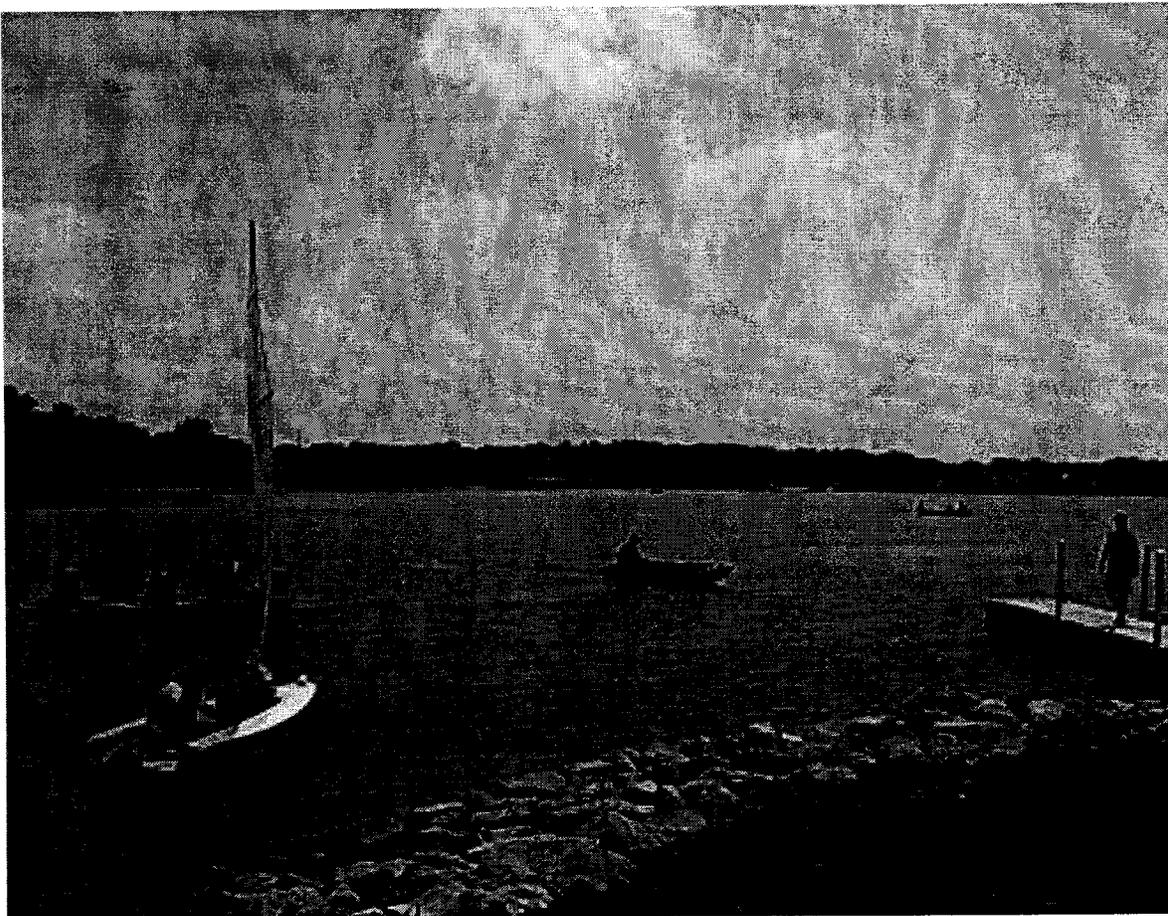


CITY OF AMES, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2004**



ADA HAYDEN HERITAGE PARK
Dedicated August 28, 2004

**“Why not preserve now at a small cost what cannot be
replaced at any cost?”**

Ada Hayden, 1919



Mission Statement

We are caring people, providing quality programs with exceptional service to a community of progress.

We Value...

- Continuous improvement in our organization and our services.
- Innovation in problem solving.
- Employee participation in decision making.
- Personal and professional development.
- Each other as we work together to serve the community.

We Are...

- Proud to provide superior services to our community.
- Professional and objective as we address public concerns and needs.
- Fair, flexible, and helpful in our actions.
- Efficient and fiscally responsible.
- Proactive in reviewing and evaluating the type and focus of our services.

Caring People, Quality Programs, Exceptional Service

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF AMES, IOWA

Year Ended June 30, 2004

**Prepared by the Accounting and Auditing
Division of the Department of Finance**

**CITY OF AMES, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2004**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	10
City Organization Chart	12
List of Principal Officials	13
 FINANCIAL SECTION	
Independent Auditors' Report	17
Management's Discussion and Analysis	19
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	34
Statement of Activities	36
Fund Financial Statements	
Balance Sheet - Governmental Funds	38
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	39
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
Statement of Net Assets - Proprietary Funds	44
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	48
Statement of Cash Flows - Proprietary Funds	50
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	54
Notes to the Financial Statements	55
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	83
Notes to the Required Supplementary Information	84
Supplementary Information	
Nonmajor Governmental Funds	87
Combining Balance Sheet - Nonmajor Governmental Funds	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	89
Combining Balance Sheet - Nonmajor Special Revenue Funds	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	94
Budgetary Comparison Schedule - Debt Service Fund	98
Budgetary Comparison Schedule - Capital Projects Fund	99
Budgetary Comparison Schedule - Special Revenue Funds	100

	Page
Nonmajor Enterprise Funds	101
Combining Statement of Net Assets - Nonmajor Enterprise Funds	102
Combining Statement of Revenues, Expenses, and Changes In Fund Net Assets - Nonmajor Enterprise Funds	106
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	108
Internal Service Funds	112
Combining Statement of Net Assets - Internal Service Funds	113
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	114
Combining Statement of Cash Flows - Internal Service Funds	115
Agency Funds	117
Combining Statement of Assets and Liabilities - Agency Funds	118
Combining Statement of Changes in Assets and Liabilities - Agency Funds	119
Combining Statement of Changes in Assets and Liabilities Agency Funds - Totals	120
 STATISTICAL SECTION	
General Governmental Expenditures by Function and Transfers Out	125
General Governmental Revenues by Source and Transfers In	126
Property Tax Collections by Source	127
Property Tax Levies and Collections	127
Assessed and Estimated Actual Value of Taxable Property	128
Property Tax Rates and Tax Levies - Direct and Overlapping Governments	129
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita	130
Computation of Direct and Overlapping Debt	131
Computation of Legal Debt Margin	132
Special Assessment Collections	133
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	133
Medical Center Revenue Bond Coverage	134
Electric Revenue Bond Coverage	135
Sewer Revenue Bond Coverage	136
Salaries of Principal Officials	137
Miscellaneous Statistical Data	138
Demographic Statistics	139
Insurance in Force	140
Property Value, Construction, and Bank Deposits	141
Principal Taxpayers	142

	Page
INFORMATION PROVIDED TO COMPLY WITH OMB CIRCULAR A-133 AND GOVERNMENT AUDITING STANDARDS	
Schedule of Expenditures of Federal Awards	147
Notes to Schedule of Expenditures of Federal Awards	150
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based Upon the Audit Performed in Accordance with Government Auditing Standards	151
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program	153
Schedule of Findings and Questioned Costs	155

**INTRODUCTORY
SECTION**

October 26, 2004

The Honorable Mayor, City Council Members,
And Citizens of the City of Ames, Iowa

The City of Ames is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City of Ames, Iowa (City) for the fiscal year ended June 30, 2004 is hereby submitted.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by EideBailly LLP; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing "Single Audit" engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this Single Audit, including the Schedule of Expenditures of Federal Awards,

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based Upon the Audit Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program, and Schedule of Findings and Questioned Costs is included in the section entitled "Information Provided to Comply With OMB Circular A-133 and Government Auditing Standards" found in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF AMES

The City was incorporated in 1869 under the laws of the State of Iowa, later amended in July 1975 under the Home Rule City Act. The City is located in central Iowa, 30 miles north of Des Moines. Ames is the 9th largest city in Iowa with a population of 50,731. The City is empowered to levy a property tax on real property located within its boundaries. It also is empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City operates under a council-manager form of government. Policy making and legislative authority are vested in the governing council consisting of the mayor and six other council members. The council members serve four-year staggered terms with three council members elected every two years. The mayor serves a four-year term and is elected with one of the groups of three council members. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides the following services as authorized by its charter: public safety, public works, culture, recreation, and community development. The City also provides additional services including municipal electric, water, and sewer utility systems; parking lot facilities; a municipal resource recovery facility; a municipal airport; a recreational ice facility; a municipal golf course; a community center; a transit system; and a municipal hospital.

As required by generally accepted accounting principles, the City's financial statements are composed of all funds, departments, institutions, offices and other government entities that do not have separate legal status.

The Ames Community School District is administered by an independent and autonomous board of trustees created under the authority of chapters of the Iowa Code separate and distinct from the City Code, has independent taxing authority, and has the ability to issue debt which is not an obligation of the City. The school district is not considered a component unit; therefore, the school district's financial statements are not included herein.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager is responsible for developing a budget proposal to the City Council. The proposed budget is presented to the Council in January and February of each year. The Council is required to hold public hearings on the proposed budget and to adopt the final budget by no later than March 15 for the fiscal year beginning the following July first. The appropriated budget is prepared by fund and function. Budget-to-actual comparisons are provided in this report for governmental funds for which an appropriated budget has been adopted. For the general fund, this comparison is presented as part of required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the supplementary information section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

The City is supported by a diverse economy, which relies on both the private and public sectors. The City is home to several large governmental agencies including Iowa State University, the Iowa Department of Transportation, the USDA National Animal Disease Center and National Veterinary Services Laboratories, and a U.S. Department of Energy research lab. The University and other government employers add significant local economic stability that has resulted in an unemployment rate that has been below the national and state averages for the past thirty years. With improvement in the local and national economy, the City's unemployment rate averaged 3.0%.

The growth in assessed property value resulted in a 7.7% increase for the current fiscal year. Low interest rates helped to maintain strong residential construction including three high rise mixed use buildings in the Iowa State University campustown area. Retail sales grew at a rate of 2.0% for the year for a second year of growth after two years of declines.

The first phase of construction was completed on the expansion of USDA National Animal Disease Center and the National Veterinary Services Laboratories. The plan includes a \$460.77 million expansion and modernization of facilities; the combined structures of all phases will have a total gross square footage of 1,167,063. This project helps solidify Ames' position as a hub in the veterinary medicine industry.

The City's economic development efforts have been targeted towards companies that blend with community resources and take advantage of a highly educated workforce in areas such as veterinary medicine, technology, and agricultural research. A key part of this plan has included the Iowa State University Research Park, a 230-acre development with over 270,000 square feet of building space. The 42 tenant companies are primarily technology based.

Long-term financial planning. To continue to improve the quality services for the citizens of Ames, City Council goals for the future include the following:

Commercial revitalization.

Advancing the bio-economy.

Connecting the community.

Strengthening residential neighborhoods.

Developing affordable housing opportunities.

Finalizing the fringe area plan.

In 2004, construction was completed on the Ada Hayden Heritage Park; this project added a 460-acre park and deep-water lake to the City park system as well as a backup water supply. The Ada Hayden Park project is featured in this report. The City electric utility began installation of a 20-megawatt combustion turbine generator. This \$16 million project will provide cost effective electric load peaking capacity for utility customers.

In March of 2004 the Mayor and City Council adopted comprehensive budget and fiscal policies for the City of Ames to formalize many of the financial policies that help maintain financial stability and provide the services most desired by residents.

Internal Control. City management is responsible for establishing and maintaining internal control to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Controls are evaluated on a continuing basis, and are added to or changed as needed based on management's determination. We believe that the internal accounting controls of the City are adequate.

Budgeting Controls. In addition, the government maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function. The government also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. Encumbered amounts lapse at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

Single Audit. As a recipient of federal awards, the City also is responsible for ensuring that an adequate internal control structure is in place to comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by City management.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal award programs, as well as to

determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2004 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Cash management policies and practices. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, repurchase agreements, U. S. Treasury securities, federal agency obligations, and authorized mutual funds.

The investment policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either covered by federal depository insurance or collateralized. All collateral on uninsured deposits was held either by the State Treasurer, the government, its agent, or a financial institution's trust department in the government's name. The Mary Greeley Medical Center (MGMC) is allowed by the State Code of Iowa to invest in common stocks. The investment policy of the Mary Greeley Medical Center includes investment in common stocks and recognizes the market risk of these investments.

The monies for bond payments are invested in both time certificates of deposit and government securities. Such investments are made to coincide with principal and interest paying dates. Investments for less than thirty days are made in government securities and certificates of deposit.

Pension and other post-employment benefits. The City of Ames provides pension benefits to public safety employees through the statewide Municipal Fire and Police Retirement System of Iowa. The City has no obligation in connection with employee benefits offered through this plan beyond contributions for current employees. The City provides pension benefits to other employees through the statewide Iowa Public Employee Retirement System. Again the City has no obligation in connection with employee benefits offered through this plan beyond contributions for current employees. Employees paid by utility revenues have the option of selecting a 401(a) defined contribution plan offered by the City. There is no ongoing financial responsibility incurred by the City under this plan except for employer contributions.

The City also provides limited postretirement health benefits for public safety employees who have retired due to service related disabilities. As of the end of the current fiscal year, there were 12 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ames, Iowa, for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the 25th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada presented an award of Distinguished Budget Presentation to the City for its annual budget for the fiscal year beginning July 1, 2004. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device. The City has received this award every year since 1986/1987. The award is valid for a period of one year only.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the Finance Department. We wish to thank the Mayor and members of the City Council for their interest and support of our efforts in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Steven L. Schanker
City Manager



Duane R. Pitcher, CPA, CPFO
Director of Finance



The Life of Ada Hayden

The following is a timeline of her achievements:

1904 – Graduated from Ames High School

1908 – Earned her Bachelor of Science in botany from ISU

1910 – Earned her Master's Degree from Washington University in St. Louis

1910-1918 – Instructor of botany at ISU

1918 – Graduated with a Doctor of Philosophy from ISU

1919 - Hayden proposed setting aside prairie areas as preserves. The same year, she became an assistant professor of botany and plant pathology at ISU and began a study and inventory of native plants throughout Iowa.

1947 – She was named curator of the ISU Herbarium. During her time at ISU, she added more than 40,000 species to the plant library.

1967 – Posthumously inducted into the Iowa Conservation Hall of Fame

1988 – The ISU Herbarium was dedicated as the Ada Hayden Herbarium in her honor.

2002 – The 437-acre Ada Hayden Heritage Park was named in her honor.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ames,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Handwritten signature of Edward Haney in black ink.

President

Handwritten signature of Jeffrey R. Emer in black ink.

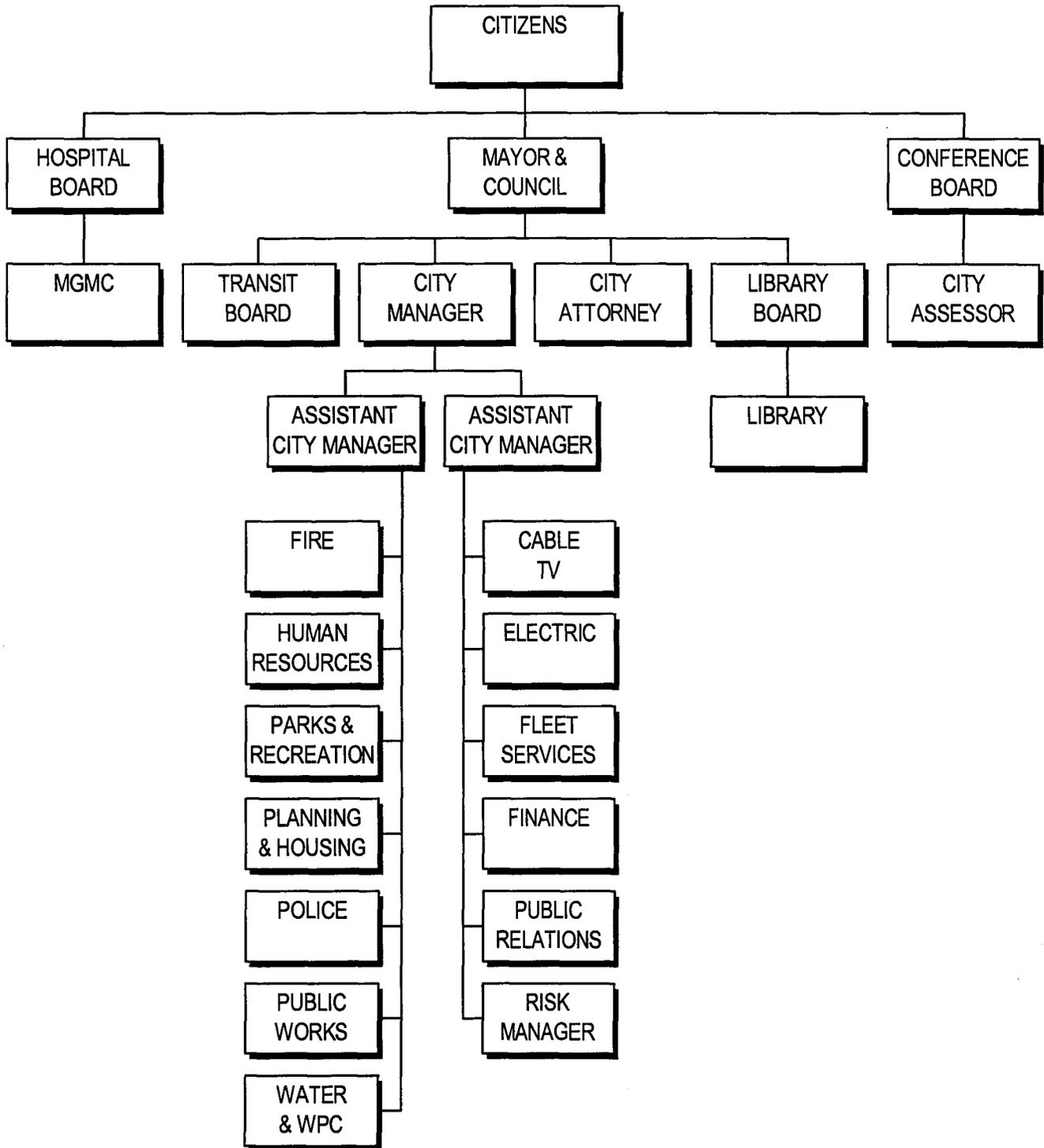
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the City of Ames, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Ames, Iowa has received a Certificate of Achievement for the last 25 consecutive years (fiscal years ended 1979-2003). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

CITY OF AMES, IOWA ORGANIZATIONAL CHART



CITY OF AMES, IOWA

PRINCIPAL OFFICIALS

Elected Officials

Ted Tedesco
Matthew Goodman
Russ Cross
Sharon Wirth
Steve Goodhue
Daryle Vegge
Riad Mahayni

Mayor
Council Member – At Large
Council Member – At Large
Council Member – First Ward
Council Member – Second Ward
Council Member – Third Ward
Council Member – Fourth Ward

Council-Appointed Officials

Steven Schainker
John Klaus

City Manager
City Attorney

Manager-Appointed Officials

Bob Kindred
Sheila Lundt
Merlin Hove
Paul Wiegand
Duane Pitcher
Robert Bourne
Clint Petersen
Loras Jaeger
Julie Huisman
Matthew Flynn
Nancy Carroll
Tom Neumann
Paul Hinderaker
Gina Millsap
Roger Wisecup II

Assistant City Manager
Assistant City Manager
Director of Electric Utility
Director of Public Works
Director of Finance
Director of Transportation
Fire Chief
Police Chief
Director of Human Resources
Director of Planning & Housing
Director of Parks & Recreation
Director of Water and Pollution Control
Director of Fleet Services
Library Director
City Treasurer

Hospital Administration

Kimberly Russell
Brian Dieter

President/Chief Executive Officer
Vice President/Chief Financial Officer

**FINANCIAL
SECTION**



Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Ames, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ames, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Ames, Iowa. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mary Greeley Medical Center (presented as an enterprise fund) and the Mary Greeley Medical Center Foundation (the discretely presented component unit). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mary Greeley Medical Center and the Mary Greeley Medical Center Foundation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ames, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Ames, Iowa. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Ames, Iowa. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Eide Bailly LLP

Dubuque, Iowa
October 26, 2004

CITY OF AMES, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

This section of the City of Ames (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements found in the next section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Ames exceeded its liabilities at the close of the fiscal year by \$386,641,170 (net assets). This was an increase of \$22,493,698 over net assets at June 30, 2003. Unrestricted net assets at June 30, 2004 in the amount of \$129,193,789 may be used to meet the City's ongoing obligations to citizens and creditors.
- The revenues of the general fund exceeded expenses by \$377,026. This was \$422,662 more than the final budgeted increase in fund balance. A decrease in actual expenditures over budgeted expenditures of \$375,293 accounted for 88% of this increase in budgeted fund balance.
- The ending general fund balance of \$5,106,999 exceeded the City target minimum fund balance of twenty percent of general fund budgeted expenses.
- Within the City's business-type activities, revenues exceeded expenses by \$16,068,585. The City policy is to set rates that fund operational expenses of business-type activities and fund most capital improvements. The increase in net assets represents funds accumulated for planned future capital expenditures.
- For the year, the revenues of the City's governmental activities exceeded expenses by \$6,425,113 compared to \$6,971,364 in 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This discussion and analysis are intended to serve as an introduction to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The paragraphs below provide a brief description of the government-wide financial statements.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The government-wide financial statements are divided into two categories:

Governmental activities. This category consists of services provided by the City that are principally supported by taxes and intergovernmental revenues. Basic City services such as police, fire, public works, planning, parks, the library, and general administration are governmental activities.

Business-type activities. These activities are supported primarily by user fees. The services provided by the City in this category include water, sewer, and electrical utilities, the resource recovery center, municipal golf course, and a municipal hospital.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with legal requirements for financial transactions and reporting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual

fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, and special revenue funds. A budgetary comparison schedule has been provided in the notes to the financial statements to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, sewer, water, and storm water drainage utilities. Enterprise funds are also used for the municipal hospital, resource recovery center, transit, parking, and recreational facility operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet services, information services, risk management, and health insurance. The City's internal services benefit both the governmental activities and business-type activities and have been apportioned accordingly in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Mary Greeley Medical Center, electric utility, and sewer utility; all of which are considered to be major funds of the City. Data from the other seven enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, and agency funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

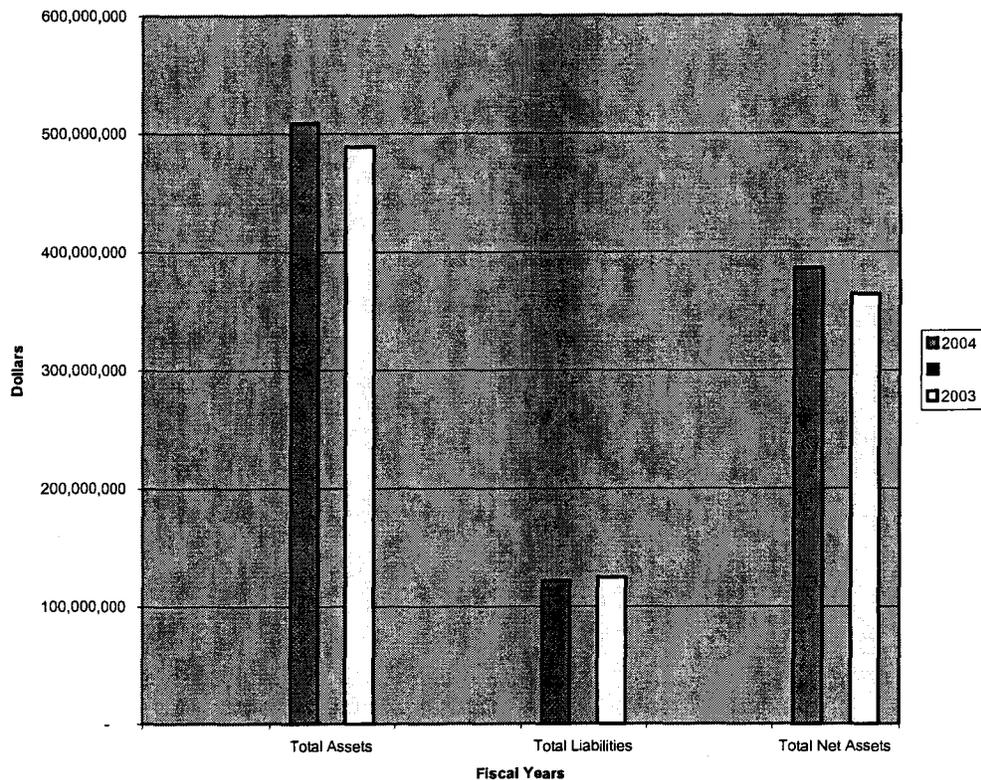
Net assets. As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$386,641,170 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (64.6%) are reflected in investment in capital assets such as land, buildings, infrastructure, machinery, and equipment less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to the citizens and are not available for future spending.

