



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)

January 30, 2019

Board of Trustees  
Nebraska State College System  
Lincoln, Nebraska

We have audited the financial statements of the business-type activities of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska) for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the NSCS's basic financial statements, and have issued our report thereon dated December 12, 2018.

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 letter to you dated April 10, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the NSCS are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the NSCS adopted the Government Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in fiscal year ended June 30, 2018, which no longer requires interest incurred during the construction phase of a capital asset to be capitalized. As this was applied prospectively, in accordance with GASB Statement No. 89, the accounting change had no effect on beginning net position.

We noted no transactions entered into by the NSCS 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 estimates affecting the NSCS's financial statements was (were):

Management's estimate of the reserve for bad debts and lives of property and equipment are based on historical rates, past experience and future projections. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

### Difficulties Encountered in Performing the Audit

We encountered difficulties regarding the numerous errors noted in the financial statements when performing and completing our audit as described in Comment No. 2018-001 in our separately issued Management Letter dated December 12, 2018.

### 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:

Fiscal Year 2018

- Non-current Restricted Cash and Cash Equivalents was understated by \$3,472,590 and Current Restricted Cash and Cash Equivalents was overstated by \$3,472,590.

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 December 12, 2018.

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 the NSCS'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 during the normal course of our audit.

Management Letter

We have communicated to management in a separate Management Letter dated December 12, 2018, our comments and recommendations for improvements in procedures and internal controls. We identified one significant deficiency in internal control.

Group Audit Communications

We did not note any instances in which the group engagement team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work. We encountered no limitations while performing our audit. No fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls, or others were identified.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is 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.

We were not engaged to report on the Schedule of Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position; and the Schedule of Cash Flows, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of the NSCS 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,



Stephanie Todd, CPA, CFE  
Audit Manager