU No. 19 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended August 31, 2016. We noted no transactions entered into by ESU No. 19 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting ESU No. 19's financial statements was:

Management's estimate of the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions is based on upon actuarial valuations and ESU No. 19's proportionate share of the total pension liability. We evaluated the key factors and assumptions used to develop the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Retirement System in Note 5 to the financial statements describes ESU No. 19's proportionate share of total pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions. The determination of these amounts was done in accordance with generally accepted accounting principles.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management: the adjusting entries, as identified on Comment 1 (Capital Asset Records) of the audit report were made. While these did not impact the governmental fund financial statements (General Fund) these entries did impact the government-wide financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to ESU No. 19's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ESU No. 19's auditors. However, the Auditor of Public Accounts is not the auditor planned to perform the following year audit.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of ESU No. 19's Proportionate Share of Net Pension Liability, Schedule of ESU No. 19's Contribution, and Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the ESU No. 19 Governing Board and management of ESU No. 19 and is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

Sincerely,



Zachary Wells, CPA, CISA

Audit Manager