City of Ames Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 44,696,192	\$ 42,640,998	\$ 139,037,931	\$ 130,061,143	\$ 183,734,123	\$ 172,702,141
Capital assets, net of depreciation	108,998,527	102,606,942	215,842,216	213,682,985	324,840,743	316,289,927
Total assets	153,694,719	145,247,940	354,880,147	343,744,128	508,574,866	488,992,068
Long-term debt outstanding	33,168,133	31,870,405	32,846,867	36,664,595	66,015,000	68,535,000
Other liabilities	26,973,445	26,249,507	28,945,251	30,060,089	55,918,696	56,309,596
Total liabilities	60,141,578	58,119,912	61,792,118	66,724,684	121,933,696	124,844,596
Net assets						
Invested in capital assets, net of related debt	72,431,317	67,107,350	177,602,171	170,584,026	250,033,488	237,691,376
Restricted	5,392,715	5,907,080	2,021,178	3,227,265	7,413,893	9,134,345
Unrestricted	15,729,109	14,113,598	113,464,680	103,208,153	129,193,789	117,321,751
Total net assets	\$ 93,553,141	\$ 87,128,028	\$ 293,088,029	\$ 277,019,444	\$ 386,641,170	\$ 364,147,472

Net Assets



A portion of the City's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (\$129,193,789) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2004 and 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole and separate governmental and business-type activities.

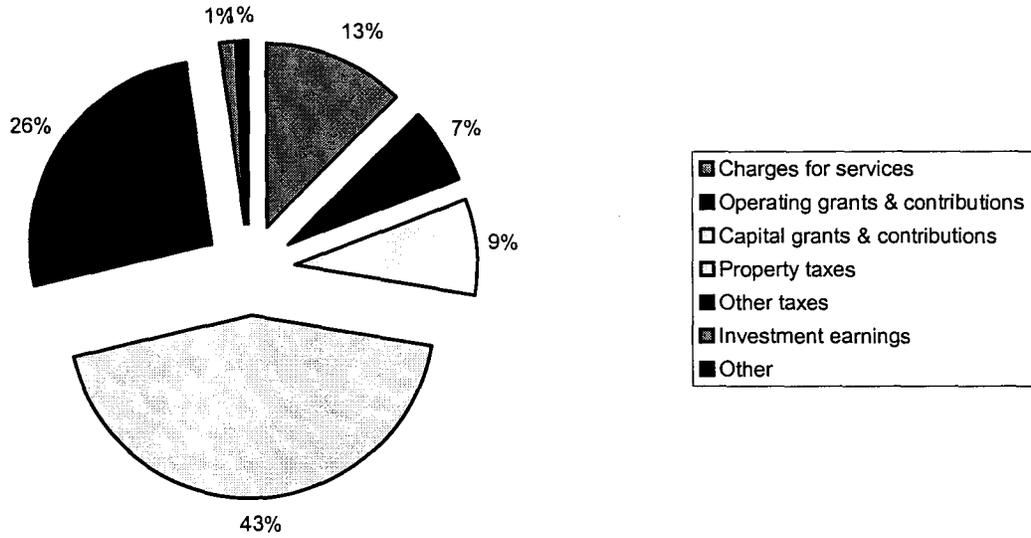
Governmental activities. Governmental activities increased the net assets of the City by \$6,425,113 or 28.5% of the total increase in net assets in 2004 and \$6,971,364 or 38.1% of the increase in 2003. Taxes are the largest source of governmental revenues with property taxes of \$17,062,313 in 2004 and other taxes (sales taxes and road use tax) of \$10,258,904. Capital grants and contributions for 2004 totaled \$3,340,218. The \$940,229 increase in property tax collections in 2004 over 2003 was due to increased valuations and a \$.04 increase in the overall tax rate. The majority of the \$566,564 increase in other taxes was due to increased local option tax collections. The continued decrease in interest rates is reflected in the \$257,760 decrease in investment revenue. Governmental expenses during 2004 increased \$275,995 over 2003 expenses or .84%.

City of Ames Changes in Net Assets

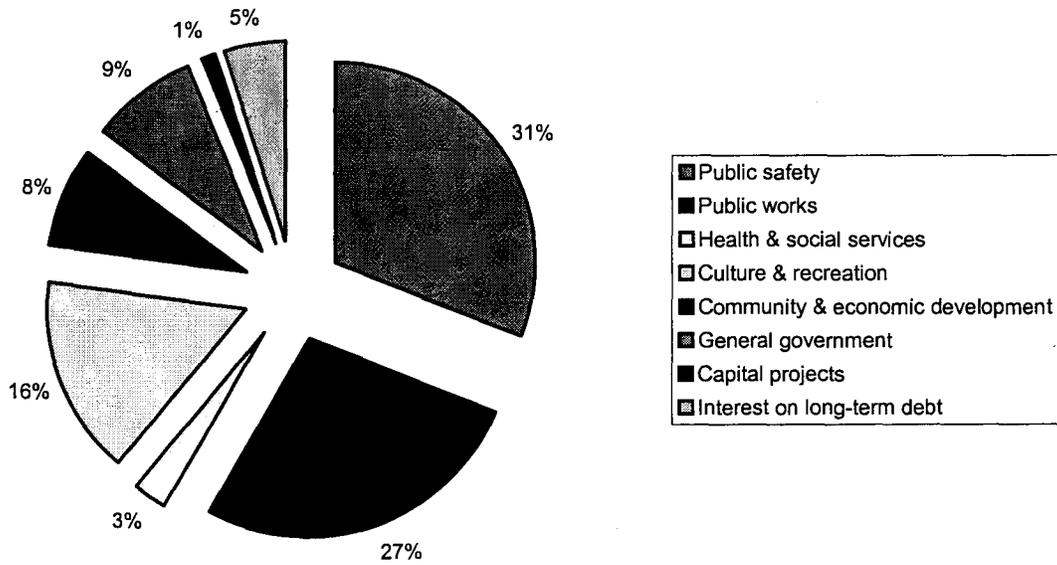
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	\$ 4,903,368	\$ 4,796,331	\$ 157,881,571	\$ 149,779,381	\$ 162,784,939	\$ 154,575,712
Operating grants & contributions	2,568,666	2,277,904	1,771,872	1,763,879	4,340,538	4,041,783
Capital grants & contributions	3,340,218	5,125,235	2,332,603	3,297,323	5,672,821	8,422,558
General revenues						
Property taxes	17,062,313	16,122,084			17,062,313	16,122,084
Other taxes	10,258,904	9,692,340			10,258,904	9,692,340
Unrestricted grants & contributions	48,413	668,704			48,413	668,704
Investment earnings	489,786	747,546	5,200,766	2,606,764	5,690,552	3,354,310
Other	308,156	(274,961)	(246,848)	3,104	61,308	(271,857)
Total revenues	38,979,824	39,155,183	166,939,964	157,450,451	205,919,788	196,605,634
Expenses						
Public safety	10,160,215	10,267,584			10,160,215	10,267,584
Public works	8,968,386	8,187,203			8,968,386	8,187,203
Health & social services	917,209	959,605			917,209	959,605
Culture & recreation	5,268,507	5,158,304			5,268,507	5,158,304
Community & economic development	2,612,198	2,989,990			2,612,198	2,989,990
General government	2,853,720	3,046,760			2,853,720	3,046,760
Capital projects	364,871	220,248			364,871	220,248
Interest on long-term debt	1,635,493	1,674,910			1,635,493	1,674,910
Mary Greeley Medical Center			97,429,390	95,183,668	97,429,390	95,183,668
Electric Utility			32,052,383	30,586,148	32,052,383	30,586,148
Sewer Utility			5,103,253	4,969,771	5,103,253	4,969,771
Water Utility			5,097,617	4,765,393	5,097,617	4,765,393
Storm Sewer Utility			385,303	422,673	385,303	422,673
Parking Lot			799,523	626,843	799,523	626,843
Resource Recovery			3,215,617	3,157,863	3,215,617	3,157,863
Transit			5,885,535	5,400,212	5,885,535	5,400,212
Ames/ISU Ice Arena			471,392	482,014	471,392	482,014
Homewood Golf Course			205,478	222,710	205,478	222,710
Total expenses	32,780,599	32,504,604	150,645,491	145,817,295	183,426,090	178,321,899
Excess before transfers	6,199,225	6,650,579	16,294,473	11,633,156	22,493,698	18,283,735
Transfers	225,888	320,785	(225,888)	(320,785)	-	-
Increase in net assets	\$ 6,425,113	\$ 6,971,364	\$ 16,068,585	\$ 11,312,371	\$ 22,493,698	\$ 18,283,735

Below are specific graphs which provide comparisons of the governmental activities revenues and functional expenses.

Governmental Activities Revenues 2004



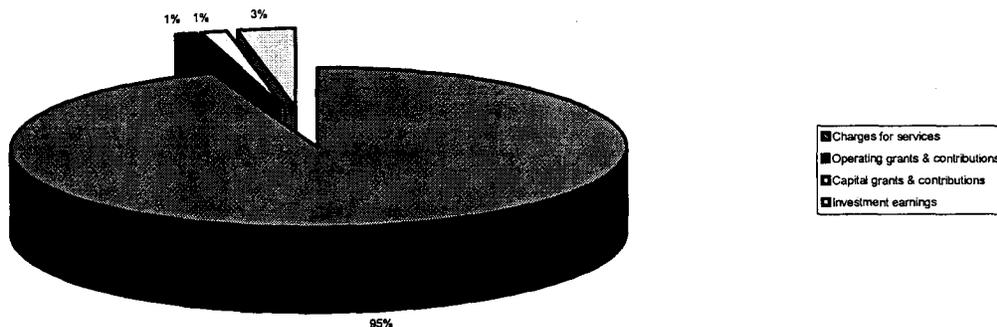
Governmental Activities Expenses 2004



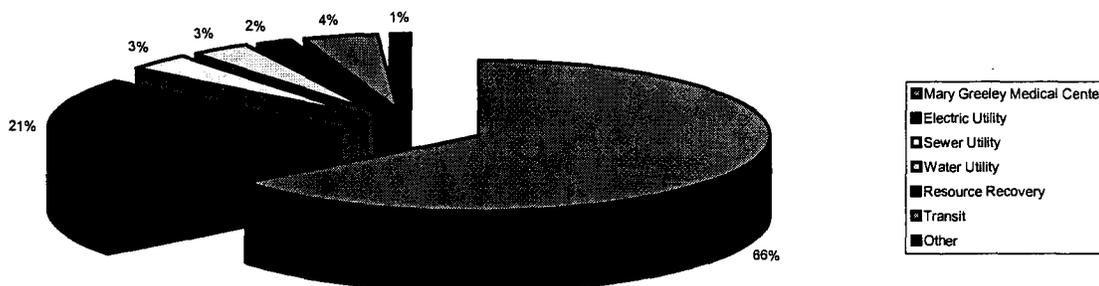
Business-type activities. Business-type activities increased net assets by \$16,068,585 accounting for 71.4% of the City of Ames growth in net assets at June 30, 2004. This was 42% more than the 2003 increase in net assets of \$11,312,371. Business-type charges for services increased \$8,102,190 during 2004 or 5.4% over 2003 totals. Of this, 68% or \$5,510,522 was provided by Mary Greeley Medical Center. Investment earnings increased \$2,594,002 during 2004.

The expenses of the business-type activities increased \$4,828,196 or 3.3% over 2003 expenses. Expenses for Mary Greeley Medical Center were 46.5% of this total increase or \$2,245,722. Below are graphs showing the business-type activities revenue and expense comparisons.

Business-type Activities Revenues 2004



Business-type Activities Expenses 2004



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported a combined fund balance of \$20,401,509 at June 30, 2004. This was an increase of \$903,678 over the prior year. Approximately sixty-five percent (\$13,348,085) constitutes unreserved fund balance, an increase of \$669,466 over the 2003 fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for encumbrances and endowments, inventories and prepaid items, debt service and state statute restricted purposes.

The general fund's fund balance increased by \$377,026 or 7.9% leaving a fund balance in excess of 27% of current annual expenditures and exceeding the City's goal of 20% of expenditures.

The debt service fund utilized \$557,218 of its fund balance for principal and interest payments during 2004. This planned use of fund balance kept the City's property tax rate for debt service at a lower level than would have been possible without expending the fund balance. The timing of bond issuances and expenditures has allowed the City to maintain a fund balance in debt service in excess of \$1,700,000.

The fund balance of the capital projects fund increased by \$665,219 to \$1,633,048 at June 30, 2004. Expenditures were \$6,993,041 or \$3,110,689 less than 2003 expenditures. Bonds issued for capital projects in 2004 totaled \$6,555,000. Construction of Ada Hayden Heritage Park was completed during the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined net assets of the enterprise funds at June 30, 2004 totaled \$287,866,164 of which 37.6% (\$108,242,815) is unrestricted. This is a \$15,918,309 or 5.8% increase over the 2003 net assets of \$271,947,855. The net assets of the internal service funds are \$13,257,684, a \$695,353 increase over the 2003 total net assets. The unrestricted net assets of the internal service funds are \$7,724,544 (58.2%).

The net assets of Mary Greeley Medical Center increased \$11,664,495 to \$121,384,917 or 10.6% over the 2003 net assets of \$109,720,422. The change in net assets resulted primarily from an increase in operating income and investment income of approximately \$3,260,000 and \$3,270,000 respectively. During fiscal year 2004, the Medical Center implemented a new integrated medical center-wide computer system at a cost of \$2.3 million.

The Electric Utility had a \$1,952,248 increase in net assets which is \$32,493 more than the 2003 increase in net assets of \$1,919,755. Costs of goods and services increased in 2004 by

\$1,647,810 due to planned maintenance of generating equipment, additional unexpected repairs discovered under planned maintenance, increased costs for fuel and purchased power, and increased employee health insurance costs. Investment earnings decreased \$583,830 due to lower interest rates and less cash available for investment.

The Sewer Utility continued to have a decline in net assets of \$156,029 or \$276,222 (63.9%) less than the 2003 decrease in net assets of \$432,251. Charges for services in 2004 increased \$31,395 over 2003 levels. There was no increase in sewer rates during 2004.

BUDGETARY HIGHLIGHTS

There were two amendments to the City's 2003-2004 budget. The first amendment was passed in March 2004 to reflect carryovers of capital project expenditures due to good construction weather throughout the year and refunding of bond issues. The budget was amended in May to reflect year-end expenditures and revenues more closely.

General Fund. The budget amendments decreased the general fund's budgeted expenditures \$693,103. Intergovernmental revenues were reduced by \$620,774 due to reductions in receipts of State funding. Actual revenues were \$157,980 more than the final budgeted amount and expenditures were \$375,293 less than the final amended budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$324,840,743 (net of accumulated depreciation), an increase of \$8,550,816 or 2.7% above the 2003 investment of \$316,289,927. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. Additional information on the City's capital assets can be found in the notes to the financial statements in this report.

Major capital asset events during the fiscal year illustrating the diversity of City projects included the following current year amounts rounded to the nearest \$100:

Ada Hayden Heritage Park completion \$2,860,300.
Reconstruction of 6th Street completed \$1,429,300.
Reconstruction of Clark Avenue completed \$636,000.
20 MW combustion turbine (ongoing project) \$3,164,500.
Completion of CyRide building expansion \$938,800.
Purchase of 3 new transit vehicles \$361,400.
Patio Homes West park development \$43,400.
Sand Volleyball complex \$27,200.

Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 10,162,859	\$ 9,991,396	\$ 9,754,053	\$ 9,350,907	\$ 19,916,912	\$ 19,342,303
Other nondepreciable assets	4,047,816	3,880,817			4,047,816	3,880,817
Depreciable assets	93,374,101	86,183,643	201,226,797	202,526,735	294,600,898	288,710,378
Construction in progress	<u>1,413,751</u>	<u>2,551,086</u>	<u>4,861,366</u>	<u>1,805,343</u>	<u>6,275,117</u>	<u>4,356,429</u>
Total	<u>\$ 108,998,527</u>	<u>\$ 102,606,942</u>	<u>\$ 215,842,216</u>	<u>\$ 213,682,985</u>	<u>\$ 324,840,743</u>	<u>\$ 316,289,927</u>

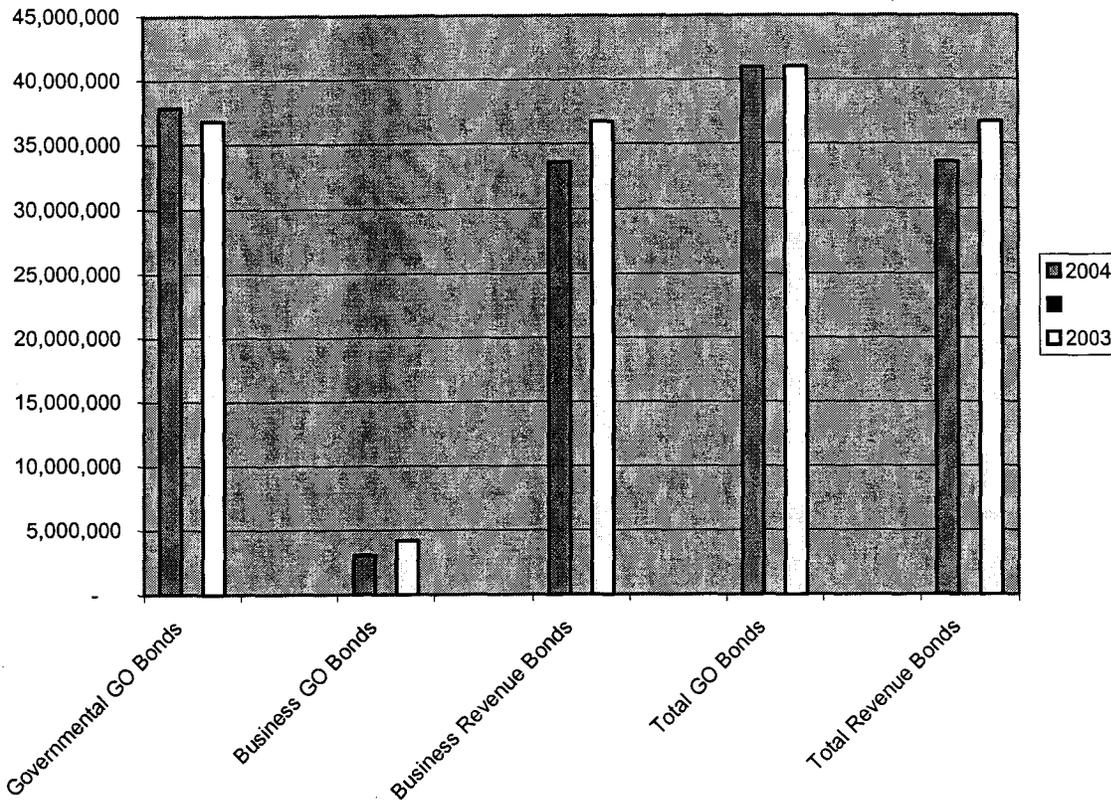
Long-term Debt. At the close of the fiscal year ended June 30, 2004, the City had bonds outstanding of \$74,540,000. General obligation debt was \$40,945,000 and revenue bonds outstanding totaled \$33,595,000. General obligation bonds of \$6,555,000 were issued for the cost of construction, reconstruction and repair of streets and storm sewers in the City and for the completion of Ada Hayden Heritage Park.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 37,875,405	\$ 36,803,714	\$ 3,069,595	\$ 4,186,286	\$ 40,945,000	\$ 40,990,000
Revenue bonds			<u>33,595,000</u>	<u>36,690,000</u>	<u>33,595,000</u>	<u>36,690,000</u>
Total	<u>\$ 37,875,405</u>	<u>\$ 36,803,714</u>	<u>\$ 36,664,595</u>	<u>\$ 40,876,286</u>	<u>\$ 74,540,000</u>	<u>\$ 77,680,000</u>

Long-term debt amounts (bonds payable) are shown without reference to applicable premiums.

Outstanding Debt



The City maintains a Aaa rating from Moody's Investor Services on all its general obligation debt.

State statutes limit the amount of general obligation debt an Iowa city may issue to five percent (5%) of the actual assessed valuation at January 1, 2002 related to the 2003-2004 fiscal year. The current debt limitation for the City is \$121,488,874. A portion of the outstanding general obligation debt is abated by revenue sources other than the property tax levy. Additional information on the City's long-term debt can be found in the notes to the financial statements in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The improvement in the national economy has had a positive impact on the City of Ames. The City's unemployment rate ended the fiscal year at 3.0%, slightly lower than the 3.2% rate for the prior year and still under the State of Iowa rate of 4.4% and the 5.4% national rate.

City revenue sources affected by economic activity such as local option sales tax, building permit fees, hotel/motel tax, and road use tax all showed increases from the prior year. The City also continues to enjoy moderate growth in valuation of taxable property.

Property taxes. The 2004-05 budget required a \$.27 increase in the property tax rate from \$9.68/\$1,000 of taxable valuation to \$9.95. Some of the primary factors affecting this rate change include:

Lost Revenues

- As part of its “reinvention” budget cuts, the State of Iowa reduced its support of the City by \$645,000 in 2003-04. These reductions continued in 2004-05 and are expected to continue into the future.
- The State of Iowa is expected to further reduce funding to the City in 2004-05 as follows:
 - \$92,000 in Bank Franchise Tax receipts
 - \$13,700 in Moneys & Credits receipts
 - \$24,000 in Homestead Credits receipts
 - \$ 6,500 in Military Credits receipts
- The state-mandated residential property valuation rollback reduced the taxable property base by lowering the percentage of residential property value subject to taxation from 51.3874% in 2003-04 to 48.4558% in 2004-05. This reduced taxable valuation by over \$49,000,000, virtually wiping out all of the increase in the value of new construction.
- A number of apartment buildings have been converted to condominiums resulting in approximately \$67,000,000 of commercial property previously taxed at 99% of value being switched to residential property taxed at 48% of value. This conversion has resulted in a shift in property tax burden to the remaining commercial and industrial properties.

Increased Expenditures

- Increases in the state-mandated fire/police retirement system will require the City to contribute an additional \$223,756 in 2004-05.
- Health insurance costs are budgeted to increase by \$492,000 in 2004-05. Of this total, \$225,800 will be paid from the General Fund.

The City was able to offset much of the impact above by decreasing expenditures in many areas and increasing revenues other than property taxes resulting in an overall increase in the property tax rate of only 2.8%.

Utility rates. Rates charged the citizens of Ames by the electric, water, sanitary sewer, and storm water utilities were not increased for FY 2004-2005. The resource recovery utility was able to decrease the annual per capita rate for participating member communities from \$11.75 to \$10.50.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 515 Clark Avenue, Ames, Iowa, 50010.

