NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
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Board of Trustees
NSCS of Nebraska
Lincoln, Nebraska

We have audited the financial statements of the business-type activities of the Nebraska State College System (a component unit of the State of Nebraska) for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Nebraska State College System's basic financial statements, and have issued our report thereon dated December 10, 2015.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our email to you dated July 17, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Our responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Nebraska's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charge with governance in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

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. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2015. The 2014 net position was restated as the result of errors being detected as described in Note 1 to the financial statements.

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 were:

> Management's estimate of reserve for bad debts, lives of property and equipment, and self-insurance reserves which 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.

Significant Difficulties Encountered in Performing the Audit

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

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 Letter

We have communicated to management in a separate Management Letter dated December 10, 2015, our comments and recommendations for improvements in procedures and internal controls. We did not identify any material weaknesses or significant deficiency in internal control.

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 determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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. However, Management did enter into a contract with BKD to perform an A-133 audit for the year ended June 30, 2015.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2015.

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 engaged to report on the combining schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 was identified.

Other Items

New accounting stands by the Governmental Accounting Standards Board (GASB) applicable to, but not yet implemented by the NSCS:

GASBS 72 - Fair Value Measurement and Application

> This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

Restriction on Use

This information is intended solely for the 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. This communication is a matter of public record, and its distribution is not limited.

Sincerely,

Philip J. Olsen

Philip J. Olsen
Audit Manager