



SEIM JOHNSON

April 23, 2018

To the Board of Trustees
Omaha School Employees' Retirement System
c/o Ms. Cecelia Carter, Executive Director
3215 Cuming Street
Omaha, NE 68131

Attention: Board of Trustees and Ms. Carter:

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the basic financial statements of Omaha School Employees' Retirement System (OSERS), which comprise the statement of fiduciary net position as of August 31, 2018, and the related statement of changes in fiduciary net position for the year then ended; and the related notes to the financial statements.

You have also requested that we report on whether the required supplementary information – schedule of changes in the net pension liability, schedule of employer contributions, and schedule of money-weighted rate of return, required by the Governmental Accounting Standards Board are fairly stated, in all material respects, in relation to the financial statements as a whole.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements and reporting on whether the required supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to OSERS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of OSERS' internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board of Trustees (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

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The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

We acknowledge that the financial statements of OSERS are prepared by the management of Omaha Public Schools (OPS) and OSERS is dependent upon, and relies upon, the management of OPS for the preparation of its financial statements in accordance with the applicable financial reporting framework.

Our audit will be conducted on the basis that management both OPS and OSERS management and, when appropriate, those charged with governance, acknowledges and understands that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
4. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from both OPS and OSERS management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

OSERS management and the Board of Trustees are responsible for identifying and ensuring that OSERS complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, OSERS management and the Board of Trustees are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting OSERS involving OSERS management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. OSERS management and the Board of Trustees are also responsible for informing us of their knowledge of any allegations of fraud or suspected fraud affecting OSERS received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators or others.

OSERS management and those charged with governance are responsible for adjusting the financial statements to correct material misstatements and affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

OSERS management is responsible for the preparation of the required supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. OSERS management agrees to include the auditor's report on the required supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such required supplementary information. OSERS management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

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The Board of Trustees is responsible for informing us of its views about the risks of fraud within OSERS, and its knowledge of any fraud or suspected fraud affecting OSERS.

Because Seim Johnson, LLP will rely on both OSERS and OPS management, and OSERS Board of Trustees to discharge the foregoing responsibilities, OSERS and its management hold harmless and release Seim Johnson, LLP and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of OSERS management that has caused, in any respect, Seim Johnson, LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Records and Assistance

If circumstances arise relating to the condition of OSERS' records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in OSERS' books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by management, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with you. The timely and accurate completion of this work is an essential condition to the completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting the financial statements, including related disclosures, and supplementary information. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to OSERS, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. OSERS has agreed that its Executive Director, and OPS has agreed that its Chief Financial Officer and its Manager of Accounting and Finance possess suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. Accordingly, the management of OSERS and OPS agree to the following:

1. OSERS has designated OSERS Executive Director and OPS has designated its Chief Financial Officer and its Manager of Accounting and Finance as senior members of management who possesses suitable skill, knowledge and experience to oversee the services;
2. OSERS Executive Director and OPS Chief Financial Officer and Manager, Accounting and Finance will assume all management responsibilities for subject matter and scope of the preparation of the financial statements, including related disclosures, and supplementary information;
3. OSERS and OPS will evaluate the adequacy and results of the services performed; and
4. OSERS and OPS accept responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with OSERS' management and those charged with governance of the objectives of the non-audit services, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

Other Relevant Information

Seim Johnson, LLP may mention OSERS' name and provide a general description of the engagement in Seim Johnson, LLP's client list and marketing tools.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. Seim Johnson will notify OSERS management in writing before engaging the use of a third party service provider. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

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In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based on the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from your personnel.
2. Timely responses to our inquiries.
3. Timely completion and delivery of client assistance requests.
4. Timely communication of all significant accounting and financial reporting matters.
5. The assumption that unexpected circumstances will not be encountered during the engagement.

Our fees for this engagement will be \$15,490, plus out-of-pocket expenses. Billings are due upon submission. The payment schedule for the aforementioned services is as follows:

First progress billing	Upon entrance conference	\$	3,870
Second progress billing	Upon start of fieldwork		3,870
Third progress billing	Upon completion of fieldwork		3,870
Final billing	After presentation to Board of Trustees		<u>3,880</u>
Total		\$	<u>15,490</u>

You may terminate the arrangement at any time by written notice to us. Termination for any reason will not affect your obligation to pay us for fees and expenses incurred prior to termination or in transferring files to and otherwise cooperating with any successor auditor. All provisions of this arrangement will survive termination or cancellation, except that (a) we will not have any obligation to provide services after termination and (b) you will not have any obligation to pay us for any services that we perform after termination, except for costs incurred to cooperate with a successor auditor or regulatory agency subpoena or inquiry.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, OSERS agrees it will compensate Seim Johnson, LLP for any additional costs incurred as a result of OSERS' employment of a partner or professional employee of Seim Johnson, LLP. We acknowledge OSERS shall have no liability to Seim Johnson as a result of OPS' employment of a partner or employee of Seim Johnson, LLP

In the event we are requested or authorized by OSERS or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for OSERS, OSERS will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests. We acknowledge OSERS shall have no liability to Seim Johnson, LLP to the extent we are requested or authorized by OPS or are required by government, subpoena or other legal process to produce our documents or our personnel as witness with respect to any matter involving OPS and not involving OSERS

Claim Resolution

OSERS and Seim Johnson, LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than the earlier of two years after the date of the audit report issued by Seim Johnson, LLP or the date of this arrangement letter if no report has been issued. OSERS waives any claim for punitive damages. Seim Johnson, LLP's liability for all claims, damages and costs of OSERS arising from this engagement is limited to the amount of fees paid by OSERS to Seim Johnson, LLP for the services rendered under this arrangement letter.

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Information Security - Miscellaneous Terms

Seim Johnson, LLP is committed to the safe and confidential treatment of OSERS' proprietary information. Seim Johnson, LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. OSERS agrees that it will not provide Seim Johnson, LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of OSERS' information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

Seim Johnson, LLP may terminate this relationship immediately in its sole discretion if Seim Johnson, LLP determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or Seim Johnson, LLP's client acceptance or retention standards, or if OSERS is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, OSERS or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of OSERS' financial statements and supplemental schedules. Our report will be addressed to the Board of Trustees of OSERS. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraphs, or withdraw from the engagement.

In addition to our report on OSERS' financial statements, we will also issue the following types of reports:

1. Reports on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls.
2. Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements.

This letter constitutes the complete and exclusive statement of the agreement between Seim Johnson, LLP and OSERS, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

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Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit, including our respective responsibilities.

Sincerely,

SEIM JOHNSON, LLP



Darren R. Osten

Confirmed on behalf of Omaha School Employees' Retirement System:

Executive Director

Date

President, Board of Trustees

Date

Accepted and agreed to by Omaha Public Schools:

Chief Financial Officer

Date

Manager, Accounting and Finance

Date

Quality Review

**BRADY
MARTZ**

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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.

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.