**BASIC
FINANCIAL
STATEMENTS**

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current assets:				
Cash and pooled cash investments	\$ 2,006,926	\$ 11,972,386	\$ 13,979,312	\$ 66,938
Investments	23,948,646	35,564,030	59,512,676	6,518,432
Taxes receivable	178,134		178,134	
Special assessments receivable	271,071		271,071	
Accounts receivable, net	657,745	21,206,353	21,864,098	
Pledges receivable, net				201,714
Accrued interest receivable	61,027	132,754	193,781	
Intergovernmental receivables	2,103,561	1,131,267	3,234,828	
Internal balances	(4,071,101)	4,071,101		
Inventories	166,208	4,505,514	4,671,722	
Prepaid items	56,962	970,803	1,027,765	
Total unrestricted current assets	<u>25,379,179</u>	<u>79,554,208</u>	<u>104,933,387</u>	<u>6,787,084</u>
Restricted current assets:				
Investments		4,519,153	4,519,153	
Accrued interest receivable		414,767	414,767	
Total restricted current assets		<u>4,933,920</u>	<u>4,933,920</u>	
Total current assets	<u>25,379,179</u>	<u>84,488,128</u>	<u>109,867,307</u>	<u>6,787,084</u>
Noncurrent assets:				
Long-term investments	903,581	7,339,121	8,242,702	
Succeeding year taxes receivable	17,318,377		17,318,377	
Long-term special assessments receivable	963,999		963,999	
Deferred debt issuance costs	131,056	1,077,861	1,208,917	
Capital assets:				
Land	10,162,859	9,754,053	19,916,912	
Other nondepreciable assets	4,047,816		4,047,816	
Depreciable assets	142,126,320	410,848,291	552,974,611	
Construction in progress	1,413,751	4,861,366	6,275,117	
Less accumulated depreciation	<u>(48,752,219)</u>	<u>(209,621,494)</u>	<u>(258,373,713)</u>	
Capital assets, net	<u>108,998,527</u>	<u>215,842,216</u>	<u>324,840,743</u>	
Total unrestricted noncurrent assets	<u>128,315,540</u>	<u>224,259,198</u>	<u>352,574,738</u>	
Restricted noncurrent assets:				
Long-term investments		46,132,821	46,132,821	
Total noncurrent assets	<u>128,315,540</u>	<u>270,392,019</u>	<u>398,707,559</u>	
Total assets	<u>153,694,719</u>	<u>354,880,147</u>	<u>508,574,866</u>	<u>6,787,084</u>

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current liabilities:				
Accounts payable	1,892,266	9,211,361	11,103,627	45,917
Taxes payable	1,117		1,117	
Retainage payable	371,930	282,972	654,902	
Due to other governments	216,812	703,907	920,719	
Compensation and payroll taxes	143,597	2,216,758	2,360,355	
Employee benefits	3,873	7,601,928	7,605,801	
Bonds payable	4,707,272	3,817,728	8,525,000	
Notes payable		612,276	612,276	
Interest payable	125,229	225,611	350,840	
Claims payable	340,000	359,944	699,944	
Deferred revenue	133,732	18,359	152,091	
Customer deposits	109,643	669,024	778,667	
Total current liabilities	<u>8,045,471</u>	<u>25,719,868</u>	<u>33,765,339</u>	<u>45,917</u>
Noncurrent liabilities:				
Employee benefits	1,452,399	1,006,254	2,458,653	
Bonds payable	33,168,133	32,846,867	66,015,000	
Unamortized premiums on bonds issued	157,198	1,416,308	1,573,506	
Deferred charges		(1,336,671)	(1,336,671)	
Notes payable		963,174	963,174	
Due to other governments		150,000	150,000	
Succeeding year deferred revenue	17,318,377		17,318,377	
Claims payable		250,000	250,000	
Landfill postclosure costs		776,318	776,318	
Total noncurrent liabilities	<u>52,096,107</u>	<u>36,072,250</u>	<u>88,168,357</u>	
Total liabilities	<u>60,141,578</u>	<u>61,792,118</u>	<u>121,933,696</u>	<u>45,917</u>
NET ASSETS				
Invested in capital assets, net of related debt	72,431,317	177,602,171	250,033,488	
Restricted for:				
Debt service	1,715,319	2,021,178	3,736,497	
Perpetual care	788,889		788,889	
Capital improvements	1,308,195		1,308,195	
State statute purposes	1,580,312		1,580,312	
Other				4,154,464
Unrestricted	<u>15,729,109</u>	<u>113,464,680</u>	<u>129,193,789</u>	<u>2,586,703</u>
Total net assets	<u>\$ 93,553,141</u>	<u>\$ 293,088,029</u>	<u>\$ 386,641,170</u>	<u>\$ 6,741,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AMES, IOWA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Functions	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	\$ 10,160,215	2,149,361	115,867
Public works	8,968,386	132,956	23,095
Health and social services	917,209		17,738
Culture and recreation	5,268,507	1,122,537	904,395
Community and economic development	2,612,198	16,466	1,507,571
General government	2,853,720	1,480,807	
Capital projects	364,871	1,241	
Interest on long-term debt	1,635,493		
Total governmental activities	32,780,599	4,903,368	2,568,666
Business-type activities:			
Mary Greeley Medical Center	97,429,390	104,597,269	98,000
Electric Utility	32,052,383	34,729,308	
Sewer Utility	5,103,253	4,276,063	
Water Utility	5,097,617	6,123,857	
Storm Sewer Utility	385,303	415,082	
Parking Lot	799,523	835,781	
Resource Recovery	3,215,617	3,124,654	632,808
Transit	5,885,535	3,172,940	1,041,064
Ames/ISU Ice Arena	471,392	398,281	
Homewood Golf Course	205,478	208,336	
Total business-type activities	150,645,491	157,881,571	1,771,872
Total primary government	\$ 183,426,090	\$ 162,784,939	\$ 4,340,538
Component unit:			
Mary Greeley Medical Center Foundation	\$ 707,186		\$ 696,731

General revenues:
 Taxes:
 Property taxes
 Sales taxes
 Road use tax
 Grants and contributions not restricted to specific programs
 Investment earnings
 Miscellaneous
 Gain (loss) on disposal of capital assets
 Transfers
 Total general revenues and transfers

Change in net assets
 Total net assets at beginning of year
 Total net assets at end of year

The notes to the financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
	\$ (7,894,987)		\$ (7,894,987)	
2,181,245	(6,631,090)		(6,631,090)	
	(899,471)		(899,471)	
	(3,241,575)		(3,241,575)	
	(1,088,161)		(1,088,161)	
	(1,372,913)		(1,372,913)	
1,158,973	795,343		795,343	
	(1,635,493)		(1,635,493)	
<u>3,340,218</u>	<u>(21,968,347)</u>		<u>(21,968,347)</u>	
		\$ 7,265,879	7,265,879	
		2,676,925	2,676,925	
614,154		(213,036)	(213,036)	
464,739		1,490,979	1,490,979	
		29,779	29,779	
		36,258	36,258	
		541,845	541,845	
1,233,710		(437,821)	(437,821)	
20,000		(53,111)	(53,111)	
		2,858	2,858	
<u>2,332,603</u>		<u>11,340,555</u>	<u>11,340,555</u>	
<u>\$ 5,672,821</u>	<u>(21,968,347)</u>	<u>11,340,555</u>	<u>(10,627,792)</u>	
<u>\$ 683</u>				<u>\$ (9,772)</u>
	17,062,313		17,062,313	
	6,003,674		6,003,674	
	4,255,230		4,255,230	
	48,413		48,413	
	489,786	5,200,766	5,690,552	1,001,283
	284,677		284,677	
	23,479	(246,848)	(223,369)	
	225,888	(225,888)		
	<u>28,393,460</u>	<u>4,728,030</u>	<u>33,121,490</u>	<u>1,001,283</u>
	6,425,113	16,068,585	22,493,698	991,511
	<u>87,128,028</u>	<u>277,019,444</u>	<u>364,147,472</u>	<u>5,749,656</u>
<u>\$ 93,553,141</u>	<u>\$ 293,088,029</u>	<u>\$ 386,641,170</u>		<u>\$ 6,741,167</u>

CITY OF AMES, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

ASSETS	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and pooled cash investments	\$ 11,635	\$ 24,540	\$ 745,957	\$ 1,061,541	\$ 1,843,673
Investments	4,077,980	1,610,957	907,118	10,801,741	17,397,796
Taxes receivable	105,121	66,871		6,142	178,134
Special assessments receivable			271,071		271,071
Accounts receivable	374,209		166,919	36,049	577,177
Accrued interest receivable	24,458	3,704	174	15,896	44,232
Intergovernmental receivables	78,310		664,889	1,354,073	2,097,272
Due from other funds	820,073	9,247	162,606	35,911	1,027,837
Inventories	36,457			79,257	115,714
Prepaid items	15,862			3,291	19,153
Succeeding year taxes receivable	10,018,698	6,367,416		932,263	17,318,377
Long-term special assessments receivable			963,999		963,999
Total assets	\$ 15,562,803	\$ 8,082,735	\$ 3,882,733	\$ 14,326,164	\$ 41,854,435
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 122,606		\$ 859,244	\$ 278,958	\$ 1,260,808
Taxes payable	1,117				1,117
Retainage payable			342,465	27,526	369,991
Due to other governments	53,878		1,404	152,973	208,255
Compensation and payroll taxes	85,005		2,194	44,408	131,607
Due to other funds	162,740		80,379	632,822	875,941
Interfund payable	2,168				2,168
Deferred revenue	5,186		963,999	201,428	1,170,613
Succeeding year deferred revenue	10,018,698	\$ 6,367,416		932,263	17,318,377
Advances from other funds	4,406				4,406
Customer deposits				109,643	109,643
Total liabilities	10,455,804	6,367,416	2,249,685	2,380,021	21,452,926
 Fund balances:					
Reserved for:					
Encumbrances	67,025		1,633,048	1,133,964	2,834,037
Perpetual care				788,889	788,889
Inventories	36,457			79,257	115,714
Prepaid items	15,862			3,291	19,153
Debt service		1,715,319			1,715,319
State statute restricted purpose				1,580,312	1,580,312
Unreserved:					
Designated for subsequent year's expenditures in nonmajor special revenue funds				609,653	609,653
Undesignated, reported in:					
General fund	4,987,655				4,987,655
Nonmajor special revenue funds				7,750,777	7,750,777
Total fund balances	5,106,999	1,715,319	1,633,048	11,946,143	20,401,509
Total liabilities and fund balances	\$ 15,562,803	\$ 8,082,735	\$ 3,882,733	\$ 14,326,164	\$ 41,854,435

The notes to the financial statements are an integral part of this statement.

CITY OF AMES, IOWA

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004

Fund balances - total governmental funds	\$ 20,401,509
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	10,162,859
Other nondepreciable assets	4,047,816
Depreciable assets	130,862,803
Construction in progress	1,413,751
Less: accumulated depreciation	<u>(43,021,842)</u>
	103,465,387
Debt issuance costs are deferred and amortized over the life of the bonds	131,056
Hotel/Motel taxes collected after year-end are not available soon enough to pay for the current period's expenditures and are reported as deferred revenue in the funds.	77,249
Long-term special assessments receivable are not considered available to pay for the current period's expenditures and are reported as deferred revenue in the funds.	963,999
Internal service funds are used by management to charge the costs of fleet services and acquisition, data processing and telecommunications, and health, workers compensation and other insurance to individual funds:	
Current assets	7,216,699
Noncurrent assets	907,987
Depreciable assets	11,263,517
Less: accumulated depreciation	(5,730,377)
Current liabilities	(1,340,248)
Long-term liabilities	<u>(88,353)</u>
	12,229,225
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Interest payable on general obligation bonds	(125,229)
Long-term employee benefits payable	(1,364,046)
General obligation bonds payable	(37,875,405)
Unamortized premiums on bonds sold	(157,198)
Internal balance due to integration of internal service funds	<u>(4,193,406)</u>
Net assets of governmental activities	\$ <u>93,553,141</u>

The notes to the financial statements are an integral part of this statement

CITY OF AMES, IOWA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	General	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 9,828,046	\$ 6,301,902	
Special assessments			\$ 309,133
Licenses and permits	1,123,645		
Intergovernmental	299,531	33,148	806,094
Charges for services	2,776,230		
Fines and forfeits	149,005		
Donations	5,235		
Investment earnings	242,213	64,656	24,137
Miscellaneous	228,819		168,018
Total revenues	<u>14,652,724</u>	<u>6,399,706</u>	<u>1,307,382</u>
Expenditures:			
Current:			
Public safety	10,023,164		
Public works	1,080,305	315,000	
Health and social services	122,870		
Culture and recreation	4,902,004		
Community and economic development	567,926		
General government	1,893,058		
Capital projects			6,993,041
Debt service:			
Principal retirement		5,483,308	
Interest and fiscal charges		1,632,709	
Total expenditures	<u>18,589,327</u>	<u>7,431,017</u>	<u>6,993,041</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,936,603)</u>	<u>(1,031,311)</u>	<u>(5,685,659)</u>
Other financing sources (uses):			
Issuance of bonds			6,555,000
Premiums on debt issued		42,916	
Transfers in	5,483,083	431,177	499,043
Transfers out	(1,169,454)		(703,165)
Total other financing sources (uses)	<u>4,313,629</u>	<u>474,093</u>	<u>6,350,878</u>
Net change in fund balances	377,026	(557,218)	665,219
Fund balances at beginning of year	<u>4,729,973</u>	<u>2,272,537</u>	<u>967,829</u>
Fund balances at end of year	<u>\$ 5,106,999</u>	<u>\$ 1,715,319</u>	<u>\$ 1,633,048</u>

The notes to the financial statements are an integral part of this statement.

<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 932,365	\$ 17,062,313
	309,133
	1,123,645
11,584,273	12,723,046
26,510	2,802,740
	149,005
863,402	868,637
336,638	667,644
28,904	425,741
<u>13,772,092</u>	<u>36,131,904</u>
124,065	10,147,229
2,994,886	4,390,191
795,969	918,839
289,327	5,191,331
2,032,557	2,600,483
156,728	2,049,786
2,568,471	9,561,512
	5,483,308
	1,632,709
<u>8,962,003</u>	<u>41,975,388</u>
<u>4,810,089</u>	<u>(5,843,484)</u>
	6,555,000
	42,916
285,813	6,699,116
<u>(4,677,251)</u>	<u>(6,549,870)</u>
<u>(4,391,438)</u>	<u>6,747,162</u>
418,651	903,678
<u>11,527,492</u>	<u>19,497,831</u>
<u>\$ 11,946,143</u>	<u>\$ 20,401,509</u>

CITY OF AMES, IOWA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Net change in fund balances - total governmental funds	\$ 903,678
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Current additions to capital assets	11,600,947
Current deletion of capital assets	(483,008)
Depreciation expense on capital assets is reported in the government-wide statement of activities but does not require the use of current financial resources. Depreciation expense is not reported as an expenditure in governmental funds.	
Current depreciation	(5,194,583)
Current elimination of depreciation on deleted assets	281,971
Debt issuance costs do not require the use of current financial resources; they are amortized over the life of the debt.	
	21,294
Current year amortization of debt issuance costs is not shown as an expenditure in governmental funds.	
	(17,868)
Hotel/Motel taxes collected after year-end are shown as deferred revenue in the funds and revenue in the government-wide statements.	
	77,249
Prior year accrued Hotel/Motel taxes are shown as revenue in the funds and not in the government-wide statements.	
	(219,080)
The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government-wide statements.	
	10,598
Premiums on bonds sold are not current financial resources. They are used to reduce the amount of interest expense and amortized over the life of the bonds issued.	
	(42,919)
Current year amortization of premiums is not shown as a revenue. It is used to reduce current year interest expense.	
	16,423
Long-term employee benefits are reported in the government-wide statement of activities and changes in net assets. They do not require the use of current financial resources and are not reported as expenditures in governmental funds.	
	(1,690)
Bond proceeds provide current financial resources to governmental funds. Issuing debt increases long-term liabilities in the government-wide statement of net assets. Repayment of bond principal is an expenditure in the governmental funds. Repayment reduces long-term liabilities in the government-wide statement of net assets.	
Bond proceeds from issuances	(6,555,000)
Payments on long-term debt	5,483,309
Interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets. It does not require the use of current financial resources. This interest expense is not reported as an expenditure in the governmental funds.	
Reversal of prior year accrued interest on general obligation bonds	123,944
Interest payable on general obligation bonds at year-end	(125,229)
Internal service funds are used by management to charge the costs of fleet services and acquisition, data processing and telecommunications, and health, workers compensation, and other insurance to individual funds. The revenues and expenses of the internal service funds are divided between the governmental funds and business-type funds according to their proportion of usage.	
Portion of internal service funds	<u>545,077</u>
Change in net assets of governmental activities	<u>\$ 6,425,113</u>

The notes to the financial statements are an integral part of this statement

ADA HAYDEN HERITAGE PARK WATERSHED



0.7 0 0.7 1.4 Miles

WATER QUALITY

The quality of the water in Ada Hayden Heritage Park is some of the best surface water remaining in Iowa. However, the surrounding land use and erosion of the shoreline was degrading the quality of the water. By protecting the 437 acres of land and lake, this water source will be secure.

PROBLEM

- Hallett's Materials, Corp. mined sand and gravel since the 1950s, creating two large lakes (130 acres/one billion gallons of water).
- The lakes serve as an emergency water source for Ames (during droughts) and as an *ad hoc* center for wildlife recreation.
- Water quality in these lakes was degrading because of agricultural and urban runoff.
- Proposed high-density development would have exacerbated the problem and added two impaired water bodies to Iowa's lists.
- Intensive watershed planning and restoration was needed to protect water supplies and recreational resources.

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
ASSETS			
Current assets:			
Cash and pooled cash investments	\$ 8,497,168	\$ 3,271,588	\$ 8,964
Investments		26,489,544	2,822,590
Accounts receivable, net	15,320,627	4,229,029	462,882
Accrued interest receivable		108,253	7,272
Intergovernmental receivables		421,202	18,888
Interfund receivables			
Due from other funds		67,066	15,733
Inventories	2,010,444	2,084,947	
Prepaid items	528,404	5,538	595
Total unrestricted current assets	<u>26,356,643</u>	<u>36,677,167</u>	<u>3,336,924</u>
Restricted current assets:			
Investments	2,804,516	1,714,637	
Accrued interest receivable	414,767		
Total restricted current assets	<u>3,219,283</u>	<u>1,714,637</u>	
Total current assets	<u>29,575,926</u>	<u>38,391,804</u>	<u>3,336,924</u>
Noncurrent assets:			
Long-term investments		6,087,471	389,319
Accounts receivable			
Advances to other funds			
Deferred debt issuance costs, net	995,091	62,144	
Capital assets:			
Land	4,669,644	1,172,574	1,910,222
Land improvements	689,945		
Plant and distribution systems		118,534,915	64,188,538
Buildings	85,302,576		
Equipment	66,405,216		
Construction in progress	236,462	4,457,902	
Less accumulated depreciation	<u>(67,080,297)</u>	<u>(88,375,564)</u>	<u>(26,059,311)</u>
Capital assets, net	<u>90,223,546</u>	<u>35,789,827</u>	<u>40,039,449</u>
Total unrestricted noncurrent assets	<u>91,218,637</u>	<u>41,939,442</u>	<u>40,428,768</u>
Restricted noncurrent assets:			
Long-term investments	46,132,821		
Total noncurrent assets	<u>137,351,458</u>	<u>41,939,442</u>	<u>40,428,768</u>
Total assets	<u>166,927,384</u>	<u>80,331,246</u>	<u>43,765,692</u>

Business-type Activities - Enterprise Funds (continued)			
Other Enterprise Funds	Totals		Internal Service Funds
\$ 192,915	\$ 11,970,635		\$ 165,004
5,636,371	34,948,505		7,166,375
1,193,641	21,206,179		80,742
14,930	130,455		19,094
690,869	1,130,959		6,597
			2,168
60,512	143,311		308,473
410,123	4,505,514		50,494
39,444	573,981		434,631
<u>8,238,805</u>	<u>74,609,539</u>		<u>8,233,578</u>
	4,519,153		
	414,767		
	<u>4,933,920</u>		
<u>8,238,805</u>	<u>79,543,459</u>		<u>8,233,578</u>
777,440	7,254,230		988,472
	0		
			4,406
20,626	1,077,861		
2,001,613	9,754,053		
1,493,706	2,183,651		166,328
42,323,280	225,046,733		
19,515,988	104,818,564		551,493
12,394,127	78,799,343		10,545,696
167,002	4,861,366		
<u>(28,106,322)</u>	<u>(209,621,494)</u>		<u>(5,730,377)</u>
<u>49,789,394</u>	<u>215,842,216</u>		<u>5,533,140</u>
<u>50,587,460</u>	<u>224,174,307</u>		<u>6,526,018</u>
	46,132,821		
<u>50,587,460</u>	<u>270,307,128</u>		<u>6,526,018</u>
<u>58,826,265</u>	<u>349,850,587</u>		<u>14,759,596</u>

(continued)

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004**

LIABILITIES	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Current liabilities:			
Accounts payable	5,968,146	2,539,631	172,789
Retainage payable	40,271	187,342	10,389
Due to other governments		600,663	7,582
Compensation and payroll taxes	1,966,563	101,309	4,691
Employee benefits	7,549,207	25,903	6,314
Due to other funds		239,220	77,709
Bonds payable	1,435,000	1,780,000	
Notes payable	612,276		
Interest payable	101,030	115,879	
Claims payable			
Deferred revenue			2,576
Customer deposits		669,024	
Total current liabilities	<u>17,672,493</u>	<u>6,258,971</u>	<u>282,050</u>
Noncurrent liabilities:			
Employee benefits		523,952	120,215
Bonds payable	26,595,000	3,785,000	
Unamortized premiums on bonds issued	1,259,273	58,015	
Deferred charges	(1,197,473)	(77,160)	
Notes payable	963,174		
Due to other governments			
Claims payable	250,000		
Landfill postclosure costs			
Total noncurrent liabilities	<u>27,869,974</u>	<u>4,289,807</u>	<u>120,215</u>
Total liabilities	<u>45,542,467</u>	<u>10,548,778</u>	<u>402,265</u>
NET ASSETS			
Invested in capital assets, net of related debt	60,618,096	30,224,827	40,039,449
Restricted for debt service	1,268,678	752,500	
Unrestricted	<u>59,498,143</u>	<u>38,805,141</u>	<u>3,323,978</u>
Total net assets	<u>\$ 121,384,917</u>	<u>\$ 69,782,468</u>	<u>\$ 43,363,427</u>

Adjustment to reflect the consolidation of internal service fund activities related to business-type activities.

Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds (continued)		
Other Enterprise Funds	Totals	Internal Service Funds
513,178	9,193,744	649,075
44,970	282,972	1,939
95,662	703,907	8,557
144,171	2,216,734	12,014
20,098	7,601,522	4,279
261,568	578,497	25,183
602,728	3,817,728	
	612,276	
8,702	225,611	
		699,944
15,783	18,359	4,367
	669,024	
<u>1,706,860</u>	<u>25,920,374</u>	<u>1,405,358</u>
353,886	998,053	96,554
2,466,867	32,846,867	
99,020	1,416,308	
(62,038)	(1,336,671)	
	963,174	
150,000	150,000	
	250,000	
776,318	776,318	
<u>3,784,053</u>	<u>36,064,049</u>	<u>96,554</u>
<u>5,490,913</u>	<u>61,984,423</u>	<u>1,501,912</u>
46,719,799	177,602,171	5,533,140
	2,021,178	
<u>6,615,553</u>	<u>108,242,815</u>	<u>7,724,544</u>
<u>\$ 53,335,352</u>	<u>\$ 287,866,164</u>	<u>\$ 13,257,684</u>
	<u>5,221,865</u>	
	<u>\$ 293,088,029</u>	

(concluded)

CITY OF AMES, IOWA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Operating revenues:			
Charges for goods and services	\$ 104,597,269	\$ 34,729,308	\$ 4,276,063
Operating expenses:			
Cost of goods and services	73,794,778	27,268,138	2,805,957
Administration	14,237,118	663,471	476,470
Depreciation	7,886,413	3,963,204	1,814,915
Total operating expenses	<u>95,918,309</u>	<u>31,894,813</u>	<u>5,097,342</u>
Operating income (loss)	<u>8,678,960</u>	<u>2,834,495</u>	<u>(821,279)</u>
Nonoperating revenues (expenses):			
Investment earnings	4,503,574	557,987	41,105
Interest expense	(1,511,081)	(200,600)	(23,901)
Restricted donations	98,000		
Federal, state, and other operating grants			
Costs reimbursed by contract participants			
Gain (loss) on disposal of capital assets	(104,958)		
Total nonoperating revenues (expenses)	<u>2,985,535</u>	<u>357,387</u>	<u>17,204</u>
Income (loss) before contributions and transfers	11,664,495	3,191,882	(804,075)
Capital contributions			614,154
Transfers in			33,892
Transfers out		(1,239,634)	
Change in net assets	11,664,495	1,952,248	(156,029)
Total net assets at beginning of year	<u>109,720,422</u>	<u>67,830,220</u>	<u>43,519,456</u>
Total net assets at end of year	<u>\$ 121,384,917</u>	<u>\$ 69,782,468</u>	<u>\$ 43,363,427</u>

Change in net assets

Adjustment to reflect the consolidation of internal
 service fund activities related to business-type activities

Change in net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds (continued)		
Other Enterprise Funds	Totals	Internal Service Funds
\$ 14,278,931	\$ 157,881,571	\$ 10,264,784
13,027,465	116,896,338	8,886,569
950,955	16,328,014	
2,038,976	15,703,508	881,597
<u>16,017,396</u>	<u>148,927,860</u>	<u>9,768,166</u>
(1,738,465)	8,953,711	496,618
88,991	5,191,657	98,666
(123,216)	(1,858,798)	(52)
	98,000	
1,041,064	1,041,064	
632,808	632,808	
(141,890)	(246,848)	23,479
<u>1,497,757</u>	<u>4,857,883</u>	<u>122,093</u>
(240,708)	13,811,594	618,711
1,718,449	2,332,603	
1,063,400	1,097,292	76,642
<u>(83,546)</u>	<u>(1,323,180)</u>	
2,457,595	15,918,309	695,353
<u>50,877,757</u>	<u>271,947,855</u>	<u>12,562,331</u>
\$ <u>53,335,352</u>	\$ <u>287,866,164</u>	\$ <u>13,257,684</u>
	\$ 15,918,309	
	<u>150,276</u>	
	\$ <u>16,068,585</u>	

CITY OF AMES, IOWA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Cash flows from operating activities:			
Receipts from customers	\$ 97,255,649	\$ 33,823,707	\$ 4,378,862
Payments to suppliers	(33,790,510)	(19,063,206)	(787,609)
Payments to employees	(51,281,170)	(6,629,506)	(1,658,372)
Payments for interfund services used		(1,382,052)	(773,940)
Other receipts	3,938,235		
Net cash provided by (used in) operating activities	<u>16,122,204</u>	<u>6,748,943</u>	<u>1,158,941</u>
Cash flows from noncapital financing activities:			
Advances to other funds			
Principal received on advances to other funds			
Principal paid on advances from other funds			
Interest received on advances to other funds			
Interest paid on advances from other funds			
Operating grants			
Costs reimbursed by contract participants			
Transfers in			33,892
Transfers out		(1,239,634)	
Net cash provided by (used in) noncapital financing activities		<u>(1,239,634)</u>	<u>33,892</u>
Cash flows from capital and related financing activities:			
Principal paid on revenue bond maturities	(1,355,000)	(1,750,000)	(402,858)
Principal paid on general obligation bond maturities			
Interest paid and other fiscal charges	(1,395,324)	(209,416)	(21,333)
Purchases of capital assets	(8,567,764)	(5,962,028)	(411,630)
Principal paid on notes payable	(637,222)		
Proceeds from sale of capital assets	4,000		
Restricted donations	98,000		
Capital contributions			
Net cash used in capital and related financing activities	<u>(11,853,310)</u>	<u>(7,921,444)</u>	<u>(835,821)</u>
Cash flows from investing activities:			
Purchase of investments	(35,006,243)	(42,238,333)	(1,590,000)
Proceeds from sales and maturities of investments	31,233,005	46,517,218	1,115,000
Interest on investments and pooled cash	1,193,652	945,083	50,027
Net cash provided by (used in) investing activities	<u>(2,579,586)</u>	<u>5,223,968</u>	<u>(424,973)</u>

