

Omaha School Employees' Retirement System

Report to the Board of Trustees

**As of and for the Year Ended
August 31, 2019**

Omaha School Employees' Retirement System

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To the Board of Trustees
Omaha School Employees' Retirement System:

Attention: Board of Trustees:

We are pleased to present this report related to our audit of the financial statements of Omaha School Employees' Retirement System (OSERS), a fiduciary fund of Douglas County School District #0001 (District), as of and for the year ended August 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for OSERS' financial reporting process.

This report is intended solely for the information and use of the Board of Trustees, and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to OSERS.

SEIM JOHNSON, LLP

Omaha, Nebraska,
November 18, 2019.

Omaha School Employees' Retirement System

Required Communications August 31, 2019

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated April 15, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 15, 2019 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by OSERS. OSERS did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Audit Adjustments

Audit adjustments proposed by us and recorded by OSERS are shown in the attached Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

Omaha School Employees' Retirement System

Required Communications August 31, 2019

Departure From the Auditor's Standard Report

The financial statements include investments valued at approximately \$366,880,000 (28% of net position) as of August 31, 2019, whose fair values have been estimated by management in the absence of readily determinable values. A description of the methods used by management is included in Note 3 to the financial statements. Because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. As such, we have included an emphasis of matter in our audit report. Our opinion was not modified with respect to this matter.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Written Communications between Management and Our Firm

Copies of material written communications between our firm and the management of OSERS, including the representation letter provided to us by management, can be provided upon request.

Quality Review

A copy of our most recent quality review is attached to this correspondence.

Recommendations

The following items are offered as recommendations for the consideration of management as part of the ongoing processing of modifying and improving OSERS' practices and procedures:

Reporting of Investment Income and Related Expenses

In the trial balance presented to us to begin our audit, OSERS had reported net appreciation, interest and dividends, and investment management fees on a single line. We worked with the investment service providers to determine the proper amount for each and made reclassifications in the financial statements where necessary. We recommend that management review their processes over the reconciliation and recognition of monthly investment activity in order to identify the proper amount to report for each of these transaction classes on a monthly basis. This will assist management in reviewing the overall financial performance of OSERS.

Omaha School Employees' Retirement System

Required Communications August 31, 2019

Participant Census

While reconciling participant data for the January 1, 2019 actuarial census, we noted one employee who was not added to the active participant listing on a timely basis. The employee changed to full time status in August 2018 but was never moved to the active population. During August 2019, the employee went back to part-time status. Although the effect of the incorrect census data was deemed to be overall immaterial and the employee was no longer an active participant at August 31, 2019, management should review their current process to accumulate accurate census information for the purposes of actuarial valuation in order to more accurately calculate OSER's actuarial accrued liability.

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Summary of Significant Accounting Estimates August 31, 2019

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in OSERS' August 31, 2019 financial statements.

Fair Value of Financial Instruments

Accounting Policy: OSERS reports investments at fair value.

Estimation Process: The Nebraska Investment Council, on behalf of OSERS, invests in both short-term and long-term securities. All investments are stated at fair value based on quoted market prices. Investments valued using the net asset value per share are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. OSERS values these investments based on the partnerships' audited financial statements. If August 31 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than August 31. If August 31 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

Comments: Based on our testing, after adjustment, the estimated fair values of investments appear reasonable.

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Summary of Recorded Audit Adjustments August 31, 2019

