



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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) (component unit of the State of Nebraska) for the years ended June 30, 2019, and 2018, 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, 2019.

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, 2019. 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 noted in Note 1, the NSCS restated certain fiscal year 2018 Federal and State grants as Non-Operating Revenues in accordance with generally accepted accounting principles. A total of \$10,682,865 of Federal grants and \$1,268,080 of State grants were reclassified from Operating Revenues to Non-Operating Revenues for the fiscal year ended June 30, 2018. These Federal and State grants were recorded similarly for the fiscal year ended June 30, 2019.

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 estimate(s) affecting the NSCS's financial statements 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 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: reclassification of Federal and State grants from Operating Revenue to Non-Operating Revenue was incorrect causing Operating Federal Grants and Contracts to be overstated by \$7,261,274 and \$6,899,678 and Operating State Grants and Contracts to be overstated by \$904,614 and \$817,450 in the fiscal years ended June 30, 2019, and 2018, respectively. Additionally, on the Statement of Cash Flows, the fiscal year 2019 Payments to Suppliers was overstated by \$4,048,151, Payments to Utilities was understated by \$2,121,567, and Other Payments was understated by \$1,926,584. These misstatements were also corrected by management.

### 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, 2019.

### 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, 2019, our comments and recommendations for improvements in procedures and internal controls.

### 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 Statement 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 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,



Zachary Wells, CPA, CISA  
Audit Manager