Business-type Activities - Enterprise Funds (continued)		
Other Enterprise Funds	Totals	Internal Service Funds
\$ 15,474,609	\$ 150,932,827	\$ 10,189,212
(6,310,130)	(59,951,455)	(7,144,949)
(7,316,148)	(66,885,196)	(1,377,299)
(2,093,054)	(4,249,046)	(429,288)
	3,938,235	
<u>(244,723)</u>	<u>23,785,365</u>	<u>1,237,676</u>
		13,709
		(11,625)
		361
		(52)
1,041,064	1,041,064	
632,808	632,808	
1,063,400	1,097,292	76,642
<u>(83,546)</u>	<u>(1,323,180)</u>	
<u>2,653,726</u>	<u>1,447,984</u>	<u>79,035</u>
	(3,507,858)	
(713,833)	(713,833)	
(126,880)	(1,752,953)	
(2,937,715)	(17,879,137)	(1,198,656)
	(637,222)	
18,611	22,611	154,280
	98,000	
<u>1,253,710</u>	<u>1,253,710</u>	
<u>(2,506,107)</u>	<u>(23,116,682)</u>	<u>(1,044,376)</u>
(7,515,000)	(86,349,576)	(4,910,000)
7,120,000	85,985,223	4,395,000
109,443	2,298,205	124,406
<u>(285,557)</u>	<u>1,933,852</u>	<u>(390,594)</u>

(continued)

CITY OF AMES, IOWA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Net change in cash and pooled cash investments	(14,432,896)	(3,937,110)	(1,226,902)
Cash and pooled cash investments at beginning of year	6,807,860	459,755	76,925
Cash and pooled cash investments at end of year	<u>\$ (7,625,036)</u>	<u>\$ (3,477,355)</u>	<u>\$ (1,149,977)</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 8,678,960	\$ 2,834,495	\$ (821,279)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	7,886,413	3,963,204	1,814,915
Changes in:			
Accounts receivable, net	(1,760,452)	(981,567)	104,079
Intergovernmental receivables		(229,785)	(16,515)
Due from other funds		278,998	12,659
Inventories	(74,205)	(249,732)	
Prepaid items	(33,869)	(2,780)	236
Accounts payable	563,916	617,055	63,328
Due to other governments		489,925	5,020
Accrued expenses	861,441	19,165	400
Due to other funds		(16,788)	(6,478)
Claims payable			
Deferred revenue			2,576
Customer deposits		26,753	
Landfill postclosure costs			
Net cash provided by (used in) operating activities	<u>\$ 16,122,204</u>	<u>\$ 6,748,943</u>	<u>\$ 1,158,941</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases (decreases) in the fair value of investments	<u>\$ 1,026,509</u>	<u>\$ (342,747)</u>	<u>\$ (11,271)</u>
Noncash capital asset contributions			<u>\$ 614,154</u>
Outstanding note obligations on assets acquired	<u>\$ 1,575,450</u>		
Capital asset trade-ins			

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds (continued)		
Other Enterprise Funds	Totals	Internal Service Funds
(137,938)	(19,734,846)	(118,259)
<u>575,576</u>	<u>7,920,116</u>	<u>283,263</u>
\$ <u>437,638</u>	\$ <u>(11,814,730)</u>	\$ <u>165,004</u>
\$ (1,738,465)	\$ 8,953,711	\$ 496,618
2,038,976	15,703,508	881,597
(23,505)	(2,661,445)	(62,327)
1,493,621	1,247,321	52,745
5,771	297,428	(65,998)
284	(323,653)	(5,324)
(32,803)	(69,216)	(394,030)
(1,995,322)	(751,023)	87,930
180,723	675,668	334
12,934	893,940	(19,133)
106,424	83,158	11,587
(280,209)	(277,633)	253,669
(13,152)	26,753	8
<u>(13,152)</u>	<u>(13,152)</u>	<u>8</u>
\$ <u>(244,723)</u>	\$ <u>23,785,365</u>	\$ <u>1,237,676</u>
\$ <u>(25,175)</u>	\$ <u>647,316</u>	\$ <u>(31,949)</u>
\$ <u>464,739</u>	\$ <u>1,078,893</u>	
\$ <u>1,575,450</u>		
		\$ <u>36,324</u>

(concluded)

CITY OF AMES, IOWA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2004**

ASSETS	Agency Funds
Cash and pooled cash investments	\$ 305,534
Accounts receivable	18
Due from other governments	<u>682</u>
Total assets	<u>\$ 306,234</u>
 LIABILITIES	
Accounts payable	\$ 41,360
Due to other governments	<u>264,874</u>
Total liabilities	<u>\$ 306,234</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AMES, IOWA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ames, Iowa (City) was incorporated in 1869 under the laws of the State of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a council-manager form of government. The accompanying financial statements present the government entities for which the City is considered to be financially accountable. The City operates a non-profit municipal hospital, Mary Greeley Medical Center. A separately elected board of trustees governs the municipal hospital's daily operations. The powers of the trustees are established by City ordinance which limits both the separate legal standing and fiscal independence of the hospital, therefore it is included as part of the primary government.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The Mary Greeley Medical Center Foundation ("Foundation") is a legally separate, component unit of the hospital. It is considered a component unit of the city because the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the Mary Greeley Medical Center by the donors.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City has not allocated indirect costs separately in the government-wide statement of activities because the allocation is automatic. Certain indirect costs are included in the program expense reported for the individual functions, programs, and activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, other taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital projects fund is used to account for all resources used in the acquisition and construction of capital facilities and other fixed assets, with the exception of those that are financed through proprietary fund types.

The City reports the following major proprietary funds:

The Mary Greeley Medical Center fund accounts for the operation of a municipally owned, full-service medical care hospital.

The electric utility fund accounts for the operation of a municipally owned electric plant, which generates and distributes electrical power to customers within the City and some contiguous areas.

The sewer utility fund accounts for the activities related to the operation of a sanitary distribution system and the sewer treatment plant.

Additionally, the City reports the following fund types:

Internal service funds account for the operations of fleet services and acquisitions, data processing and telecommunications, workers' compensation and general insurance, and health insurance for City employees. These services are provided to other departments and agencies of the City on a cost reimbursement basis.

Agency funds function as a clearing mechanism for payroll taxes and employee flexible benefits. They apply the accrual basis of accounting but do not have a measurement focus.

A permanent fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and electric utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are carried at fair value, which is based on quoted market prices, except for investments which have a remaining maturity at time of purchase of one year or less, which are carried at amortized cost. In addition, investments in the Iowa Public Agency Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City also has invested in collateralized mortgage obligations, which the City intends to hold until maturity.

The City has several nonmajor special revenue funds which have investment interest income and/or net increases (decreases) in fair value of investments which have been assigned to the City's General Fund.

2. Receivables and Payables

Activity between the internal service funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All utility customer accounts receivable and Mary Greeley Medical Center patient accounts receivable are shown net of an allowance for uncollectibles. Property tax receivables are shown at a gross amount since they are assessable to the property and collectible upon sale of the assessed property.

Property taxes are levied on July 1 prior to the fiscal year for which the taxes are to be collected. They become an enforceable lien against the property when they are officially levied. Property taxes are payable in installments with one-half due September 30 and one-half due March 31. The City recognizes a succeeding year receivable and deferred revenue for taxes levied on July 1 of the current fiscal year that will not be collected until the next fiscal year.

Special assessments receivable are recorded at the time of their levy.

Net patient service revenue of Mary Greeley Medical Center (MGMC) is reported at the estimated net realizable amount from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

MGMC provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than established rates. Because MGMC does not pursue collection of amounts determined to qualify as financial assistance, they are not reported as net patient service revenue.

Charity care is also provided through reduced price services and free programs offered throughout the year based on activities and services Mary Greeley Medical Center believes will serve a community health need. These activities include health promotion, health education, civic involvement, research activities, community funding and various health screening programs and are not reflected in the amount reported as charity care in the financial statements.

3. Inventories and Prepaid Items

City inventories are maintained on a perpetual basis; materials and supplies and medical supplies and drugs are priced at an average cost, while coal is stated at the lower of cost (first-in, first-out) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased (the consumption method of accounting).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain assets of Mary Greeley Medical Center are restricted for the repayment of debt service and capital improvements. Certain assets of the electric utility fund are restricted for the repayment of debt service.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, traffic signals, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated historical cost or estimated fair market value at the date of donation.

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. Prospective reporting of general infrastructure assets is required beginning at the effective date of Statement 34. The City is required to retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2005 but is encouraged to retroactively report these assets at an earlier date. The City has retroactively reported the street network, traffic signal network, airport network and buildings on the statement of net assets for the fiscal year ended June 30, 2002. The City has not retroactively reported the storm sewer network or street-land network as of June 30, 2004. The City intends to retroactively report these networks by the implementation date of this portion of Statement 34.

Only major general infrastructure assets are required to be retroactively reported. The GASB defined major general infrastructure assets at the network and subsystem levels as percentages of the total assets from the general fixed asset account group at June 30, 1999. The City has not retroactively capitalized the bike path network as its value was determined to be below that determined by the requirements of Statement 34. Sidewalks belong to the property owners and are maintained by them and are not assets of the City.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest expense was included as part of the cost of capital assets under construction in connection with Mary Greeley Medical Center construction projects.

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Improvements other than buildings	20-40
Buildings	25-45
Plant and distribution system	25-50
Equipment	3-50
General infrastructure	15-50

6. Compensated Absences

It is the City's policy to permit employees to accumulate vacation and sick leave hours (compensated absences), as well as compensatory time for overtime, for subsequent use or for payment upon termination, death, or retirement. There is an estimate for a liability for unpaid accumulated sick leave as employees may receive payment for 25% of accumulated hours in excess of 720 upon retirement only. All vacation and compensatory time, and estimated retirement severance are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

State law mandates that annual budgets for funds other than agency, internal service, and permanent funds for the fiscal year beginning July 1 must be certified to the County Auditor no later than March 15, preceding the beginning of the fiscal year.

The review and adoption of an annual budget is handled in accordance with State laws, as there is no City ordinance governing the budget process. Preliminary review of all operating budget requests is conducted by the City Manager at a City government function level. A five-year capital improvements plan is prepared annually. The first-year portion of the plan is

considered as the capital improvements projects budget for the annual budget. The City Manager's budget, considered as a plan of financial operation along with proposed sources of revenues, is presented to the City Council at least six weeks prior to certification. The Council holds hearings with the City Manager, Budget Officer, Department Heads, and Boards and Commissions, as well as a public hearing prior to adopting the budget.

Amendments to the budget are considered twice a year only if revenue sources are available, i.e., unanticipated revenues or budget surpluses. There can be no additional levy of property taxes. The actual amendment process, as prescribed by State law, is identical to the procedures followed for the original budget, including certification. The budgeted amounts presented in the financial statements reflect the original and the revised budget.

Budgets are monitored throughout the fiscal year by function, especially by major classifications such as personal services, capital, contractual, and commodities. Monthly reports are prepared by function, and major deviations by classification within a function must be approved by the City Manager. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level for all budgeted funds in total.

Under Iowa law, cities are required to account for expenditures in terms of city government functions. The following table, which includes all funds with function budgets, has been prepared to demonstrate legal compliance with budget control:

Function	All Budgeted Funds Expenditures - Budget Basis		Favorable (Unfavorable) Variance
	Appropriations	Expenditures	
Government activities:			
Public safety	\$ 10,382,298	\$ 10,147,229	\$ 235,069
Public works	4,125,037	4,075,191	49,846
Health and social services	921,740	918,839	2,901
Culture and recreation	5,342,867	5,191,331	151,536
Community and economic development	2,916,959	2,600,483	316,476
General government	2,134,611	2,049,786	84,825
Debt service	8,382,011	7,431,017	950,994
Capital projects	12,228,762	9,556,512	2,672,250
Total governmental activities	<u>46,434,285</u>	<u>41,970,388</u>	<u>4,463,897</u>
Business type activities	<u>161,761,938</u>	<u>146,247,267</u>	<u>15,514,671</u>
Total all expenditures	<u>\$ 208,196,223</u>	<u>\$ 188,217,655</u>	<u>\$ 19,978,568</u>

The City prepares its budget on the basis of accounting principles generally accepted in the United States of America with the following exceptions. The enterprise funds do not budget depreciation expense but do budget for debt service expenditures and capital outlay. Internal service funds are not budgeted. Appropriations as adopted or amended lapse at the end of the fiscal year, and encumbrances are reappropriated for the following fiscal year.

Encumbrance accounting is used in governmental funds. Encumbrances, made up of purchase orders and contracts, outstanding at year end are reported as reservations of fund balances. They do not constitute expenditures or liabilities because the commitments will be reappropriated and honored in the subsequent year.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's deposits at June 30, 2004 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. At June 30, 2004 the carrying amount of the City's cash deposits with financial institutions was \$65,645,233, and the bank balance was \$68,883,868.

Investments that are represented by specific identifiable investment securities are classified as to custodial credit risk by the three categories described below:

- (1) Insured or registered in the City's name, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered securities held by the counter-party's trust department or agent in the City's name.
- (3) Uninsured and unregistered securities held by the counter-party or by its trust department or agent but not in the City's name.

Carrying amounts and fair value of investments at June 30, 2004 are as follows:

	Category			Total	Fair Value
	1	2	3		
Government securities:					
U.S. treasury notes		\$ 4,305,848		\$ 4,305,848	\$ 4,305,848
TIGRS (1)	\$ 166,776			166,776	166,776
Government agencies:					
FNMA (2)	4,653,520	3,593,785		8,247,305	8,247,693
FHLMC (3)	2,734,867	5,329,406		8,064,273	8,064,273
FHLB (4)	11,269,682			11,269,682	11,269,682
	<u>\$ 18,824,845</u>	<u>\$ 13,229,039</u>		<u>32,053,884</u>	<u>32,054,272</u>
Investments not subject to categorization:					
Iowa Public Agency Investment Trust				15,170	15,170
Mutual funds				24,090,476	24,090,476
Corporate debt securities				10,581,901	10,581,901
				<u>\$ 66,741,431</u>	<u>\$ 66,741,819</u>

- (1) Treasury Investment Growth Receipts Securities
- (2) Federal National Mortgage Association
- (3) Federal Home Loan Mortgage Corporation
- (4) Federal Home Loan Bank

The City's investments during the year did not vary substantially from those at year-end in amount or level of risk. Certificates of deposit, which have been presented as bank deposits in this note, are classified as investments in the financial statements.

The City's investments in the Iowa Public Agency Investment Trust are valued at amortized cost of \$15,170 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Mutual funds and corporate debt securities, which are owned by the Mary Greeley Medical Center fund, are valued at fair value, and are also not subject to risk categorization.

It is management's intent to hold all investments to maturity.

The investments of the Mary Greeley Medical Center Foundation (component unit) at fair value were as follows:

	June 30 2004
Equity mutual funds	\$ 4,911,255
Bond mutual funds	<u>1,607,177</u>
Total investments	<u><u>\$ 6,518,432</u></u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,991,396	\$ 171,463		\$ 10,162,859
Land improvements	1,384,118			1,384,118
Construction in progress	2,551,086	1,200,549	\$ 2,337,884	1,413,751
Public art collection	253,603	59,304		312,907
Library collection	2,243,096	308,732	201,037	2,350,791
Total capital assets not being depreciated	<u>16,423,299</u>	<u>1,740,048</u>	<u>2,538,921</u>	<u>15,624,426</u>
Capital assets being depreciated:				
Buildings	12,940,012	213,271	106,760	13,046,523
Equipment	12,158,350	1,312,486	1,055,496	12,415,340
Infrastructure	104,877,815	11,908,006	121,364	116,664,457
Total capital assets being depreciated	<u>129,976,177</u>	<u>13,433,763</u>	<u>1,283,620</u>	<u>142,126,320</u>
Less accumulated depreciation for:				
Buildings	5,231,082	342,877	106,760	5,467,199
Equipment	6,269,918	993,694	890,382	6,373,230
Infrastructure	32,291,534	4,739,610	119,354	36,911,790
Total accumulated depreciation	<u>43,792,534</u>	<u>6,076,181</u>	<u>1,116,496</u>	<u>48,752,219</u>
Total capital assets being depreciated, net	<u>86,183,643</u>	<u>7,357,582</u>	<u>167,124</u>	<u>93,374,101</u>
Governmental activities capital assets, net	<u>\$ 102,606,942</u>	<u>\$ 9,097,630</u>	<u>\$ 2,706,045</u>	<u>\$ 108,998,527</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,350,907	\$ 403,146		\$ 9,754,053
Construction in progress	1,805,343	4,861,366	\$ 1,805,343	4,861,366
Total capital assets not being depreciated	<u>11,156,250</u>	<u>5,264,512</u>	<u>1,805,343</u>	<u>14,615,419</u>
Capital assets being depreciated:				
Plant and distribution systems	220,897,437	4,167,011	17,715	225,046,733
Buildings	100,529,792	4,288,772		104,818,564
Improvements other than buildings	2,192,994	41,047	50,390	2,183,651
Equipment	74,624,058	6,176,198	2,000,913	78,799,343
Total capital assets being depreciated	<u>398,244,281</u>	<u>14,673,028</u>	<u>2,069,018</u>	<u>410,848,291</u>
Less accumulated depreciation for:				
Plant and distribution systems	120,586,355	6,651,574	17,715	127,220,214
Buildings	25,455,235	3,372,639		28,827,874
Improvements other than buildings	979,846	82,328	10,078	1,052,096
Equipment	48,696,110	5,596,966	1,771,766	52,521,310
Total accumulated depreciation	<u>195,717,546</u>	<u>15,703,507</u>	<u>1,799,559</u>	<u>209,621,494</u>
Total capital assets being depreciated, net	<u>202,526,735</u>	<u>(1,030,479)</u>	<u>269,459</u>	<u>201,226,797</u>
Business-type activities capital assets, net	<u>\$ 213,682,985</u>	<u>\$ 4,234,033</u>	<u>\$ 2,074,802</u>	<u>\$ 215,842,216</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 121,829
Public works	4,627,184
Culture and recreation	281,109
Community and economic development	21,650
General government	<u>142,811</u>
Total depreciation expense governmental activities	<u><u>\$ 5,194,583</u></u>
Business-type activities:	
Mary Greeley Medical Center	\$ 7,886,413
Electric utility	3,963,204
Sewer utility	1,814,915
Water utility	873,455
Storm sewer utility	10,528
Parking lot	11,344
Resource Recovery	330,192
Transit	741,547
Ames/ISU Ice Arena	63,848
Homewood golf course	<u>8,062</u>
Total depreciation expense business-type activities	<u><u>\$ 15,703,508</u></u>

Depreciation expense charged to the internal service funds is not included above.

The City had active construction projects at June 30, 2004. The commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Street projects	\$ 1,026,790	\$ 1,171,683
Storm Sewers	29,481	35,519
Water projects	62,933	435,062
Electric projects	3,317,897	6,760,212
Total	<u><u>\$ 4,437,101</u></u>	<u><u>\$ 8,402,476</u></u>

C. Interfund Receivables, Payables, and Transfers

Individual interfund balances at June 30, 2004 were as follows:

	Total	Due From						
		General fund	Capital Projects	Electric fund	Sewer fund	Nonmajor special revenue	Nonmajor enterprise	Internal Service
Due To:								
Major Funds:								
General fund	\$ 820,073	\$ 57	\$ 26,027	\$ 107,834	\$ 20,537	\$ 582,316	\$ 64,990	\$ 18,312
Debt service	9,247				9,247			
Capital projects	162,606	2,202	52,717	10,687			97,000	
Electric fund	67,066				30,891	192	33,818	2,165
Sewer fund	15,733			7,874			7,859	
Nonmajor Funds:								
Nonmajor special revenue	35,183	23,517			3,888		7,778	
Nonmajor enterprise	60,512	8,961	220	50,760	346			225
Internal service	308,473	127,275	1,415	62,065	12,800	50,314	50,123	4,481
Permanent fund	728	728						
Totals	\$ 1,479,621	\$ 162,740	\$ 80,379	\$ 239,220	\$ 77,709	\$ 632,822	\$ 261,568	\$ 25,183

These balances arise for a variety of reasons, the majority of which are from sales of goods and services and unpaid reimbursable expenses.

There is an interfund receivable due to the Fleet Services Fund from the General Fund payable in monthly payments of \$199, including interest at 4%.

Interfund transfers are authorized in the City budget and usually involve transfers from the fund receiving the revenue to the fund through which the authorized expenditure is to be made. An example is the receipt of road use tax funds into the special revenue Road Use Tax Fund and transfer to the Capital Projects Fund where the funds will be spent. Another example is the State requirement that hotel/motel tax funds be receipted into the General Fund where they are then transferred to the special revenue Hotel/Motel Tax Fund for expenditure.

The following is a schedule of interfund transfers by fund type for the year ended June 30, 2004:

	Total	Transfers From				
		General fund	Capital projects	Electric fund	Nonmajor special revenue	Nonmajor enterprise
Transfer To:						
Major Funds:						
General fund	\$ 5,483,083		\$ 7,500	\$ 1,139,634	\$ 4,335,949	
Debt service	431,177	\$ 17,184	194,958		135,489	\$ 83,546
Capital projects	499,043	42,990	456,053			
Sewer	33,892		33,892			
Nonmajor Funds:						
Nonmajor special revenue funds	285,813			100,000	185,813	
Nonmajor enterprise funds	1,063,400	1,032,638	10,762		20,000	
Internal service funds	76,642	76,642				
Totals	\$ 7,873,050	\$ 1,169,454	\$ 703,165	\$ 1,239,634	\$ 4,677,251	\$ 83,546

D. Leases and Notes Payable

The City had various leases with third parties for equipment and rental agreements. During the year ended June 30, 2004, \$143,136 was paid. Future minimum payment requirements are as follows:

Year ending June 30,	
2005	\$ 25,136
2006	23,362
2007	14,490
2008	14,490
2009	14,490
Thereafter	<u>41,055</u>
	<u>\$ 133,023</u>

Mary Greeley Medical Center has four, five-year notes payable secured by various pieces of major moveable equipment. These notes payable carry interest rates from 4.3% to 5.4% and mature in fiscal years 2005, 2006, 2007 and 2008, requiring payments of approximately \$10,000 per year, \$22,000 per month, \$23,000 per month, and \$14,000 per month, respectively.

At June 30, 2004, future minimum notes payable obligations are as follows:

2005	\$ 668,457
2006	673,255
2007	285,357
2008	<u>42,023</u>
Total	1,669,092
Less amount representing interest	<u>93,642</u>
	1,575,450
Less current obligations	<u>612,276</u>
Total notes payable, net of current obligations	<u>\$ 963,174</u>

E. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City to their repayment. They have been issued for both governmental and business-type activities. These bonds are to be fully paid within 10 to 20 years of the date of issue. The City has also issued revenue bonds where the City pledges income derived from certain assets or programs to pay the debt service on these bonds.

Debt service on general obligation bonds is paid from the debt service fund. Revenue bond debt service is paid by the responsible enterprise fund. For the year ended June 30, 2004, Mary Greeley Medical Center paid \$2,656,741 in principal and interest on revenue bonds and the Electric Utility Fund paid \$1,927,775 in revenue bond principal and interest.

Details of bonds payable at June 30, 2004 are as follows:

	Date of Issue	Interest Rates	Amount Originally Issued	Maturity Date	Outstanding June 30, 2004
General obligation bonds:					
Corporate purpose	6/1997	4.40 - 4.60%	5,460,000	6/2009	2,250,000
Corporate purpose	6/1998	4.13 - 4.25%	5,130,000	6/2010	2,550,000
Corporate purpose	6/1999	3.60 - 4.45%	4,045,000	6/2011	2,570,000
Corporate & Ice Arena	7/2000	4.75 - 5.15%	5,870,000	6/2012	4,270,000
Corporate purpose	8/2001	4.00 - 4.70%	10,080,000	6/2013	7,780,000
GO refunding	12/2001	2.50 - 3.60%	2,692,520	6/2008	1,445,000
Fire station	12/2001	2.50 - 4.10%	1,310,000	6/2013	1,000,000
Ames Quarry	5/2002	4.00 - 5.13%	3,475,000	6/2021	3,225,000
Corporate purpose 2002B	10/2002	2.25 - 3.60%	5,885,000	6/2014	4,975,000
Corporate refunding 2002C	10/2002	2.50 - 3.50%	3,212,820	6/2007	1,805,405
Water GO refunding 2002C	10/2002	2.50 - 3.50%	390,986	6/2007	225,470
Resource Recovery GO refunding 2002C	10/2002	2.50 - 3.50%	3,976,194	6/2010	2,844,125
Corp & Ada Hayden Park	09/2003	1.10 - 3.70%	6,555,000	6/2015	6,005,000
Total general obligation bonds					<u>40,945,000</u> (a)
Revenue bonds:					
Mary Greeley Medical Center:					
2003 Refunding	6/2003	3.00 - 5.00%	29,385,000	6/2022	<u>28,030,000</u>
Total Mary Greeley Medical Center revenue bonds					<u>28,030,000</u>
Electric:					
2002D Refunding	10/2002	2.50 - 3.00	7,525,000	1/2008	<u>5,565,000</u>
Total Electric revenue bonds					<u>5,565,000</u>
Total revenue bonds					<u>33,595,000</u> (b)
Total all bonds					<u>\$ 74,540,000</u>

(a) Excludes unamortized premiums of \$105,173 and unamortized charges arising from refunding of \$62,038.