Number	Date	Name	Account No	Debit	Credit
1001	8/31/2019	U.S. Bank - Bond Proceeds	21-13010		15,849,074.00
1001	8/31/2019	DFA (K911)	21-13101		1,397,537.00
1001	8/31/2019	BlackRock (K933)	21-13103		4,175,567.00
1001	8/31/2019	BlackRock ACWI (K9C8)	21-13108	41,788,292.00	
1001	8/31/2019	MFS (K985)	21-13110		432,797.00
1001	8/31/2019	Dodge & Cox (K9CA)	21-13115		1,066,416.00
1001	8/31/2019	BlackRock (K918)	21-13130	1,053,533.00	
1001	8/31/2019	Wellington (K9E1)	21-13165		989,927.00
1001	8/31/2019	Walter Scott Global Eq (K9E8)	21-13170	132.00	
1001	8/31/2019	Arrowstreet (K9D8)	21-13180		1,406,985.00
1001	8/31/2019	PIMCO (K932)	21-13200	2,327,403.00	
1001	8/31/2019	BlackRock (K9A2)	21-13210	3,545,526.00	
1001	8/31/2019	Neuberger (K9AF)	21-13280	1,465,571.00	
1001	8/31/2019	Private Equity (K9F8)	21-13295	1,844,180.00	
1001	8/31/2019	Core Real Estate (K9F3)	21-13300		358,333.00
1001	8/31/2019	Non-Core Real Estate (K9F4)	21-13310		753,198.00
1001	8/31/2019	Distressed Mortgages (K9F7)	21-13331		10,765,128.00
1001	8/31/2019	Hedge Funds (K9F9)	21-13332		998,697.00
1001	8/31/2019	Real Estate (K9F5)	21-13334		18,496,037.00
1001	8/31/2019	Infrastructure (K9F6)	21-13360		250,080.00
1001	8/31/2019	OSERS CONT./WITH. (K9E3)	21-13361	258,212.00	
1001	8/31/2019	Local-Interest Rcv-TB	21-14360	172,443.00	
1001	8/31/2019	Due From General Fund	21-19010	617,646.00	
1001	8/31/2019	Due From Abatement	21-19015		107.00
1001	8/31/2019	Due From KIOS	21-19035	705.00	
1001	8/31/2019	Due From Qualified Cap Purp Fd	21-19050	1,820.00	
1001	8/31/2019	Due From Reimbursable Grant Fd	21-19060	36,845.00	
1001	8/31/2019	Due From Nutrition Services Fd	21-19080		14,760.00
1001	8/31/2019	Due From Cooperative Act Fund	21-19150		187.00
1001	8/31/2019	Due From ESU 19 Fund	21-19160	12,592.00	
1001	8/31/2019	Due From Print & Pub	21-19180	7,292.00	
1001	8/31/2019	Investment Income	21-41425		10,407,846.00
1001	8/31/2019	Salary Contribution ESU	21-41932		9,909.00
1001	8/31/2019	Salary Contribution Gen	21-41933		341,123.00
1001	8/31/2019	Salary Contribution Nutr	21-41934	7,343.00	
1001	8/31/2019	Employer Retire Contr ESU	21-41937		9,975.00
1001	8/31/2019	Employer Retire Contr Gen	21-41938		315,550.00
1001	8/31/2019	Employer Retire Contr Nutr	21-41939	7,417.00	
1001	8/31/2019	Buy In/ Buy Back	21-41941		50.00
1001	8/31/2019	Other Non-Revenue Receipts	21-45615		349.00
1001	8/31/2019	Portfolio Manager Fees	21-53192	205,485.00	
1001	8/31/2019	Other Expenditures	21-56820	838.00	
1001	8/31/2019	UnrealizeGain/Loss-Perm Invest	21-63999	14,686,357.00	

Client entry to reconcile trial
balance.

Omaha School Employees' Retirement System

Summary of Uncorrected Misstatements August 31, 2019

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the fiduciary net position, the statement of changes in fiduciary net position, and related notes to the financial statements. Following is a summary of those differences.

	<u>Increase (Decrease)</u>			
	<u>Assets</u>	<u>Liabilities</u>	<u>Net Position Restricted for Pensions</u>	<u>Change in Net Position</u>
Effect of prior year reversing entry	\$ --	--	--	(250,000)

Quality Review
August 31, 2019



REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

December 14, 2017

To the Partners of Seim Johnson, LLP
and the Peer Review Committee of the Nevada Society
of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Seim Johnson, LLP (the firm) in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; and audits of employee benefit plans.

Quality Review
August 31, 2019

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Seim Johnson, LLP, in effect for the year ended June 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Seim Johnson, LLP has received a peer review rating of *pass*.



Brady Martz and Associates, P.C.