



To the Honorable Mayor and Members of the City Council  
City of Alma  
Alma, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alma for the year ended September 30, 2019, and have issued our report thereon dated January 31, 2020. 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 letter to you dated June 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Alma are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2019. We noted no transactions entered into by the City 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 financial statements were:

Management's estimate of the collectability of accounts receivable is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

#### SHAREHOLDERS:

Robert D. Almquist  
Phillip D. Maltzahn  
Marcy J. Luth  
Heidi A. Ashby  
Christine R. Shenk  
Michael E. Hoback  
Joseph P. Stump  
Kyle R. Overturf  
Tracy A. Cannon

1203 W 2nd Street  
P.O. Box 1407  
Grand Island, NE 68802  
P 308-381-1810  
F 308-381-4824  
EMAIL [cpa@gicpas.com](mailto:cpa@gicpas.com)

Management's estimate of the depreciation of capital assets is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the depreciation of capital assets 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Seventeen audit adjustments increased the fund balance of the City's governmental funds by \$49,437. Nineteen audit adjustments decreased the net position of the City's business-type activities by \$181,161. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Principal payments on long-term debt of \$40,872 were reclassified in the business-type activities, increasing net position and decreasing expenses.
2. Depreciation expense of \$147,618 was recorded in the business-type activities, decreasing net position and increasing expenses.
3. Capital assets of \$773,862 were reclassified in the business-type activities, increasing net position and decreasing expenses.
4. Proceeds from the issuance of long-term debt of \$794,000 were reclassified in the business-type activities, decreasing net position and revenues.
5. Lease receivable was adjusted \$38,614 in the business-type activities, decreasing net position and revenues.
6. Accounts payable was adjusted \$25,795 in the business-type activities, decreasing net position and increasing expenses.
7. Inventory was adjusted \$6,846 in the governmental funds, increasing fund balance and decreasing expenditures.
8. Sales tax receivable was adjusted \$12,165 in the governmental funds, increasing fund balance and revenues.
9. Grant receivable of \$17,693 was recorded in the governmental funds, increasing fund balance and revenues.

10. Prepaid expenses of \$11,487 were recorded in the governmental funds, increasing fund balance and decreasing expenditures.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 January 31, 2020.

#### *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 City'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 each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In connection with our audit of the financial statements of the City of Alma as of September 30, 2019, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

1. Please review the current utility rates for possible increases.
2. During our audit, we noted that the balance of your account at Banner Capital Bank exceeded FDIC coverage by \$190,000 and there were no additional pledge securities to cover 102% of non-FDIC covered deposits as required by State statute. We recommend that you obtain additional pledge securities to maintain adequate coverage.

## Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedules, which are 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 nonmajor governmental combining statements and statement of general fund departmental revenue and expenditures, which accompany the financial statements but are not RSI. With respect to the 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.

## Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Alma and is not intended to be and should not be used by anyone other than these specified parties.

*AMGLP.C.*

Grand Island, Nebraska  
January 31, 2020