(b) Excludes unamortized premiums of \$1,317,288 and unamortized charges arising from refunding of \$1,274,633.

As of June 30, 2004, annual debt service requirements of governmental activities to maturity are as follows:

Year ending June 30	General Obligation Bonds	
	Principal	Interest
2005	\$ 4,707,272	\$ 1,502,743
2006	4,753,105	1,333,265
2007	4,645,028	1,157,504
2008	4,200,000	980,332
2009	3,965,000	813,450
2010-2014	13,440,000	1,920,275
2015-2019	1,645,000	321,656
2020-2023	520,000	40,167
Total requirements	<u>\$ 37,875,405</u>	<u>\$ 8,069,392</u>

Long-term debt amounts above and below are shown without reference to applicable premiums and unamortized costs.

As of June 30, 2004, annual debt service requirements of business-type activities to maturity are as follows:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 602,728	\$ 104,422	\$ 3,215,000	\$ 1,356,637	\$ 3,817,728	\$ 1,461,059
2006	586,895	86,340	3,305,000	1,269,088	3,891,895	1,355,428
2007	569,972	65,799	3,390,000	1,171,662	3,959,972	1,237,461
2008	450,000	45,850	1,130,000	1,059,313	1,580,000	1,105,163
2009	435,000	30,100	1,060,000	1,025,412	1,495,000	1,055,512
2010-2014	425,000	14,875	6,710,000	4,527,063	7,135,000	4,541,938
2015-2019			8,590,000	2,797,937	8,590,000	2,797,937
2020-2023			6,195,000	592,138	6,195,000	592,138
Total requirements	<u>\$ 3,069,595</u>	<u>\$ 347,386</u>	<u>\$ 33,595,000</u>	<u>\$ 13,799,250</u>	<u>\$ 36,664,595</u>	<u>\$ 14,146,636</u>

The following is a summary of long-term liability activity for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 36,803,714	\$ 6,555,000	\$ (5,483,310)	\$ 37,875,404	\$ 4,707,272
Employee benefits	1,473,892	272,750	(290,370)	1,456,272	3,873
Total Governmental Activities	<u>\$ 38,277,606</u>	<u>\$ 6,827,750</u>	<u>\$ (5,773,680)</u>	<u>\$ 39,331,676</u>	<u>\$ 4,711,145</u>
Business-Type Activities:					
Revenue bonds	\$ 36,690,000		\$ (3,095,000)	\$ 33,595,000	\$ 3,215,000
General obligation bonds	4,186,286		(1,116,691)	3,069,595	602,728
Employee benefits	7,708,431	8,092,886	(7,193,135)	8,608,182	7,601,928
Notes payable	2,212,672		(637,222)	1,575,450	612,276
Landfill postclosure costs	789,470		(13,152)	776,318	
Total Business-Type Activities	<u>\$ 51,586,859</u>	<u>\$ 8,092,886</u>	<u>\$ (12,055,200)</u>	<u>\$ 47,624,545</u>	<u>\$ 12,031,932</u>

Typically long-term liabilities of the governmental funds, other than debt, are liquidated by the General Fund.

On September 3, 2003, the City issued \$6,555,000 of general obligation corporate purpose bonds dated September 1, 2003. The proceeds to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City totaled \$5,130,000 and \$1,425,000 is to be used for completion of construction of Ada Hayden Park.

The true interest cost on the bonds is 3.2385% and the maturity dates on the bonds range from June 1, 2004 through June 1, 2015. Debt service payments are scheduled semiannually at amounts that range from \$10,082 to \$696,766. The bonds maturing in the year June 1, 2012 and thereafter are subject to prior redemption on June 1, 2011 and any date thereafter at a price of par plus accrued interest to the date of redemption.

The City had two outstanding contracts between the Iowa Department of Economic Development (IDED) and city business entities for Community Economic Betterment Account (CEBA) loans at June 30, 2004. Although the notes all bear the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

F. Restricted Net Assets

The amounts of net assets restricted for payment of debt service in the enterprise funds are as follows:

Mary Greeley Medical Center	\$ 1,268,678
Electric Utility	<u>752,500</u>
Total restricted for debt service	<u><u>\$ 2,021,178</u></u>

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a risk management fund (an internal service fund) to account for and finance its uninsured risks of loss. The risk management fund provides workers' compensation coverage for all City employees and funds the deductible for general liability insurance. Commercial insurance is purchased for all other risks of loss.

All funds of the City participate in the workers' compensation insurance program and make payments to the risk management fund based on a charge against employee payroll per \$100.

The charge is calculated using the Iowa manual compensation rates and an experience rating. The risk management fund pays all workers' compensation claims, claim reserves and administrative costs from its revenues and holds excess revenues for reserve against future claims.

There have been no significant reductions in insurance coverage during the year ended June 30, 2004. No settlements in excess of insurance coverage have occurred in the last three fiscal years.

Changes in the balance of claims liabilities during the years ended June 30, 2004 and 2003 were as follows:

	2004	2003
Balance at July 1	\$ 76,275	\$ 229,704
Current year claims and changes in estimates	527,197	40,933
Claim payments	<u>(243,528)</u>	<u>(194,362)</u>
Balance at June 30	<u>\$ 359,944</u>	<u>\$ 76,275</u>

The Mary Greeley Medical Center carries professional liability insurance on a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. Mary Greeley has accrued \$250,000 for professional liability claims that are incurred but not reported as of June 30, 2004.

The City maintains a separate internal service fund to account for health benefits, becoming self-insured for medical claims effective July 1, 2000. The City carries excess health insurance through the risk pool of Blue Cross/Blue Shield of Iowa in the amount of \$75,000 for specific claims each year and 125% of aggregate claims. The estimated liability for probable losses as recorded in the health benefits fund was:

	2004	2003
Balance at July 1	\$ 370,000	\$ 255,000
Current year claims and changes in estimates	3,645,447	3,929,727
Claim payments	<u>(3,675,447)</u>	<u>(3,814,727)</u>
Balance at June 30	<u>\$ 340,000</u>	<u>\$ 370,000</u>

B. Subsequent Events

On October 15, 2004, the City issued \$6,030,000 of general obligation corporate purpose bonds. The proceeds to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City totaled \$5,591,000, proceeds to be used for fire apparatus is \$369,000, and \$70,000 is to be used for completion of construction of Ada Hayden Heritage Park.

The true interest cost on the bonds is 2.9951% and the maturity dates on the bonds range from June 1, 2005 through June 1, 2014. Debt service payments are scheduled semiannually at amounts that range from \$11,212 to \$714,177. The bonds maturing in the year June 1, 2013 and thereafter are subject to prior redemption on June 1, 2012 and any date thereafter at a price of par plus accrued interest to the date of redemption.

C. Contingent Liabilities

The City legal department reported to management that, as of June 30, 2004, claims and lawsuits were on file against the City. The City legal department estimates that the potential claims not covered by insurance resulting from these cases would not materially affect the financial position of the City. The City has authority to levy additional taxes (outside the regular limit) to cover cases which result in an uninsured judgment.

The City participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, City officials do not believe that such amounts would be significant.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of patient services. Management of the Mary Greeley Medical Center believes that the Mary Greeley Medical Center is in substantial compliance with current laws and regulations.

The Mary Greeley Medical Center is involved in litigation and regulatory audits arising in the normal course of business. It is management's opinion that these matters will be resolved without material adverse effect on the Mary Greeley Medical Center's financial position or results of activities.

D. Landfill Postclosure Care Costs

The City stopped accepting solid waste at the landfill effective June 30, 1992 and has been in the process of closing the landfill since that time.

Federal and State of Iowa laws and regulations establish landfill closure and postclosure care requirements. The State of Iowa specifies financial assurance requirements in Code Section 567-Chapter 111. The Iowa code enumerated various allowable financial assurance mechanisms to meet the costs of closure and postclosure care. The City satisfies this requirement with its rating on its most recent bond issues.

The liability for postclosure care costs is based on 100% of the landfill capacity used to date with no remaining life. The estimated liability for postclosure care costs has a balance of \$776,318 at June 30, 2004.

The City's written landfill postclosure plan includes estimates of costs of all equipment and services required to monitor and maintain the closed landfill. It anticipates that future costs will be subject to inflation and there may be additional requirements added over time. Unanticipated future inflation costs and costs that might arise from changes in postclosure requirements may require adjustment of the liability in future years.

E. Net Patient Service Revenue

As a provider of health care services, Mary Greeley Medical Center has agreements with third-party payors that provide for payment of services at amounts different from established rates. The basis for payment varies by payor and includes prospectively determined rates per discharge, discounts from established charges, and retroactively determined cost-based rates. Approximately 92 percent of gross patient charges determined at established rates for the year ended June 30, 2004 resulted from patients covered by these third-party reimbursement programs. Significant changes have been made and may be made in certain of these programs which could have a material adverse impact on the financial condition of the Medical Center in future years.

The following summarizes the differences between gross patient service revenue determined at established rates and net patient service revenue:

	2004
Gross patient service revenue, at established rates	\$ 184,556,181
Deductions:	
Medicare program	(51,426,484)
Medicaid program	(5,521,133)
Blue Cross	(17,167,072)
Other payors	(6,328,772)
Bad debt expense	(3,350,433)
Net patient service revenue	<u>\$ 100,762,287</u>

F. Pension and Retirement Systems

The City of Ames is a participating employer in two multiple-employer, cost-sharing public employees retirement systems; Iowa Public Employees Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRSI). These plans are administered by outside trustees and are not included in the City's financial statements.

Summary of Significant Accounting Policies

Fire Pension Plan

Firefighters who entered employment with the City prior to March 31, 1934 were required by state law to be members of the fire pension plan. All members (beneficiaries) of the fire pension plan are fully vested and currently receiving benefits. The plan was ordered under the

authority of Chapter 410 of the Code of Iowa. There are no active employees in the plan. Benefits are paid from the general fund.

Iowa Public Employees Retirement System

Plan Description and Provisions – The City is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a multiple-employer, cost sharing public employees’ retirement system designed as a supplement to Social Security.

All employees earning in excess of \$300 per quarter who do not participate in any other public retirement system in the State are eligible and must participate in IPERS. The pension plan provides retirement and death benefits which are established by State statute.

Funding Information – The Plan is administered by the State of Iowa and the City’s responsibility is limited to payment of contributions. During the year ended June 30, 2004, State statute required contributions of 3.70 percent by the employee and 5.75 percent by the employer.

Historical trend information showing IPERS’ progress in accumulating sufficient assets to pay benefits when due is presented in its annual report. This report is available from IPERS, P. O. Box 9117, Des Moines, Iowa 50306. IPERS does not invest in obligations of the State of Iowa or its political subdivisions.

Schedule of Employer Contributions

Year Ended June 30	Amount Required	Percentage Contributed
2002	\$2,822,202	100%
2003	2,955,342	100%
2004	3,022,724	100%

Municipal Fire and Police Retirement System of Iowa

Plan Description and Provisions – The Municipal Fire and Police Retirement System of Iowa (MFPRSI) was created under Chapter 411.35 of the Code of Iowa to replace the separate fire and police retirement systems of 49 cities in Iowa, including the City’s separate fire and police retirement systems. MFPRSI is the administrator of a multiple-employer, cost-sharing, defined benefit pension plan for the exclusive benefit of eligible employees (all full-time firefighters and all sworn officers of the police department) of participating cities. It is governed by a nine-member board of trustees, eight of whom are appointed by member associations and the Iowa League of Cities. These members in turn appoint a citizen member. There are also four members of the Iowa Legislature who serve in an ex-officio capacity. The City’s responsibility is limited to payments of contributions.

Funding Information – Member contribution rates are established by State statute. For the fiscal year ended June 30, 2004, members contributed 9.35 percent of earnable compensation. The employer’s contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by State statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by one percent of the actuarially determined present value of the prospective future compensation of all members, further

reduced by member contributions. Legislatively appropriated contributions from the State may further reduce the employer's contribution rate. However, the employer's contribution rate cannot be less than 17 percent of earnable compensation. Benefits include disability and death benefits. Effective July 1, 2003 the City mandated minimum contribution increased to 20.48%. Additional increases will occur on July 1, 2004 and July 1, 2005 to 24.92% and 28.21% respectively.

For the year ended June 30, 2004, the City's contribution was 20.48 percent of the earnable compensation of each member.

Schedule of Employer Contributions

Year Ended June 30	Amount Required	Percentage Contributed
2002	\$737,787	100%
2003	775,167	100%
2004	968,528	100%

Historical trend information showing MFPRSI progress in accumulating sufficient assets to pay benefits when due is presented in its annual report. This report is available from Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, Iowa 50322. MFPRSI does not invest in obligations of the State of Iowa or its political subdivisions.

City of Ames Municipal Utility Retirement Plan

The City of Ames Municipal Utility Retirement Plan was adopted September 30, 1997 by resolution of the City Council. It is a sole-employer, defined contribution plan intended to qualify under Sections 401(a), 414(h), and 501(a) of the United States Internal Revenue Code of 1986, as amended. The plan is authorized by City ordinance and can be amended by the plan administrator through a resolution of the City Council.

Members of the plan are employees of the City who regularly receive, or are expected to regularly receive, more than 10% of their compensation from a utility fund of the City, except persons employed to work at the A.O. Chantland Resource Recovery Plant. There were 144 active and fully vested participants, 54 terminated participants, 6 retired participants, and 10 other participants in the plan at June 30, 2004.

The purpose of the plan is to provide retirement benefits for participants through self-directed individual accounts which are fully and immediately vested and nonforfeitable at all times.

Participants (or their beneficiaries in the event of the participant's death) are entitled to receive a benefit equal to their vested account at retirement, death or termination of employment.

Participants are required to contribute 5.4% of their compensation and the employer is required to contribute 7.93% of the employees' compensation. An eligible employee may make voluntary (unmatched) contributions under the plan for any plan year in any amount up to 10% of the employee's compensation for such year.

voluntary (unmatched) contributions under the plan for any plan year in any amount up to 10% of the employee's compensation for such year.

The plan uses the accrual basis of accounting and presents plan assets at their fair value. The fair value of the plan's assets at June 30, 2004 was \$21,847,140. Employee contributions to the plan for the fiscal year ended June 30, 2004 totaled \$417,894 and employer contributions were \$611,535.

G. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Effective July 1, 1998, the deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death, or an unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

H. New Accounting Pronouncements

In March of 2003, GASB issued Statement No. 40 (GASB 40), Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3, which is required to be adopted by the City in its fiscal year ending June 30, 2005. This statement establishes and modifies disclosure requirements related to investment risks. It will require additional note disclosures on some of the City's investments.

GASB issued Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries in November, 2003 to be effective for fiscal years beginning after December 15, 2004 with earlier application encouraged. The City feels that this statement will not have a material effect upon their financial statements in the future.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in April, 2004 will not affect the City as they do not sponsor a postemployment benefit plan.

Statement No. 44, Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1, was issued in May, 2004 to be effective for periods beginning after June 15, 2005. Early implementation is encouraged but not required. The City has not determined if they will implement the standards of this statement earlier than required.

In June of 2004, GASB issued Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Implementation is required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The City will be required to implement this statement in its fiscal year ending June 30, 2008. This statement requires systematic, accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service. It also provides information about actuarial accrued liabilities associated with OPEB and whether and



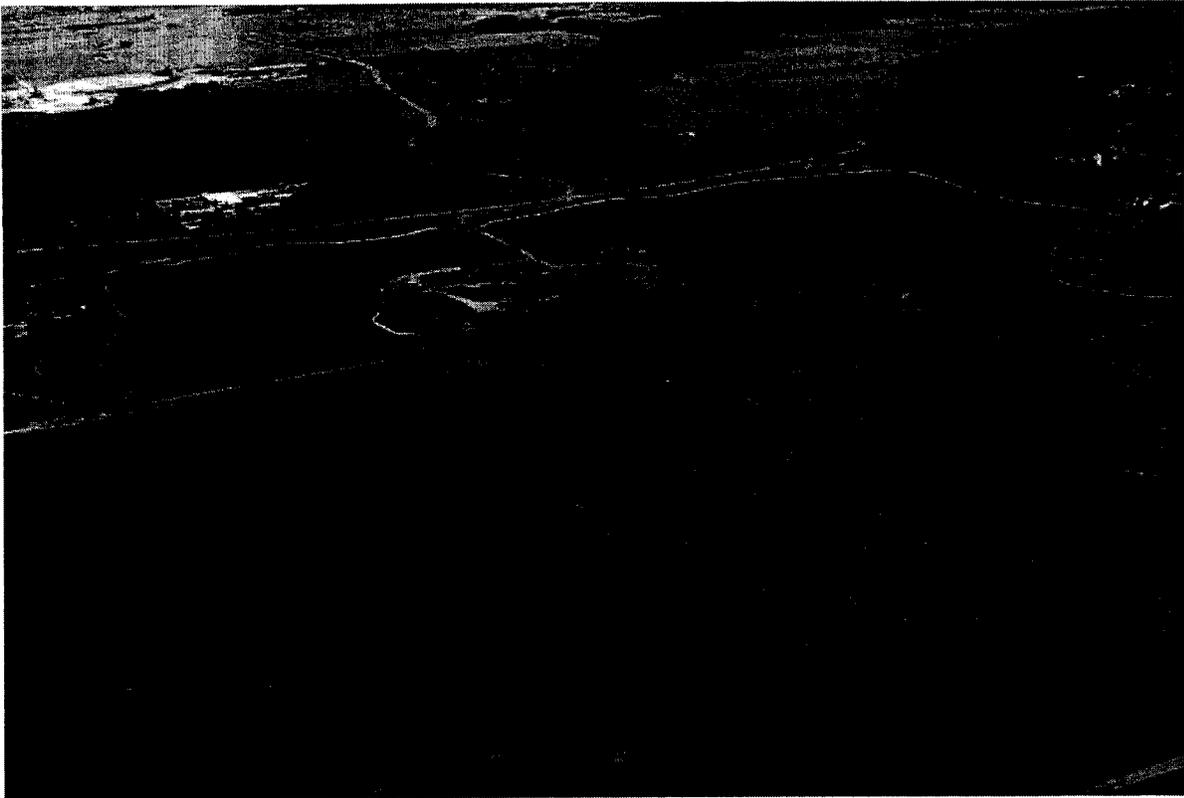
PROPONENTS AND PROCESS

A master plan was developed: 130 acres of water and 307 acres of land needed to be purchased and transitioned into wetlands/prairie to serve as natural filters for area runoff.

The following coalition of government, citizens, and private sector organizations worked proactively to protect a precious resource:

- City of Ames
- Story County Conservation Board
- Story County Soil and Water Conservation District
- Friends of Hallett's Quarry
- Iowa State University
- Natural Resources Conservation Services
- Iowa Cooperative Fish and Wildlife Research Unit
- Snyder & Associates
- Bonestroo Rosene Anderlik & Associates

The Story County Conservation Board provided expertise and in-kind labor for the establishment of the prairie, wetland, woodland, and meadow areas of the park. This assistance will result in \$1,030,000 savings to the City. There is also a great opportunity to involve volunteers for long-term environmental learning experiences.



WILDLIFE AND EDUCATIONAL AREA

Much of the area will be restored as prairie and wetlands. The extensive root systems of prairie plants provide soil stabilization and allow rainwater to soak into the soil, protecting against water pollution and soil erosion. The proposed prairie, wetland and woodland restoration will be a haven for wildlife. The area is currently used as a resting place by many migrating birds. Rare species, such as loons, sandhill cranes, and bald eagles have been sighted at Ada Hayden Heritage Park. This site will also serve as a premier outdoor teaching lab for all ages.

ONGOING DEVELOPMENT

During 2004 and 2005, about 30 acres of prairie and wildflowers will be planted annually. There are several reasons why it takes a few years to accomplish this:

- Phasing increases the diversity in the overall grasses, since no two seed crop years are the same.
- It will lower the risk that bad weather could wash out all the new plantings.
- Central Iowa seed sources should be able to provide the seed quantities without cutting into supplies needed for other important restoration projects.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF AMES, IOWA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 9,851,062	\$ 9,814,841	\$ 9,828,046	\$ 13,205
Licenses and permits	934,750	1,021,170	1,123,645	102,475
Intergovernmental	918,713	297,939	299,531	1,592
Charges for services	2,802,705	2,783,440	2,776,230	(7,210)
Fines and forfeits	159,200	159,200	149,005	(10,195)
Donations	10,500	3,120	5,235	2,115
Investment earnings	356,356	269,354	242,213	(27,141)
Miscellaneous	144,479	145,680	228,819	83,139
Total revenues	<u>15,177,765</u>	<u>14,494,744</u>	<u>14,652,724</u>	<u>157,980</u>
Expenditures:				
Current:				
Public safety	10,427,880	10,219,750	10,023,164	196,586
Public works	1,168,055	1,082,368	1,080,305	2,063
Health and social services	132,243	127,124	122,870	4,254
Culture and recreation	5,187,052	4,976,938	4,902,004	74,934
Community and economic development	637,505	596,308	567,926	28,382
General government	2,104,988	1,962,132	1,893,058	69,074
Capital projects				
Total expenditures	<u>19,657,723</u>	<u>18,964,620</u>	<u>18,589,327</u>	<u>375,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,479,958)</u>	<u>(4,469,876)</u>	<u>(3,936,603)</u>	<u>533,273</u>
Other financing sources (uses):				
Transfers in	5,555,248	5,497,518	5,483,083	(14,435)
Transfers out	(1,073,207)	(1,073,278)	(1,169,454)	(96,176)
Total other financing sources (uses)	<u>4,482,041</u>	<u>4,424,240</u>	<u>4,313,629</u>	<u>(110,611)</u>
Net change in fund balances	2,083	(45,636)	377,026	422,662
Fund balances at beginning of year	<u>3,994,397</u>	<u>4,729,973</u>	<u>4,729,973</u>	
Fund balances at end of year	<u>\$ 3,996,480</u>	<u>\$ 4,684,337</u>	<u>\$ 5,106,999</u>	<u>\$ 422,662</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF AMES, IOWA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004**

1. Budgetary Information

The City prepares its budgets on a generally accepted accounting principles basis. The general fund financial statements and budgets are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

State law mandates that annual budgets for the fiscal year beginning July 1 must be certified to the County Auditor no later than March 15, preceding the beginning of the fiscal year. Amendments to the budget are considered only if revenue sources are available. The budgeted amounts presented in the financial statements reflect the original and the revised budget.

**SUPPLEMENTARY
INFORMATION**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that have various purpose restrictions or designations or are segregated for particular expenditure reasons.

Local Option Tax Fund - This fund is used to account for the funds generated by the voter approved 1% local option sales tax; 60% is used for property tax relief and 40% for community betterment.

Hotel/Motel Tax Fund - This fund is used to account for the funds generated through the imposition of a hotel/motel tax. Proceeds are used for community betterment and economic development.

Leased Housing Fund and Housing Assistance Fund - These funds are used to account for the operations of a federal low-income housing project and other grant funded housing assistance programs.

Road Use Tax Fund - This fund is used to account for the City's share of state gasoline taxes received on a per capita basis. State law requires use for any purpose relating to the construction or maintenance of public streets.

Bike Licenses - This fund is used to account for funds generated by the sale of bike licenses.

Police Forfeiture & Grants - This fund is used to account for funds generated from the forfeiture of property as a result of criminal activities and government grants received for law enforcement related costs.

TIF Fund - This fund is used to account for tax increment financing revenues on abated debt.

Employee Benefit Property Tax Fund - This fund is used to account for tax revenues used to pay the City's share of selected employee benefits.

Police & Fire 411 - This fund is used to account for the funds remaining from the transfer to the state-wide MFPRSI. They can only be used to offset future City contributions to the retirement system.

Parks & Recreation Programs - This fund is used to account for revenues used for specific park and recreation programs and improvements.

Donation Funds - These funds are used to account for various donations received by the City to be used for specific purposes and activities including Project Share.

Developers' Projects - These funds are used to account for funds received from developers to be used for City infrastructure.

Economic Development & Loans - This fund is used to account for funds from block grants and funds to be loaned to businesses to increase development in the City.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only the earnings, not the principal, may be used for purposes that support the City's programs.

Permanent Fund - This fund is used to account for principal amounts received for perpetual care. The interest on these funds is transferred to the general fund for use to maintain the cemeteries.

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

ASSETS	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Cash and pooled cash investments	\$ 827,896	\$ 233,645	\$ 1,061,541
Investments	10,251,741	550,000	10,801,741
Taxes receivable	6,142		6,142
Accounts receivable	31,533	4,516	36,049
Accrued interest receivable	15,896		15,896
Intergovernmental receivables	1,354,073		1,354,073
Due from other funds	35,183	728	35,911
Inventories	79,257		79,257
Prepaid items	3,291		3,291
Succeeding year taxes receivable	932,263		932,263
Total assets	\$ 13,537,275	\$ 788,889	\$ 14,326,164
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 278,958		\$ 278,958
Retainage payable	27,526		27,526
Due to other governments	152,973		152,973
Compensation and payroll taxes	44,408		44,408
Due to other funds	632,822		632,822
Deferred revenue	201,428		201,428
Succeeding year deferred revenue	932,263		932,263
Customer deposits	109,643		109,643
Total liabilities	2,380,021		2,380,021
Fund balances:			
Reserved for:			
Encumbrances	1,133,964		1,133,964
Perpetual care		\$ 788,889	788,889
Inventories	79,257		79,257
Prepaid items	3,291		3,291
State statute restricted purpose	1,580,312		1,580,312
Unreserved:			
Unreserved, designated for subsequent year's expenditures	609,653		609,653
Unreserved, reported in nonmajor special revenue funds	7,750,777		7,750,777
Total fund balances	11,157,254	788,889	11,946,143
Total liabilities and fund balances	\$ 13,537,275	\$ 788,889	\$ 14,326,164

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 932,365		\$ 932,365
Intergovernmental	11,584,273		11,584,273
Charges for services	3,050	\$ 23,460	26,510
Donations	863,402		863,402
Investment earnings	336,638		336,638
Miscellaneous	28,904		28,904
	<u>13,748,632</u>	<u>23,460</u>	<u>13,772,092</u>
Total revenues			
Expenditures:			
Current:			
Public safety	124,065		124,065
Public works	2,994,886		2,994,886
Health and social services	795,969		795,969
Culture and recreation	289,327		289,327
Community and economic development	2,032,557		2,032,557
General government	156,728		156,728
Capital projects	2,563,471	5,000	2,568,471
	<u>8,957,003</u>	<u>5,000</u>	<u>8,962,003</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>4,791,629</u>	<u>18,460</u>	<u>4,810,089</u>
Other financing sources (uses):			
Transfers in	285,813		285,813
Transfers out	(4,677,251)		(4,677,251)
Total other financing sources (uses)	<u>(4,391,438)</u>		<u>(4,391,438)</u>
Net change in fund balance	400,191	18,460	418,651
Fund balances at beginning of year	<u>10,757,063</u>	<u>770,429</u>	<u>11,527,492</u>
Fund balances at end of year	<u>\$ 11,157,254</u>	<u>\$ 788,889</u>	<u>\$ 11,946,143</u>

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004**

ASSETS	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Cash and pooled cash investments	\$ 4,426	\$ 47,886	\$ 73,035	\$ 10,912	\$ 4,428
Investments	2,651,576	390,232		2,001,189	15,009
Taxes receivable					
Accounts receivable	7,995		2,610	5	
Accrued interest receivable	6,699				
Intergovernmental receivables	786,366	193,123	15,744	342,471	
Due from other funds		7,583		22,075	64
Inventories				79,257	
Prepaid items			1,480	1,037	
Succeeding year taxes receivable					
Total assets	\$ 3,457,062	\$ 638,824	\$ 92,869	\$ 2,456,946	\$ 19,501
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 132,554	\$ 47,882	\$ 61	\$ 97,019	
Retainage payable	4,086			23,440	
Due to other governments			30,527	21	
Compensation and payroll taxes	1,165		991	41,060	
Due to other funds	473,229		791	150,112	
Deferred revenue		193,123	20		
Succeeding year deferred revenue					
Customer deposits					
Total liabilities	611,034	241,005	32,390	311,652	
Fund balances:					
Reserved for:					
Encumbrances	349,980	3,107	600	758,115	
Inventories				79,257	
Prepaid items			1,480	1,037	
State statute restricted purposes					
Unreserved, designated for subsequent year's expenditures	433,629	5,200	12,711	97,235	
Unreserved, reported in nonmajor special revenue funds	2,062,419	389,512	45,688	1,209,650	\$ 19,501
Total fund balances	2,846,028	397,819	60,479	2,145,294	19,501
Total liabilities and fund balances	\$ 3,457,062	\$ 638,824	\$ 92,869	\$ 2,456,946	\$ 19,501

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 10,708	\$ 25,024	\$ 182,171	\$	\$ 7,958	\$ 53,285
70,042	640,381			1,468,243	580,344
66	10,567	3	\$ 6,139		
	938			3,283	1,360
15,874					
1,295	1,304				
			932,263		
<u>\$ 97,985</u>	<u>\$ 678,214</u>	<u>\$ 182,174</u>	<u>\$ 938,402</u>	<u>\$ 1,479,484</u>	<u>\$ 634,989</u>
\$ 295	\$ 69				
890					
240	261		\$ 6,139	\$ 844	
	584				
			932,263		
<u>1,425</u>	<u>914</u>		<u>938,402</u>	<u>844</u>	
586	67			\$	8,028
95,974				1,478,640	
	58,278				
	618,955	\$ 182,174			626,961
96,560	677,300	182,174		1,478,640	634,989
<u>\$ 97,985</u>	<u>\$ 678,214</u>	<u>\$ 182,174</u>	<u>\$ 938,402</u>	<u>\$ 1,479,484</u>	<u>\$ 634,989</u>

(continued)

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004**

ASSETS	Library Donations	Project Share	Police & Fire Donations	Animal Shelter Donations
Cash and pooled cash investments	\$ 71,684	\$ 5,357	\$ 2,563	\$ 8,860
Investments	1,414,117			40,024
Taxes receivable				
Accounts receivable	7,729	532		1,111
Accrued interest receivable	3,314			115
Intergovernmental receivables				495
Due from other funds				
Inventories				
Prepaid items	499			275
Succeeding year taxes receivable				
Total assets	\$ 1,497,343	\$ 5,889	\$ 2,563	\$ 50,880
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 424			\$ 654
Retainage payable				
Due to other governments				
Compensation and payroll taxes				302
Due to other funds	543	\$ 191		472
Deferred revenue				
Succeeding year deferred revenue				
Customer deposits				
Total liabilities	967	191		1,428
Fund balances:				
Reserved for:				
Encumbrances				
Inventories				
Prepaid items	499			275
State statute restricted purposes		5,698		
Unreserved, designated for subsequent year's expenditures	2,600			
Unreserved, reported in nonmajor special revenue funds	1,493,277		\$ 2,563	49,177
Total fund balances	1,496,376	5,698	2,563	49,452
Total liabilities and fund balances	\$ 1,497,343	\$ 5,889	\$ 2,563	\$ 50,880

Public Art Donations	Developers' Projects	Economic Development & Loans	Total Nonmajor Special Revenue Funds
\$ 21,601	\$ 257,647	\$ 40,351	\$ 827,896
	180,108	800,476	10,251,741
		918	6,142
			31,533
	187		15,896
			1,354,073
	253	2,609	35,183
			79,257
			3,291
			932,263
<u>\$ 21,601</u>	<u>\$ 438,195</u>	<u>\$ 844,354</u>	<u>\$ 13,537,275</u>
			\$ 278,958
			27,526
	\$ 122,425		152,973
			44,408
			632,822
		7,701	201,428
			932,263
	\$ 109,643		109,643
	109,643	130,126	2,380,021
\$ 13,481			1,133,964
			79,257
			3,291
			1,580,312
			609,653
<u>8,120</u>	<u>328,552</u>	<u>714,228</u>	<u>7,750,777</u>
<u>21,601</u>	<u>328,552</u>	<u>714,228</u>	<u>11,157,254</u>
<u>\$ 21,601</u>	<u>\$ 438,195</u>	<u>\$ 844,354</u>	<u>\$ 13,537,275</u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Revenues:					
Taxes					
Intergovernmental	\$ 5,387,837	\$ 760,168	\$ 1,086,352	\$ 4,255,230	
Charges for services					
Donations	55,000				
Investment earnings	36,338		921		
Miscellaneous			8,857		
Total revenues	5,479,175	760,168	1,096,130	4,255,230	
Expenditures:					
Current:					
Public safety	13,579				
Public works	28,164			2,966,722	
Health and social services	777,700				
Culture and recreation	112,439	5,000			
Community and economic development	136,102	573,623	1,100,267		
General government	59,789	11,430		75,002	
Capital projects	280,333			700,054	
Total expenditures	1,408,106	590,053	1,100,267	3,741,778	
Excess (deficiency) of revenues over (under) expenditures	4,071,069	170,115	(4,137)	513,452	
Other financing sources (uses):					
Transfers in	85,813				
Transfers out	(3,402,202)	(152,033)			
Total other financing sources (uses)	(3,316,389)	(152,033)			
Net change in fund balance	754,680	18,082	(4,137)	513,452	
Fund balances at beginning of year	2,091,348	379,737	64,616	1,631,842	\$ 19,501
Fund balances at end of year	\$ 2,846,028	\$ 397,819	\$ 60,479	\$ 2,145,294	\$ 19,501

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 63,910		\$ 316,530	\$ 615,835		
14,322	\$ 1,000			\$ 3,050	10,700
23	109,367	920		19,215	11,263
938	19,109				
<u>79,193</u>	<u>129,476</u>	<u>317,450</u>	<u>615,835</u>	<u>19,215</u>	<u>25,013</u>
65,739					
	222,565				67,182
				10,507	1,530,930
<u>65,739</u>	<u>222,565</u>			<u>10,507</u>	<u>1,598,112</u>
13,454	(93,089)	317,450	615,835	8,708	(1,573,099)
		(135,489)	(615,835)	(346,692)	100,000
		(135,489)	(615,835)	(346,692)	(25,000)
13,454	(93,089)	181,961		(337,984)	(1,498,099)
<u>83,106</u>	<u>770,389</u>	<u>213</u>		<u>1,816,624</u>	<u>2,133,088</u>
<u>\$ 96,560</u>	<u>\$ 677,300</u>	<u>\$ 182,174</u>	<u>\$</u>	<u>\$ 1,478,640</u>	<u>\$ 634,989</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Library Donations	Project Share	Police & Fire Donations
Revenues:			
Taxes			
Intergovernmental	\$ 14,871		\$ 6,905
Charges for services			
Donations	663,796	\$ 17,738	1,148
Investment earnings	20,333		
Miscellaneous			
Total revenues	<u>699,000</u>	<u>17,738</u>	<u>8,053</u>
Expenditures:			
Current:			
Public safety			7,725
Public works			
Health and social services		18,269	
Culture and recreation	104,706		
Community and economic development			
General government			
Capital projects			
Total expenditures	<u>104,706</u>	<u>18,269</u>	<u>7,725</u>
Excess (deficiency) of revenues over (under) expenditures	<u>594,294</u>	<u>(531)</u>	<u>328</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	594,294	(531)	328
Fund balances at beginning of year	<u>902,082</u>	<u>6,229</u>	<u>2,235</u>
Fund balances at end of year	<u>\$ 1,496,376</u>	<u>\$ 5,698</u>	<u>\$ 2,563</u>

Animal Shelter Donations	Public Art Donations	Developers' Projects	Economic Development & Loans	Total Nonmajor Special Revenue Funds
				\$ 932,365
	\$ 9,000			11,584,273
				3,050
\$ 30,226	1,000	\$ 68,472		863,402
684	638	1,782	\$ 135,154	336,638
				28,904
<u>30,910</u>	<u>10,638</u>	<u>70,254</u>	<u>135,154</u>	<u>13,748,632</u>
37,022				124,065
				2,994,886
				795,969
				289,327
				2,032,557
				156,728
	52,154			2,563,471
<u>37,022</u>	<u>52,154</u>			<u>8,957,003</u>
<u>(6,112)</u>	<u>(41,516)</u>	<u>70,254</u>	<u>135,154</u>	<u>4,791,629</u>
			100,000	285,813
				(4,677,251)
			100,000	(4,391,438)
(6,112)	(41,516)	70,254	235,154	400,191
<u>55,564</u>	<u>63,117</u>	<u>258,298</u>	<u>479,074</u>	<u>10,757,063</u>
<u>\$ 49,452</u>	<u>\$ 21,601</u>	<u>\$ 328,552</u>	<u>\$ 714,228</u>	<u>\$ 11,157,254</u>

(concluded)

CITY OF AMES, IOWA

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 6,288,833	\$ 6,281,048	\$ 6,301,902	\$ 20,854
Intergovernmental	33,148	33,148	33,148	
Investment earnings	60,000	56,800	64,656	7,856
Total revenues	<u>6,381,981</u>	<u>6,370,996</u>	<u>6,399,706</u>	<u>28,710</u>
Expenditures:				
Current:				
Public works	315,000	315,000	315,000	
Debt service:				
Principal retirement	5,510,208	5,483,308	5,483,308	
Interest and fiscal charges	1,807,805	1,643,044	1,632,709	10,335
Total expenditures	<u>7,633,013</u>	<u>7,441,352</u>	<u>7,431,017</u>	<u>10,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,251,032)</u>	<u>(1,070,356)</u>	<u>(1,031,311)</u>	<u>39,045</u>
Other financing sources (uses):				
Premiums on debt issued			42,916	42,916
Transfers in	411,031	411,031	431,177	20,146
Total other financing sources (uses)	<u>411,031</u>	<u>411,031</u>	<u>474,093</u>	<u>63,062</u>
Net change in fund balances	(840,001)	(659,325)	(557,218)	102,107
Fund balances at beginning of year	<u>2,253,060</u>	<u>2,272,537</u>	<u>2,272,537</u>	
Fund balances at end of year	<u>\$ 1,413,059</u>	<u>\$ 1,613,212</u>	<u>\$ 1,715,319</u>	<u>\$ 102,107</u>

CITY OF AMES, IOWA

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 195,000	\$ 285,000	\$ 309,133	\$ 24,133
Intergovernmental	655,000	916,767	806,094	(110,673)
Investment earnings		16,984	24,137	7,153
Miscellaneous	50,000	279,026	168,018	(111,008)
Total revenues	<u>900,000</u>	<u>1,497,777</u>	<u>1,307,382</u>	<u>(190,395)</u>
Expenditures:				
Capital projects	6,281,467	8,283,719	6,993,041	1,290,678
Total expenditures	<u>6,281,467</u>	<u>8,283,719</u>	<u>6,993,041</u>	<u>1,290,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,381,467)</u>	<u>(6,785,942)</u>	<u>(5,685,659)</u>	<u>1,100,283</u>
Other financing sources (uses):				
Proceeds from issuance of bonds	6,922,800	6,555,000	6,555,000	
Transfers in	16,590	559,531	499,043	(60,488)
Transfers out	(191,996)	(708,537)	(703,165)	5,372
Total other financing sources (uses)	<u>6,747,394</u>	<u>6,405,994</u>	<u>6,350,878</u>	<u>(55,116)</u>
Net change in fund balances	1,365,927	(379,948)	665,219	1,045,167
Fund balances at beginning of year	<u>(1,109,550)</u>	<u>967,829</u>	<u>967,829</u>	
Fund balances at end of year	<u>\$ 256,377</u>	<u>\$ 587,881</u>	<u>\$ 1,633,048</u>	<u>\$ 1,045,167</u>

CITY OF AMES, IOWA

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 944,591	\$ 930,761	\$ 932,365	\$ 1,604
Intergovernmental	11,699,784	11,567,924	11,584,273	16,349
Charges for services	3,050	3,050	3,050	
Donations	469,000	873,044	863,402	(9,642)
Investment earnings	222,273	392,503	336,638	(55,865)
Miscellaneous	1,106	22,886	28,904	6,018
Total revenues	<u>13,339,804</u>	<u>13,790,168</u>	<u>13,748,632</u>	<u>(41,536)</u>
Expenditures:				
Current:				
Public safety	82,074	162,548	124,065	38,483
Public works	3,051,685	3,070,398	2,994,886	75,512
Health and social services	808,049	813,151	795,969	17,182
Culture and recreation	221,251	394,046	289,327	104,719
Community and economic development	1,839,401	2,176,155	2,032,557	143,598
General government	171,892	316,975	156,728	160,247
Capital projects	3,030,750	3,863,579	2,563,471	1,300,108
Total expenditures	<u>9,205,102</u>	<u>10,796,852</u>	<u>8,957,003</u>	<u>1,839,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,134,702</u>	<u>2,993,316</u>	<u>4,791,629</u>	<u>1,798,313</u>
Other financing sources (uses):				
Transfers in	262,400	287,400	285,813	(1,587)
Transfers out	<u>(4,622,557)</u>	<u>(4,700,773)</u>	<u>(4,677,251)</u>	<u>23,522</u>
Total other financing sources (uses)	<u>(4,360,157)</u>	<u>(4,413,373)</u>	<u>(4,391,438)</u>	<u>21,935</u>
Net change in fund balances	(225,455)	(1,420,057)	400,191	1,820,248
Fund balances at beginning of year	<u>7,800,326</u>	<u>10,757,063</u>	<u>10,757,063</u>	
Fund balances at end of year	<u>\$ 7,574,871</u>	<u>\$ 9,337,006</u>	<u>\$ 11,157,254</u>	<u>\$ 1,820,248</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported primarily by user charges. They are also known as business-type activities.

Water Utility Fund - This fund is used to account for the operation of the City owned water plant, which provides water services to residents of the City and some contiguous areas.

Storm Sewer Utility Fund - This fund is used to account for the monthly fees paid by the customers of the Electric Utility for the maintenance of the City's storm sewer system.

Parking Lot Fund - This fund is used to account for the operation of the parking meters on streets and in designated lots.

Resource Recovery Fund - This fund is used to account for the operation of the City owned resource recovery plant. Services are also provided to 13 communities and several governmental organizations on a contractual basis.

Transit Fund - This fund is used to account for the operations of all City transit services.

Ames/ISU Ice Arena Fund - This fund is used to account for the operations of a recreational ice facility, jointly owned by the City and Iowa State University.

Homewood Golf Course Fund - This fund is used to account for the operations of a 9-hole golf course.

CITY OF AMES, IOWA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2004**

ASSETS	Water Utility	Storm Sewer Utility	Parking Lot
Current assets:			
Cash and pooled cash investments	\$ 14,367	\$ 17,323	\$ 31,457
Investments	3,191,888	131,881	211,034
Accounts receivable, net	664,348	45,268	221,866
Accrued interest receivable	8,226	351	539
Intergovernmental receivables	13,804	75	7,235
Due from other funds	12,252	895	
Inventories	228,257		3,549
Prepaid items	4,324		1,483
Total current assets	4,137,466	195,793	477,163
Noncurrent assets:			
Long-term investments	440,270	18,209	29,109
Deferred debt issuance costs, net	1,526		
Capital assets:			
Land	581,413		910,547
Land improvements		526,378	567,871
Plant and distribution systems	42,323,280		
Buildings			
Equipment			56,130
Construction in progress	138,312		
Less accumulated depreciation	(12,785,339)	(82,812)	(462,665)
Capital assets, net	30,257,666	443,566	1,071,883
Total noncurrent assets	30,699,462	461,775	1,100,992
Total assets	34,836,928	657,568	1,578,155

Resource Recovery	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 10,987	\$ 39,918	\$ 43,660	\$ 35,203	\$ 192,915
545,180	1,327,779	228,609		5,636,371
237,767	13,394	9,986	1,012	1,193,641
1,178	4,026	610		14,930
500,034	148,233	21,488		690,869
38,209	9,156			60,512
	173,574	3,030	1,713	410,123
19,680	90	13,617	250	39,444
<u>1,353,035</u>	<u>1,716,170</u>	<u>321,000</u>	<u>38,178</u>	<u>8,238,805</u>
75,188	183,119	31,545		777,440
19,100				20,626
274,903	41,500		193,250	2,001,613
58,492	149,806	63,578	127,581	1,493,706
				42,323,280
11,219,650	6,521,225	1,688,110	87,003	19,515,988
3,806,335	8,500,278	31,384		12,394,127
	28,690			167,002
<u>(7,949,337)</u>	<u>(6,537,491)</u>	<u>(228,526)</u>	<u>(60,152)</u>	<u>(28,106,322)</u>
<u>7,410,043</u>	<u>8,704,008</u>	<u>1,554,546</u>	<u>347,682</u>	<u>49,789,394</u>
<u>7,504,331</u>	<u>8,887,127</u>	<u>1,586,091</u>	<u>347,682</u>	<u>50,587,460</u>
<u>8,857,366</u>	<u>10,603,297</u>	<u>1,907,091</u>	<u>385,860</u>	<u>58,826,265</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

LIABILITIES	Water Utility	Storm Sewer Utility	Parking Lot
Current liabilities:			
Accounts payable	205,988	33,981	812
Retainage payable	38,546	6,424	
Due to other governments	42,087	237	535
Compensation and payroll taxes	15,875	7,924	4,592
Employee benefits	7,540	386	803
Due to other funds	186,005	4,127	8,815
Bonds payable	76,865		
Interest payable	626		
Deferred revenue			5,870
Total current liabilities	<u>573,532</u>	<u>53,079</u>	<u>21,427</u>
Noncurrent liabilities:			
Employee benefits	142,537	5,575	11,135
Bonds payable	148,605		
Unamortized premiums on bonds issued	7,328		
Deferred charges	(4,714)		
Due to other governments			
Landfill postclosure costs			
Total noncurrent liabilities	<u>293,756</u>	<u>5,575</u>	<u>11,135</u>
Total liabilities	<u>867,288</u>	<u>58,654</u>	<u>32,562</u>
NET ASSETS			
Invested in capital assets, net of related debt	30,032,196	443,566	1,071,883
Unrestricted	<u>3,937,444</u>	<u>155,348</u>	<u>473,710</u>
Total net assets	<u>\$ 33,969,640</u>	<u>\$ 598,914</u>	<u>\$ 1,545,593</u>

Resource Recovery	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
126,089	138,246	7,005	1,057	513,178
				44,970
9	51,704	131	959	95,662
20,931	87,509	2,868	4,472	144,171
2,182	8,701	154	332	20,098
36,796	19,652	4,111	2,062	261,568
525,863				602,728
8,076				8,702
		9,913		15,783
<u>719,946</u>	<u>305,812</u>	<u>24,182</u>	<u>8,882</u>	<u>1,706,860</u>
44,557	142,259	2,107	5,716	353,886
2,318,262				2,466,867
91,692				99,020
(57,324)				(62,038)
	150,000			150,000
<u>776,318</u>				<u>776,318</u>
<u>3,173,505</u>	<u>292,259</u>	<u>2,107</u>	<u>5,716</u>	<u>3,784,053</u>
<u>3,893,451</u>	<u>598,071</u>	<u>26,289</u>	<u>14,598</u>	<u>5,490,913</u>
4,565,918	8,704,008	1,554,546	347,682	46,719,799
<u>397,997</u>	<u>1,301,218</u>	<u>326,256</u>	<u>23,580</u>	<u>6,615,553</u>
<u>\$ 4,963,915</u>	<u>\$ 10,005,226</u>	<u>\$ 1,880,802</u>	<u>\$ 371,262</u>	<u>\$ 53,335,352</u>

(concluded)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Water Utility	Storm Sewer Utility	Parking Lot
Operating revenues:			
Charges for goods and services	\$ 6,123,857	\$ 415,082	\$ 835,781
Operating expenses:			
Cost of goods and services	3,987,097	377,065	769,834
Administration	245,766	882	25,205
Depreciation	873,455	10,528	11,344
Total operating expenses	<u>5,106,318</u>	<u>388,475</u>	<u>806,383</u>
Operating income (loss)	<u>1,017,539</u>	<u>26,607</u>	<u>29,398</u>
Nonoperating revenues (expenses):			
Investment earnings	45,145	2,587	3,298
Interest expense	(14,034)		
Federal, state, and other operating grants			
Costs reimbursed by contract participants			
Gain (loss) on disposal of capital assets			
Total nonoperating revenues (expenses)	<u>31,111</u>	<u>2,587</u>	<u>3,298</u>
Income (loss) before contributions and transfers	1,048,650	29,194	32,696
Capital contributions	464,739		
Transfers in	10,762		
Transfers out	<u>(83,546)</u>		
Change in net assets	1,440,605	29,194	32,696
Total net assets at beginning of year	<u>32,529,035</u>	<u>569,720</u>	<u>1,512,897</u>
Total net assets at end of year	<u>\$ 33,969,640</u>	<u>\$ 598,914</u>	<u>\$ 1,545,593</u>

Resource Recovery	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 3,124,654	\$ 3,172,940	\$ 398,281	\$ 208,336	\$ 14,278,931
2,638,641	4,646,946	408,963	198,919	13,027,465
154,646	524,456			950,955
330,192	741,547	63,848	8,062	2,038,976
<u>3,123,479</u>	<u>5,912,949</u>	<u>472,811</u>	<u>206,981</u>	<u>16,017,396</u>
1,175	(2,740,009)	(74,530)	1,355	(1,738,465)
6,168	27,966	3,609	218	88,991
(109,182)				(123,216)
	1,041,064			1,041,064
632,808				632,808
	(141,890)			(141,890)
<u>529,794</u>	<u>927,140</u>	<u>3,609</u>	<u>218</u>	<u>1,497,757</u>
530,969	(1,812,869)	(70,921)	1,573	(240,708)
	1,233,710	20,000		1,718,449
133,682	898,956	20,000		1,063,400
				(83,546)
664,651	319,797	(30,921)	1,573	2,457,595
<u>4,299,264</u>	<u>9,685,429</u>	<u>1,911,723</u>	<u>369,689</u>	<u>50,877,757</u>
\$ <u>4,963,915</u>	\$ <u>10,005,226</u>	\$ <u>1,880,802</u>	\$ <u>371,262</u>	\$ <u>53,335,352</u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Water Utility	Storm Sewer Utility	Parking Lot
Cash flows from operating activities:			
Receipts from customers	\$ 6,195,986	\$ 414,411	\$ 780,491
Payments to suppliers	(1,208,378)	(134,322)	(137,461)
Payments to employees	(1,933,432)	(155,385)	(422,068)
Payments for interfund services used	(1,022,697)	(46,221)	(236,136)
Net cash provided by (used in) operating activities	2,031,479	78,483	(15,174)
Cash flows from noncapital financing activities:			
Operating grants			
Costs reimbursed by contract participants			
Transfers in	10,762		
Transfers out	(83,546)		
Net cash provided by (used in) noncapital financing activities	(72,784)		
Cash flows from capital and related financing activities:			
Principal paid on general obligation bond maturities	(173,914)		
Interest paid and other fiscal charges	(13,769)		
Purchases of capital assets	(1,498,301)		(8,930)
Proceeds from sale of capital assets			
Capital contributions			
Net cash provided by (used in) capital financing activities	(1,685,984)		(8,930)
Cash flows from investing activities:			
Purchase of investments	(2,255,000)	(150,000)	(60,000)
Proceeds from sales and maturities of investments	1,850,000	60,000	90,000
Interest on investments and pooled cash	55,673	2,539	4,418
Net cash provided by (used in) investing activities	(349,327)	(87,461)	34,418

Resource Recovery	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 3,103,313	\$ 4,363,579	\$ 408,763	\$ 208,066	\$ 15,474,609
(1,521,482)	(3,044,368)	(216,342)	(47,777)	(6,310,130)
(857,247)	(3,632,109)	(188,692)	(127,215)	(7,316,148)
(448,364)	(284,084)	(30,679)	(24,873)	(2,093,054)
<u>276,220</u>	<u>(2,596,982)</u>	<u>(26,950)</u>	<u>8,201</u>	<u>(244,723)</u>
632,808	1,041,064			1,041,064
133,682	898,956	20,000		632,808
				1,063,400
				(83,546)
<u>766,490</u>	<u>1,940,020</u>	<u>20,000</u>		<u>2,653,726</u>
(539,919)				(713,833)
(113,111)				(126,880)
(11,930)	(1,409,862)	(8,692)		(2,937,715)
	18,611			18,611
	1,233,710	20,000		1,253,710
<u>(664,960)</u>	<u>(157,541)</u>	<u>11,308</u>		<u>(2,506,107)</u>
(1,500,000)	(3,450,000)	(100,000)		(7,515,000)
880,000	4,150,000	90,000		7,120,000
4,622	37,489	4,485	217	109,443
<u>(615,378)</u>	<u>737,489</u>	<u>(5,515)</u>	<u>217</u>	<u>(285,557)</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Water Utility	Storm Sewer Utility	Parking Lot
Net change in cash and pooled cash investments	(76,616)	(8,978)	10,314
Cash and pooled cash investments at beginning of year	<u>90,983</u>	<u>26,301</u>	<u>21,143</u>
Cash and pooled cash investments at end of year	\$ <u>14,367</u>	\$ <u>17,323</u>	\$ <u>31,457</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,017,539	\$ 26,607	\$ 29,398
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	873,455	10,528	11,344
Changes in:			
Accounts receivable, net	59,168	(1,289)	(53,732)
Intergovernmental receivables	(1,128)	(75)	(1,573)
Due from other funds	14,089	693	
Inventories	(6,674)		(917)
Prepaid items	261		(12)
Accounts payable	(59,527)	35,306	(1,026)
Due to other governments	27,614	98	499
Accrued expenses	10,275	5,758	(206)
Due to other funds	96,407	857	1,036
Deferred revenue			15
Landfill postclosure costs			
Net cash provided by (used in) operating activities	\$ <u>2,031,479</u>	\$ <u>78,483</u>	\$ <u>(15,174)</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases (decreases) in the fair value of investments	\$ <u>(13,383)</u>	\$ <u>(200)</u>	\$ <u>(1,158)</u>
Noncash capital asset contributions	\$ <u>464,739</u>		

Resource Recovery	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
(237,628)	(77,014)	(1,157)	8,418	(382,661)
<u>248,615</u>	<u>116,932</u>	<u>44,817</u>	<u>26,785</u>	<u>575,576</u>
\$ <u>10,987</u>	\$ <u>39,918</u>	\$ <u>43,660</u>	\$ <u>35,203</u>	\$ <u>192,915</u>

\$ 1,175 \$ (2,740,009) \$ (74,530) \$ 1,355 \$ (1,738,465)

330,192	741,547	63,848	8,062	2,038,976
(34,167)	(2,301)	9,086	(270)	(23,505)
17,224	1,480,553	(1,380)		1,493,621
(4,398)	(4,613)			5,771
	7,077	370	428	284
(19,407)	(28)	(13,617)		(32,803)
50,378	(2,003,376)	(14,855)	(2,222)	(1,995,322)
(47,318)	200,227	(421)	24	180,723
(6,155)	3,286	(783)	759	12,934
1,848	3,655	2,556	65	106,424
	(283,000)	2,776		(280,209)
<u>(13,152)</u>				<u>(13,152)</u>

\$ 276,220 \$ (2,596,982) \$ (26,950) \$ 8,201 \$ (244,723)

\$ 369 \$ (9,753) \$ (1,050) \$ (25,175)

\$ 464,739

(concluded)

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department to other departments of the City and to other governmental units on a cost reimbursement basis.

Fleet Services Fund - This fund is used to account for capital equipment other than that included in the enterprise funds and governmental funds. A central garage is operated and all equipment is maintained and purchased through this fund. Appropriate charges are made to other City departments for maintenance and equipment replacement.

Information Services Fund - This fund is used to account for all data processing, telecommunications, and other communications services provided to the City departments.

Risk Insurance Fund - This fund is used to account for all insurance premiums and claim payments other than health benefits. The City's self-insured workers' compensation insurance is accounted for in this fund.

Health Insurance Fund - This fund is used to account for all self-insured health insurance claim payments and stop-loss premiums.

CITY OF AMES, IOWA

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2004**

ASSETS	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Current assets:					
Cash and pooled cash investments	\$ 20,869	\$ 78,285	\$ 1,751	\$ 64,099	\$ 165,004
Investments	4,616,396	1,231,009	615,525	703,445	7,166,375
Accounts receivable, net	17,218		174	63,350	80,742
Accrued interest receivable	11,725	3,235	2,299	1,835	19,094
Intergovernmental receivables	1,483	620	308	4,186	6,597
Interfund receivables	2,168				2,168
Due from other funds	195,929	102,069		10,475	308,473
Inventories	50,494				50,494
Prepaid items	11,110	26,699	396,822		434,631
Total current assets	<u>4,927,392</u>	<u>1,441,917</u>	<u>1,016,879</u>	<u>847,390</u>	<u>8,233,578</u>
Noncurrent assets:					
Long-term investments	636,726	169,824	84,891	97,031	988,472
Advances to other funds	4,406				4,406
Capital assets:					
Land improvements		166,328			166,328
Buildings	551,493				551,493
Equipment	9,387,949	1,157,747			10,545,696
Less accumulated depreciation	<u>(4,773,770)</u>	<u>(956,607)</u>			<u>(5,730,377)</u>
Capital assets, net	<u>5,165,672</u>	<u>367,468</u>			<u>5,533,140</u>
Total noncurrent assets	<u>5,806,804</u>	<u>537,292</u>	<u>84,891</u>	<u>97,031</u>	<u>6,526,018</u>
Total assets	<u>10,734,196</u>	<u>1,979,209</u>	<u>1,101,770</u>	<u>944,421</u>	<u>14,759,596</u>
LIABILITIES					
Current liabilities:					
Accounts payable	385,007	7,748	17,617	238,703	649,075
Retainage payable		1,939			1,939
Due to other governments	8,557				8,557
Compensation and payroll taxes	9,933	2,010	24	47	12,014
Employee benefits	2,347	1,287	406	239	4,279
Due to other funds	19,284	5,266	481	152	25,183
Claims payable			359,944	340,000	699,944
Deferred revenue				4,367	4,367
Total current liabilities	<u>425,128</u>	<u>18,250</u>	<u>378,472</u>	<u>583,508</u>	<u>1,405,358</u>
Noncurrent liabilities:					
Employee benefits	57,010	26,573	8,201	4,770	96,554
Total liabilities	<u>482,138</u>	<u>44,823</u>	<u>386,673</u>	<u>588,278</u>	<u>1,501,912</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,165,672	367,468			5,533,140
Unrestricted	<u>5,086,386</u>	<u>1,566,918</u>	<u>715,097</u>	<u>356,143</u>	<u>7,724,544</u>
Total net assets	<u>\$ 10,252,058</u>	<u>\$ 1,934,386</u>	<u>\$ 715,097</u>	<u>\$ 356,143</u>	<u>\$ 13,257,684</u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Operating revenues:					
Charges for goods and services	\$ 2,395,086	\$ 1,533,457	\$ 1,351,099	\$ 4,985,142	\$ 10,264,784
Operating expenses:					
Cost of goods and services	1,568,134	1,343,545	1,523,294	4,451,596	8,886,569
Depreciation	769,198	112,399			881,597
Total operating expenses	2,337,332	1,455,944	1,523,294	4,451,596	9,768,166
Operating income (loss)	57,754	77,513	(172,195)	533,546	496,618
Nonoperating revenues (expenses):					
Investment earnings	64,053	17,966	9,109	7,538	98,666
Interest expense		(52)			(52)
Gain on disposal of capital assets	21,964	1,515			23,479
Total nonoperating revenues	86,017	19,429	9,109	7,538	122,093
Income (loss) before contributions and transfers	143,771	96,942	(163,086)	541,084	618,711
Transfers in	76,642				76,642
Change in net assets	220,413	96,942	(163,086)	541,084	695,353
Total net assets at beginning of year	10,031,645	1,837,444	878,183	(184,941)	12,562,331
Total net assets at end of year	\$ 10,252,058	\$ 1,934,386	\$ 715,097	\$ 356,143	\$ 13,257,684

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 2,432,662	\$ 1,496,126	\$ 1,350,675	\$ 4,909,749	\$ 10,189,212
Payments to suppliers	(414,632)	(559,907)	(1,598,477)	(4,571,933)	(7,144,949)
Payments to employees	(578,852)	(678,087)	(55,584)	(64,776)	(1,377,299)
Payments for interfund services used	(213,692)	(150,762)	(3,958)	(60,876)	(429,288)
Net cash provided by (used in) operating activities	<u>1,225,486</u>	<u>107,370</u>	<u>(307,344)</u>	<u>212,164</u>	<u>1,237,676</u>
Cash flows from noncapital financing activities:					
Principal received on advances to other funds	13,709				13,709
Principal paid on advances from other funds		(11,625)			(11,625)
Interest received on advances to other funds	361				361
Interest paid on advances from other funds		(52)			(52)
Transfers in	76,642				76,642
Net cash provided by (used in) noncapital financing activities	<u>90,712</u>	<u>(11,677)</u>			<u>79,035</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(1,001,239)	(197,417)			(1,198,656)
Proceeds from sale of capital assets	150,755	3,525			154,280
Net cash used in capital and related financing activities	<u>(850,484)</u>	<u>(193,892)</u>			<u>(1,044,376)</u>
Cash flows from investing activities:					
Purchase of investments	(1,435,000)	(770,000)	(1,140,000)	(1,565,000)	(4,910,000)
Proceeds from sales and maturities of investments	810,000	860,000	1,390,000	1,335,000	4,395,000
Interest on investments and pooled cash	79,230	23,700	12,545	8,931	124,406
Net cash provided by (used in) investing activities	<u>(545,770)</u>	<u>113,700</u>	<u>262,545</u>	<u>(221,069)</u>	<u>(390,594)</u>
Net change in cash and pooled cash investments	(80,056)	15,501	(44,799)	(8,905)	(118,259)
Cash and pooled cash investments at beginning of year	100,925	62,784	46,550	73,004	283,263
Cash and pooled cash investments at end of year	<u>\$ 20,869</u>	<u>\$ 78,285</u>	<u>\$ 1,751</u>	<u>\$ 64,099</u>	<u>\$ 165,004</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 57,754	\$ 77,513	\$ (172,195)	\$ 533,546	\$ 496,618
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	769,198	112,399			881,597
Changes in:					
Accounts receivable, net	854		(174)	(63,007)	(62,327)
Intergovernmental receivables	56,768	471	(308)	(4,186)	52,745
Due from other funds	(20,046)	(37,802)	58	(8,208)	(65,998)
Inventories	(5,324)				(5,324)
Prepaid items	(135)	(12,218)	(387,213)	5,536	(394,030)
Accounts payable	357,234	(14,057)	(32,722)	(222,525)	87,930
Due to other governments	361		(27)		334
Accrued expenses	627	(22,104)	1,365	979	(19,133)
Due to other funds	8,195	3,168	203	21	11,587
Claims payable			283,669	(30,000)	253,669
Deferred revenue				8	8
Net cash provided by (used in) operating activities	\$ 1,225,486	\$ 107,370	\$ (307,344)	\$ 212,164	\$ 1,237,676

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized decreases in the fair value of investments	\$ (19,167)	\$ (6,347)	\$ (4,163)	\$ (2,272)	\$ (31,949)
Capital asset trade-ins	\$ 36,324				\$ 36,324

(concluded)

AGENCY FUNDS

Agency funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities).

Flex Benefits Fund - This fund is used to hold the employees' withheld contributions to a Section 125 flexible benefits plan.

Principal Demutualization Fund - This fund is used to hold the funds received in an insurance company demutualization to be distributed to utility retirement system members.

Payroll Clearing Fund - This fund is used to hold payroll taxes withheld from employees until they are paid to the appropriate authorities.

CITY OF AMES, IOWA

**COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2004**

ASSETS	Agency Funds		
	Payroll Clearing	Flex Benefits	Total
Cash and pooled cash investments	\$ 264,174	\$ 41,360	\$ 305,534
Accounts receivable	18		18
Due from other governments	682		682
TOTAL ASSETS	\$ 264,874	\$ 41,360	\$ 306,234
LIABILITIES			
Accounts payable		\$ 41,360	\$ 41,360
Due to other governments	\$ 264,874		264,874
TOTAL LIABILITIES	\$ 264,874	\$ 41,360	\$ 306,234

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

PAYROLL CLEARING FUND

ASSETS	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Cash and pooled cash investments	\$ 263,338	\$ 18,267,514	\$ 18,266,678	\$ 264,174
Accounts receivable	39	221	242	18
Due from other governments	682			682
	<u>264,059</u>	<u>18,267,735</u>	<u>18,266,920</u>	<u>264,874</u>
TOTAL ASSETS	\$ 264,059	\$ 18,267,735	\$ 18,266,920	\$ 264,874
 LIABILITIES				
Accounts payable	\$ 173	\$ 9,090,644	\$ 9,090,817	
Due to other governments	263,886	9,795,057	9,794,069	\$ 264,874
	<u>264,059</u>	<u>18,885,701</u>	<u>18,884,886</u>	<u>264,874</u>
TOTAL LIABILITIES	\$ 264,059	\$ 18,885,701	\$ 18,884,886	\$ 264,874

FLEX BENEFITS FUND

ASSETS	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Cash and pooled cash investments	\$ 33,413	\$ 1,436,125	\$ 1,428,178	\$ 41,360
	<u>33,413</u>	<u>1,436,125</u>	<u>1,428,178</u>	<u>41,360</u>
 LIABILITIES				
Accounts payable	\$ 33,413	\$ 607,195	\$ 599,248	\$ 41,360
	<u>33,413</u>	<u>607,195</u>	<u>599,248</u>	<u>41,360</u>

(continued)

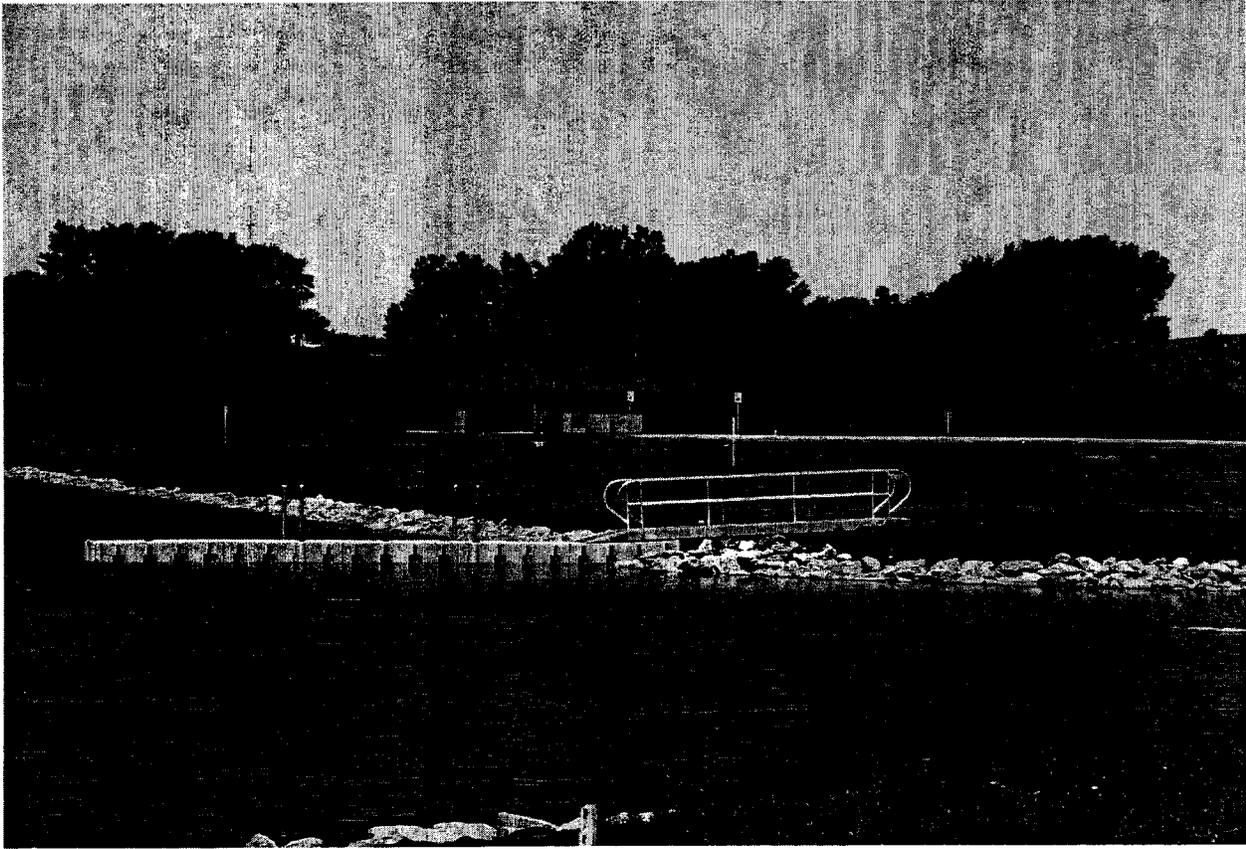
CITY OF AMES, IOWA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-AGENCY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

TOTALS

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
ASSETS				
Cash and pooled cash investments	\$ 296,751	\$ 19,703,639	\$ 19,694,856	\$ 305,534
Accounts receivable	39	221	242	18
Due from other governments	682			682
TOTAL ASSETS	\$ 297,472	\$ 19,703,860	\$ 19,695,098	\$ 306,234
LIABILITIES				
Accounts payable	\$ 33,586	\$ 9,697,839	\$ 9,690,065	\$ 41,360
Due to other governments	263,886	9,795,057	9,794,069	264,874
TOTAL LIABILITIES	\$ 297,472	\$ 19,492,896	\$ 19,484,134	\$ 306,234

(concluded)



FEATURES

- Within five years, this 437-acre site will include 275 acres of prairie grasses and wetlands.
- 139-acre lake – average depth of 55' with 1.2 billion gallons of water
- Three miles of hard surface trails
- 1.2 miles of crushed rock trails
- Limestone benches along trails
- Boat ramp and dock
- Handicapped accessible fishing dock
- Restroom/Shelter
- Two mini-shelters
- Scenic overlooks – northwest park rim
- 12' x 125' free-span bridge
- 25 vehicle and trailer parking spots and 55 vehicle parking spots on the north side of the park
- 20 vehicle parking spots at the south side adjacent to Harrison Road
- Non-motorized boats – sailboats, rowboats, canoes, and kayaks are welcome on the lake
- Fishing for over 18 species of fish

LOCATED IN NORTH AMES OFF HIGHWAY 69



MYTHS AND REALITIES

Fishing is a sport that conjures up images of lazy afternoons, communing with nature, quiet camaraderie, and fantastic stories of larger-than-life catches. With the opening of Ada Hayden Heritage Park this summer, many set their sights on landing some big fish in the lake. The problem, however, is that the former quarry is not flush with large fish and a danger exists that the lake could be “over-fished” the first year, leaving little for future generations.

Nancy Carroll, Director of Parks and Recreation, explains the dilemma. “The stories about the abundance of big fish in the former quarry have grown faster and bigger than any fish that actually exist in the lake.” She explains that the lack of habitat in the quarry has not been beneficial for the development of large fish in the past. She also cites studies conducted by Iowa State University and the Iowa Department of Natural Resources (IDNR) that have documented the quantity of fish, their size and the variety of species. “The rock quarry was a man-made lake that was very deep with steep banks, which made spawning areas nonexistent.”

Steps are underway to establish better habitat for fish spawning zones, but Carroll warns that it will take years to develop. In order to avoid having the lakes “fished out”, regulations have been recommended by the IDNR and local anglers, and adopted by the City Council to protect the lake for future enjoyment.

**STATISTICAL
SECTION**

CITY OF AMES, IOWA

**TABLE I
LAST TEN FISCAL YEARS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION AND TRANSFERS OUT
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS**

Year	Community Protection	Human Development	Home and Community Environment	Policy and Administration
1994-95	\$ 7,174,226	\$ 4,556,886	\$ 6,338,296	\$ 2,160,772
1995-96	7,370,438	4,735,657	5,742,112	2,188,487
1996-97	7,598,105	5,586,379	5,493,464	2,158,909
1997-98	7,819,971	5,318,759	6,241,370	2,310,770
1998-99	8,381,818	6,087,296	6,521,098	2,313,630
1999-00	8,534,605	5,950,256	6,916,894	2,636,915
2000-01	10,218,513	6,268,394	7,137,647	2,523,891
2001-02	10,358,847	6,667,752	6,765,830	2,463,667

Year	Debt Service	Total General Governmental Expenditures	Transfers	Total
1994-95	\$ 2,789,332	\$23,019,512	\$ 3,519,046	\$26,538,558
1995-96	3,669,471	23,706,165	3,617,437	27,323,602
1996-97	3,753,487	24,590,344	4,206,774	28,797,118
1997-98	4,015,634	25,706,504	4,430,581	30,137,085
1998-99	7,332,827	30,636,669	4,807,779	35,444,448
1999-00	4,202,901	28,241,571	4,976,125	33,217,696
2000-01	4,719,288	30,867,733	6,412,045	37,279,778
2001-02	5,879,342	32,135,438	4,797,869	36,933,307

	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development
2002-03*	\$10,073,803	\$ 3,892,858	\$ 958,521	\$ 5,270,285	\$ 2,961,538
2003-04	10,147,229	4,390,191	918,839	5,191,331	2,600,483

	General Government	Capital Projects	Debt Service	Total General Governmental Expenditures	Transfers	Total
2002-03*	\$ 1,962,223	\$ 1,888,927	\$ 6,783,699	\$33,791,854	\$ 5,351,488	\$ 39,143,342
2003-04	2,049,786	2,563,471	7,116,017	34,977,347	5,846,705	40,824,052

* The State of Iowa changed reporting functions to meet the requirements of GASB 34 effective with fiscal year 2002-03. It was not practical to restate years prior to 2002-03.

CITY OF AMES, IOWA

TABLE II
LAST TEN FISCAL YEARS
GENERAL GOVERNMENTAL REVENUES BY SOURCE AND TRANSFERS IN
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS

Year	Taxes	Permits and Licenses	Inter- Governmental	Charges for Services	Fines and Forfeits
1994-95	\$ 9,446,639	\$ 624,192	\$ 9,912,568	\$ 2,104,657	\$ 102,470
1995-96	10,243,177	597,640	9,445,152	2,076,006	92,248
1996-97	10,860,092	662,664	10,689,631	2,149,710	116,736
1997-98	11,412,820	911,707	10,377,425	2,127,159	138,393
1998-99	11,804,163	879,575	11,163,911	2,325,643	164,187
1999-00	12,802,326	928,800	11,926,566	2,473,155	158,605
2000-01	13,819,802	744,672	11,661,776	2,701,740	161,478
2001-02	14,247,692	861,827	12,287,867	2,555,110	169,299
2002-03	16,122,084	928,479	12,687,494	2,895,256	147,339
2003-04	17,062,313	1,123,645	11,916,952	2,779,280	149,005

Year	Use of Money and Property	Miscellaneous	Transfers In	Total
1994-95	\$ 726,714	\$ 342,448	\$ 3,852,007	\$27,111,695
1995-96	713,537	212,906	4,023,790	27,404,456
1996-97	700,046	328,372	4,904,232	30,411,483
1997-98	856,054	227,459	5,345,666	31,396,683
1998-99	800,681	304,731	5,683,679	33,126,570
1999-00	1,253,400	313,568	5,701,442	35,557,862
2000-01	1,806,709	1,022,288	5,881,584	37,800,049
2001-02	1,053,389	652,143	5,304,147	37,131,474
2002-03	971,840	546,848	5,836,368	40,135,708
2003-04	643,507	1,126,360	6,200,073	41,001,135

CITY OF AMES, IOWA

**TABLE III
LAST TEN FISCAL YEARS
PROPERTY TAX COLLECTIONS BY SOURCE
GENERAL, DEBT SERVICE, AND PENSION TRUST FUNDS**

Year	Total	General Property Taxes	Monies and Credits Tax	Mobile Home Taxes
1994-95	\$ 9,355,466	\$ 9,323,071	\$ 6,265	\$ 26,130
1995-96	10,193,499	10,161,040	4,411	28,048
1996-97	10,766,196	10,724,233	11,157	30,806
1997-98	11,328,943	11,282,127	12,879	33,937
1998-99	11,720,167	11,671,041	13,651	35,475
1999-00	12,719,850	12,668,241	13,688	37,921
2000-01	13,729,746	13,676,649	13,754	39,343
2001-02	14,219,327	14,169,818	12,919	36,590
2002-03	15,990,188	15,940,087	13,378	36,723
2003-04	16,984,213	16,929,887	13,688	40,638

**TABLE IV
LAST TEN FISCAL YEARS
PROPERTY TAX LEVIES AND COLLECTIONS**

Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Collections as Percent of Current Levy
1994-95	\$ 9,354,863	\$ 9,332,332	99.76 %	\$ 23,134	\$ 9,355,466	100.01 %
1995-96	10,168,277	10,189,629	100.21	3,870	10,193,499	100.25
1996-97	10,709,033	10,766,193	100.53	3	10,766,196	100.53
1997-98	11,186,337	11,328,698	101.27	245	11,328,943	101.27
1998-99	11,511,434	11,714,240	101.76	5,927	11,720,167	101.81
1999-00	12,484,141	12,718,805	101.88	1,045	12,719,850	101.89
2000-01	13,364,547	13,716,608	102.63	13,138	13,729,746	102.73
2001-02	13,916,170	14,218,041	102.17	1,286	14,219,327	102.18
2002-03	15,870,964	15,978,134	100.68	12,054	15,990,188	100.75
2003-04	16,618,895	16,904,000	101.72	80,213	16,984,213	102.20

CITY OF AMES, IOWA

**TABLE V
LAST TEN FISCAL YEARS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Collection Year	Real Property		Utilities	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994-95	\$ 943,765,332	\$ 1,198,493,668	\$ 12,597,286	\$ 12,597,286
1995-96	979,144,591	1,246,623,629	14,127,360	14,532,976
1996-97	1,031,571,714	1,427,422,087	13,808,307	13,858,467
1997-98	1,082,406,882	1,482,047,557	13,971,660	13,971,660
1998-99	1,161,724,648	1,666,508,591	15,464,173	15,502,171
1999-00	1,259,548,781	1,745,315,672	16,260,972	16,260,972
2000-01	1,371,946,626	1,928,201,722	15,103,991	15,119,917
2001-02	1,465,887,076	2,021,136,282	15,713,751	15,713,751
2002-03	1,625,699,943	2,337,250,673	17,306,739	17,346,710
2003-04	1,693,473,198	2,411,159,826	18,617,645	18,617,645

Collection Year	Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Actual Value
1994-95	\$ 956,362,618	\$ 1,211,090,954	79.0%
1995-96	993,271,951	1,261,156,605	78.8
1996-97	1,045,380,021	1,441,280,554	72.5
1997-98	1,096,378,542	1,496,019,217	73.3
1998-99	1,177,188,821	1,682,010,762	70.0
1999-00	1,275,809,753	1,761,576,644	72.4
2000-01	1,387,050,617	1,943,321,639	71.4
2001-02	1,481,600,827	2,036,850,033	72.7
2002-03	1,643,006,682	2,354,597,383	69.8
2003-04	1,712,090,843	2,429,777,471	70.5

Source: Story County - Office of Auditor

CITY OF AMES, IOWA

TABLE VI
LAST TEN FISCAL YEARS
PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS

TAX RATES PER \$1,000 OF ASSESSED VALUATION

Year	City	School District	County Consolidated	Area Vocational	Total
1994-95	9.76556	14.16705	6.98327	0.48398	31.39986
1995-96	10.23076	14.62203	6.47722	0.48988	31.81989
1996-97	10.19221	13.86851	6.41288	0.50661	30.98021
1997-98	10.19221	13.46356	6.04529	0.47230	30.17336
1998-99	9.75731	13.66582	6.11277	0.50551	30.04141
1999-00	9.76244	13.66879	5.87745	0.52451	29.83319
2000-01	9.60628	13.84006	5.51856	0.54506	29.50996
2001-02	9.35614	13.82670	6.50788	0.54454	30.23526
2002-03	9.63962	14.20390	6.47047	0.54584	30.85983
2003-04	9.67627	13.80200	6.08392	0.58184	30.14403

TAX LEVIES

Year	City	School District	County Consolidated	Area Vocational	Total
1994-95	\$ 9,354,863	\$ 13,548,837	\$ 6,678,538	\$ 462,860	\$ 30,045,098
1995-96	10,168,277	14,654,614	6,433,641	486,584	31,743,116
1996-97	10,709,033	14,672,336	6,729,346	531,610	32,642,325
1997-98	11,186,337	14,867,974	6,627,926	517,820	33,200,057
1998-99	11,511,434	16,146,912	7,195,885	595,081	35,449,312
1999-00	12,484,141	17,440,884	7,498,508	669,175	38,092,708
2000-01	13,364,547	19,181,152	7,654,522	756,026	40,956,247
2001-02	13,916,170	20,485,650	9,642,080	806,791	44,850,691
2002-03	15,870,964	23,337,102	10,631,025	896,819	50,735,910
2003-04	16,618,895	23,630,278	10,416,224	996,163	51,661,560

Source: Story County - Office of Auditor.

State law limits the maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation (100 percent basis).

Limitation does not include debt service and pension requirements.

Taxes due July 1.

Taxes delinquent first half - October 1; second half - April 1.

Penalties for delinquency: 1-1/2 percent per month.

Discount allowed: None

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16.

Tax sale date: first Monday in June.

Taxes collected by Story County and distributed to the City of Ames in proportion of its levy to all levies.

CITY OF AMES, IOWA

**TABLE VII
LAST TEN FISCAL YEARS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET GENERAL BONDED DEBT PER CAPITA**

Levy Year	Population (1)	Assessed Value (2)	Gross General Bonded Debt*
1994-95	47,198	\$ 956,362,618	\$ 18,157,210
1995-96	48,691	993,271,951	20,277,924
1996-97	48,691	1,045,380,021	23,078,453
1997-98	48,691	1,096,378,542	25,183,982
1998-99	48,691	1,177,188,821	26,249,512
1999-00	48,691	1,275,809,753	23,105,042
2000-01	50,731	1,387,050,617	25,450,572
2001-02	50,731	1,481,600,827	35,920,504
2002-03	50,731	1,643,006,682	36,803,714
2003-04	50,731	1,712,090,843	37,875,405

Levy Year	Less Debt Service Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
1994-95	\$ 712,301	\$ 17,444,909	.0182 to 1	369.61
1995-96	803,063	19,474,861	.0196 to 1	399.97
1996-97	1,031,190	22,047,263	.0211 to 1	452.80
1997-98	1,121,225	24,062,757	.0212 to 1	494.19
1998-99	1,351,165	24,898,347	.0212 to 1	511.35
1999-00	2,009,485	21,095,557	.0165 to 1	433.25
2000-01	2,845,016	22,605,556	.0163 to 1	445.60
2001-02	2,402,019	33,518,485	.0226 to 1	660.71
2002-03	2,272,537	34,531,177	.0210 to 1	680.67
2003-04	1,715,319	36,160,086	.0211 to 1	712.78

Source: (1) United States Census Bureau.
(2) Story County - Office of Auditor.

* Excludes General Obligation Bonds recorded in Enterprise Funds.

CITY OF AMES, IOWA

**TABLE VIII
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2004**

Name of Governmental Unit	Net General Bonded Debt Outstanding	Percentage Applicable to this Governmental Unit	City of Ames Share of Debt
City of Ames, Iowa (1)	\$36,160,086	100.00 %	\$36,160,086
Overlapping Debt:			
Ames Community School District	9,340,000	96.86	9,046,724
Gilbert Community School District	2,265,000	31.13	705,095
Des Moines Area Community College (2)	3,395,000	7.20	244,440
Nevada Community Schools	1,595,000	0.20	3,190
Story County	9,220,000	61.67	5,685,974
Total Overlapping Debt	<u>25,815,000</u>		<u>15,685,423</u>
Total Direct and Overlapping Debt	<u>\$61,975,086</u>		<u>\$51,845,509</u>

Source: Information provided by each governmental unit and Story County - Office of Auditor.

- (1) Excludes General Obligation Bonds recorded in Enterprise Funds.
- (2) Excludes \$43,355,000 new jobs training certificates payable primarily from credits and incremental property tax revenue derived from jobs training program. The certificates are further secured by a back-up levy of general taxes.

CITY OF AMES, IOWA

**TABLE IX
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2004**

Estimated actual valuations as of January 1, 2002 (100% basis)(1):	
Real estate	\$2,411,159,826
Utilities	18,617,645
	<hr/>
Total actual valuation	\$2,429,777,471
	<hr/> <hr/>
Debt limit - 5% of actual valuation	\$ 121,488,874
	<hr/>
Amount of debt applicable to debt limit:	
Total general bonded debt	37,875,405
Other	36,664,595
	<hr/>
	74,540,000
	<hr/>
Less revenue bonds	33,595,000
	<hr/>
Total amount of debt applicable to debt limit	40,945,000
	<hr/> <hr/>
Legal debt margin	\$ 80,543,874
	<hr/> <hr/>

Source: (1) Story County - Office of Auditor.

CITY OF AMES, IOWA

**TABLE X
LAST TEN FISCAL YEARS
SPECIAL ASSESSMENT COLLECTIONS**

Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Current and Delinquent Assessments
1994-95	\$ 92,093	\$ 59,176	64 to 100	\$ 159,610
1995-96	91,504	90,061	98 to 100	182,241
1996-97	115,543	112,525	97 to 100	180,349
1997-98	159,772	155,355	97 to 100	151,663
1998-99	129,899	126,262	97 to 100	179,610
1999-00	154,365	145,002	94 to 100	206,835
2000-01	159,060	147,643	93 to 100	233,273
2001-02	196,988	185,935	94 to 100	251,712
2002-03	197,564	186,209	94 to 100	259,016
2003-04	190,432	169,261	89 to 100	271,071

**TABLE XI
LAST TEN FISCAL YEARS
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Year	Principal	Interest	Annual Debt Service Expenditures for General Bonded Debt	Total General Governmental Expenditures	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures
1994-95	\$ 1,925,480	\$ 848,191	\$ 2,773,671	\$23,019,512	12.0
1995-96	2,614,561	1,054,910	3,669,471	23,706,165	15.5
1996-97	2,659,471	1,094,016	3,753,487	24,590,344	15.3
1997-98	2,917,595	1,098,039	4,015,634	25,706,504	15.6
1998-99	6,202,762	1,130,065	7,332,827	30,636,669	23.9
1999-00	3,057,355	1,145,546	4,202,901	28,241,571	14.9
2000-01	3,438,665	1,280,623	4,719,288	30,867,733	15.3
2001-02	4,363,748	1,515,594	5,879,342	32,135,438	18.3
2002-03	5,043,788	1,708,801	6,752,589	33,791,854	20.0
2003-04	5,483,308	1,632,709	7,116,017	34,977,347	20.3

CITY OF AMES, IOWA

**TABLE XII
LAST TEN FISCAL YEARS
MEDICAL CENTER REVENUE BOND COVERAGE**

Year	Gross Revenue	Expenses (1)	Available for Debt Service
1994-95	\$64,835,601	\$53,148,983	\$11,686,618
1995-96	69,235,657	55,617,026	13,618,631
1996-97	74,754,031	58,372,329	16,381,702
1997-98	81,245,635	63,898,258	17,347,377
1998-99	83,116,998	68,670,230	14,446,768
1999-00	85,398,067	70,193,728	15,204,339
2000-01	94,682,949	76,721,197	17,961,752
2001-02	94,436,413	81,459,920	12,976,493
2002-03	100,317,729	85,662,680	14,655,049
2003-04	109,100,843	88,031,896	21,068,947

Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
1994-95	\$ 1,155,000	\$ 2,478,057	\$ 3,633,057	3.22
1995-96	1,200,000	2,426,634	3,626,634	3.76
1996-97	1,255,000	2,399,035	3,654,035	4.48
1997-98	1,320,000	2,303,880	3,623,880	4.79
1998-99	1,390,000	2,270,221	3,660,221	3.95
1999-00	1,460,000	2,196,551	3,656,551	4.16
2000-01	1,545,000	2,115,521	3,660,521	4.91
2001-02	1,140,000	2,027,455	3,167,455	4.10
2002-03	1,200,000	1,960,195	3,160,195	4.64
2003-04	1,355,000	1,301,741	2,656,741	7.93

(1) Total operating expenses less depreciation.

CITY OF AMES, IOWA

**TABLE XIII
LAST TEN FISCAL YEARS
ELECTRIC REVENUE BOND COVERAGE**

Year	Gross Revenue	Expenses (1)	Available for Debt Service
1994-95	\$22,799,763	\$14,837,266	\$ 7,962,497
1995-96	24,534,821	16,095,798	8,439,023
1996-97	25,254,900	16,601,995	8,652,905
1997-98	27,791,841	18,333,301	9,458,540
1998-99	30,273,968	19,439,120	10,834,848
1999-00	30,487,669	20,994,323	9,493,346
2000-01	33,774,346	23,462,190	10,312,156
2001-02	33,865,307	23,277,276	10,588,031
2002-03	33,648,009	26,299,186	7,348,823
2003-04	35,287,295	27,931,609	7,355,686

Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
1994-95	\$ 2,990,000	\$ 1,468,413	\$ 4,458,413	1.79
1995-96	3,115,000	1,305,583	4,420,583	1.91
1996-97	3,155,000	1,133,758	4,288,758	2.02
1997-98	3,190,000	958,145	4,148,145	2.28
1998-99	1,215,000	778,505	1,993,505	5.44
1999-00	1,265,000	720,185	1,985,185	4.78
2000-01	1,330,000	659,465	1,989,465	5.18
2001-02	1,400,000	594,960	1,994,960	5.31
2002-03	1,685,000	566,463	2,251,463	3.26
2003-04	1,740,000	187,775	1,927,775	3.82

(1) Total operating expenses less depreciation.

CITY OF AMES, IOWA

**TABLE XIV
SALARIES OF PRINCIPAL OFFICIALS
JUNE 30, 2004**

		Annual Salary
Elected officials:		
Ted Tedesco	Mayor	\$ 7,000
Matthew Goodman	Council Member - At Large	6,000
Russ Cross	Council Member - At Large	6,000
Sharon Wirth	Council Member - First Ward	6,000
Steve Goodhue	Council Member - Second Ward	6,000
Daryle Vegge	Council Member - Third Ward	6,000
Riad Mahayni	Council Member - Fourth Ward	6,000
Council-appointed officials:		
Steven Schainker	City Manager	138,521
John Klaus	City Attorney	128,642
Manager-appointed officials:		
Merlin Hove	Director of Electric Utility	99,461
Paul Wiegand	Director of Public Works	99,461
Duane Pitcher	Director of Finance	92,411
John Joiner	Municipal Engineer	72,971
Robert Bourne	Director of Transportation	96,584
Bob Kindred	Assistant City Manager	99,461
Clint Petersen	Fire Chief	88,327
Loras Jaeger	Police Chief	99,461
Julie Huisman	Director of Human Resources	87,000
Matthew Flynn	Director of Planning & Housing	78,000
Nancy Carroll	Director of Parks & Recreation	98,013
Tom Neumann	Director of Water & Pollution Control	99,461
Gina Millsap	Library Director	84,199
Paul Hinderaker	Director of Fleet Services	88,822
Roger Wisecup	City Treasurer	49,059
Diane Voss	City Clerk	52,852
Hospital administration:		
Kimberly Russel	President/CEO	259,646
Brian Dieter	Vice President/CFO	192,587
Neal Loes	Vice President	155,188
Lynn Whisler	Vice President	143,124
Toni Shropshire	Vice President	139,547

CITY OF AMES, IOWA

**TABLE XV
MISCELLANEOUS STATISTICAL DATA**

Date of incorporation:	December 20, 1869	
Form of government:	Mayor-Council with appointed City Manager	
Area:	23.91 square miles	
Miles of streets:		
Paved		175.40
Unpaved		4.40
		<u>179.80</u>
Miles of sewers		
Storm		194.20
Sanitary		189.40
		<u>383.60</u>
Building permits - 2003-04		
Permits issued		794
Estimated cost		\$ 128,311,348
Fire protection:		
Number of stations		3
Number of employees		53
Police protection:		
Number of stations		1
Number of employees		67
Recreation:		
Parks:		
Number of park areas		33
Number of acres		1,196
Number of skate parks		1
Number of playgrounds		32
Number of golf courses		1
Number of swimming pools		2
Number of tennis courts		20
Number of softball diamonds		7
Number of baseball diamonds		4
Cemeteries:		
Number of facilities		2
Number of acres		60

(continued)

CITY OF AMES, IOWA

TABLE XV
MISCELLANEOUS STATISTICAL DATA

Libraries	1
Number of items in collection	183,945
Number of street lights	5,883
Employees as of June 30, 2004:	
Civil service - permanent	435
Noncivil service - permanent	1,480
Elections (1):	
Last general election	November 2002
Registered voters	36,101
Number of votes cast	16,368
Percentage of registered voters voting	45.34 %
Population (2):	
1900	2,422
1910	4,223
1920	6,270
1930	10,261
1940	12,555
1950	22,898
1960	27,003
1965 (special census)	34,835
1970	39,505
1975 (special census)	43,561
1980	45,775
1990	47,198
1995 (special census)	48,691
2000	50,731

Source: (1) Story County Voter Registration Office.
(2) United States Census Bureau decennial census.

(concluded)

CITY OF AMES, IOWA

**TABLE XVI
LAST TEN FISCAL YEARS
DEMOGRAPHIC STATISTICS**

Year	Population (1)	Per Capita Income (1)	Education Level in Years of Formal Schooling (2)	School Enrollment (3)	Unemployment Rate (Percentage)(4)
1995 (special census)	48,691	15,062	15.7	5,158	2.7 %
1996	48,691	15,062	15.7	5,162	2.8
1997	48,691	15,062	15.7	5,008	3.0
1998	48,691	15,062	15.7	5,023	2.8
1999	48,691	15,062	15.7	4,879	2.3
2000	50,731	18,881	15.7	4,965	2.3
2001	50,731	18,881	15.7	4,702	2.7
2002	50,731	18,881	15.7	4,674	2.9
2003	50,731	18,881	15.7	4,624	3.2
2004	50,731	18,881	15.7	4,516	3.0

Source: (1) United States Census Bureau decennial census.
 (2) United States Census Bureau 1990 census. 2000 census unavailable
 (3) Ames Community School District.
 (4) Iowa Workforce Development Center.

CITY OF AMES, IOWA

**TABLE XVII
INSURANCE IN FORCE
JUNE 30, 2004**

Insurance Company	Policy Number	Coverage	Amount of Coverage	Policy Period*	
				From	To
Iowa Community Assurance Pool	535	General Liability	\$ 1,000,000	July 1, 2004	June 30, 2005
		Commercial Auto			
		Transit			
		Excess (1)	6,000,000		
		Law Enforcement	1,000,000		
		Public Official	1,000,000		
Star Tech	STA 4101105	Commercial Property & Boiler and Machinery	275,000,000	July 1, 2004	June 30, 2005
		Terroism-TRIA			
AIG Aviation	AP3381582-06	Airport Liability	3,000,000	March 25, 2004	March 25, 2005

(1) Excess policy is over all other coverages except Iowa liquor liability.

* Policies renewed annually

CITY OF AMES, IOWA

**TABLE XVIII
LAST TEN CALENDAR YEARS
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS**

Year	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
1994	128	\$21,919,025	435	\$21,404,539
1995	150	27,888,153	455	21,548,383
1996	123	19,399,970	432	18,868,062
1997	188	68,705,808	469	26,164,932
1998	166	21,053,106	545	35,797,148
1999	184	29,734,893	588	33,922,930
2000	171	24,877,142	530	30,188,788
2001	162	32,587,956	464	19,822,700
2002	214	25,846,865	541	52,547,970
2003	167	20,864,194	632	78,313,157

Year	Bank Deposits	Property Value (2)		
		Commercial	Residential	Other
1994	\$473,958,000	\$365,142,255	\$786,178,812	\$59,769,887
1995	373,693,000	381,874,876	812,756,450	66,525,279
1996	468,635,000	441,219,344	934,821,154	65,240,056
1997	404,874,000	468,082,836	962,621,010	65,315,371
1998	454,153,000	530,436,694	1,080,910,540	70,663,528
1999	447,183,000	574,735,293	1,116,163,930	70,677,421
2000	479,011,000	649,596,496	1,214,180,460	79,544,683
2001	510,885,511	685,342,960	1,269,579,190	81,927,883
2002	556,114,417	826,313,023	1,433,791,630	94,492,730
2003 (1)	608,487,336	858,404,884	1,476,338,700	95,033,887

- (1) Combined deposits in Ames Community Bank, First American Bank, First National Bank Ames, and Wells Fargo Bank Iowa NA. Figures were not available for Commercial Federal Bank, F&M Bank-Iowa, First Federal Savings Bank, Midwest Heritage Bank or U S Bank.
- (2) Assessed value (Source: Story County - Office of Auditor).

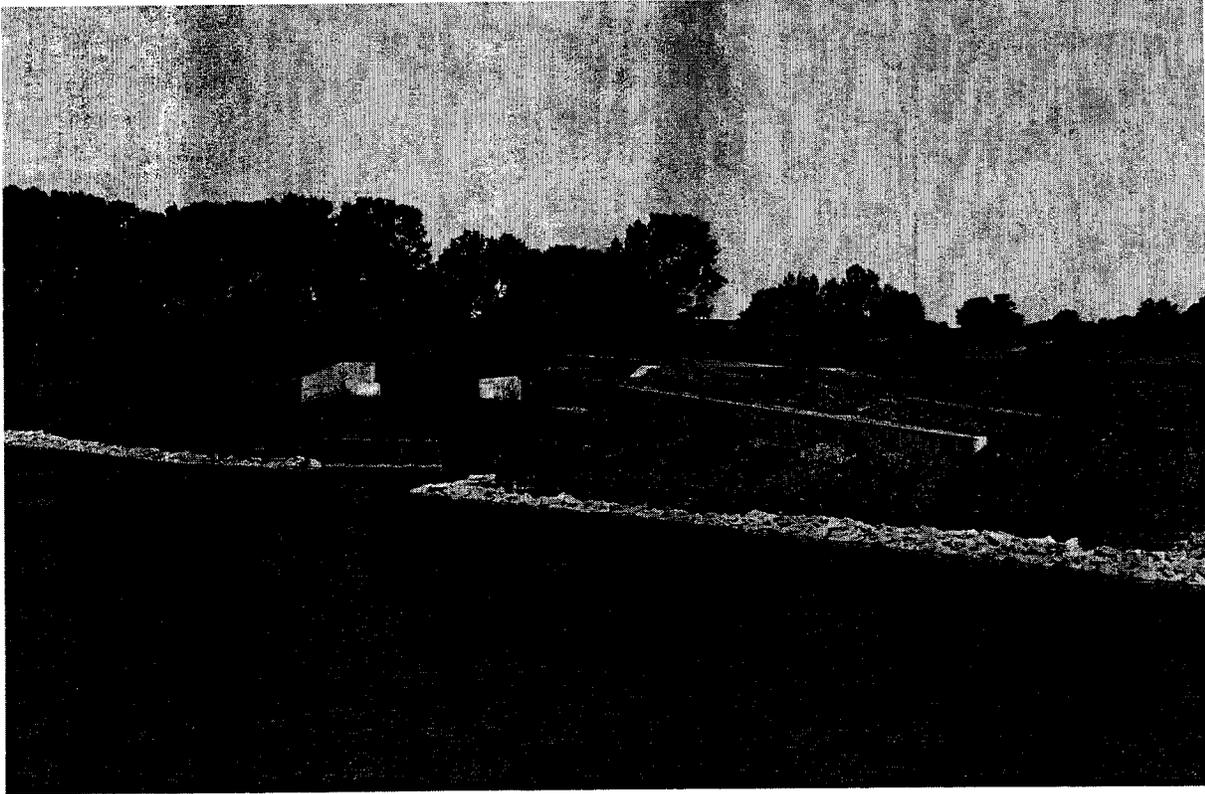
CITY OF AMES, IOWA

**TABLE XIX
PRINCIPAL TAXPAYERS**

Taxpayer	Type of Business	Taxable Valuation*	Percentage of Taxable Valuation
North Grand Mall Associates LLC	Shopping mall	\$26,374,000	1.54 %
Barilla America Inc.	Food manufacturing	24,732,600	1.44
Clinic Building Co., Inc.	Medical complex	15,981,000	0.93
SUH Iowa State LLC	Apartments	13,670,000	0.80
Midwest Centers	Shopping mall	11,930,000	0.70
Iowa State University Research	University	10,399,020	0.61
MHE Assoc. LLC/ KAE Ames LLC	Shopping Center	8,653,000	0.51
IES Utilities	Utility	8,361,176	0.49
Susa Holding of Story County Inc.	Industrial manufacturing	8,180,000	0.48
FHS Ames 1 LP	Shopping Center	8,054,000	0.47

* Assessed value fiscal year 2003-04 includes real property, manufacturing equipment, and computer equipment. Personal property is excluded.

Source: Story County - Office of Auditor

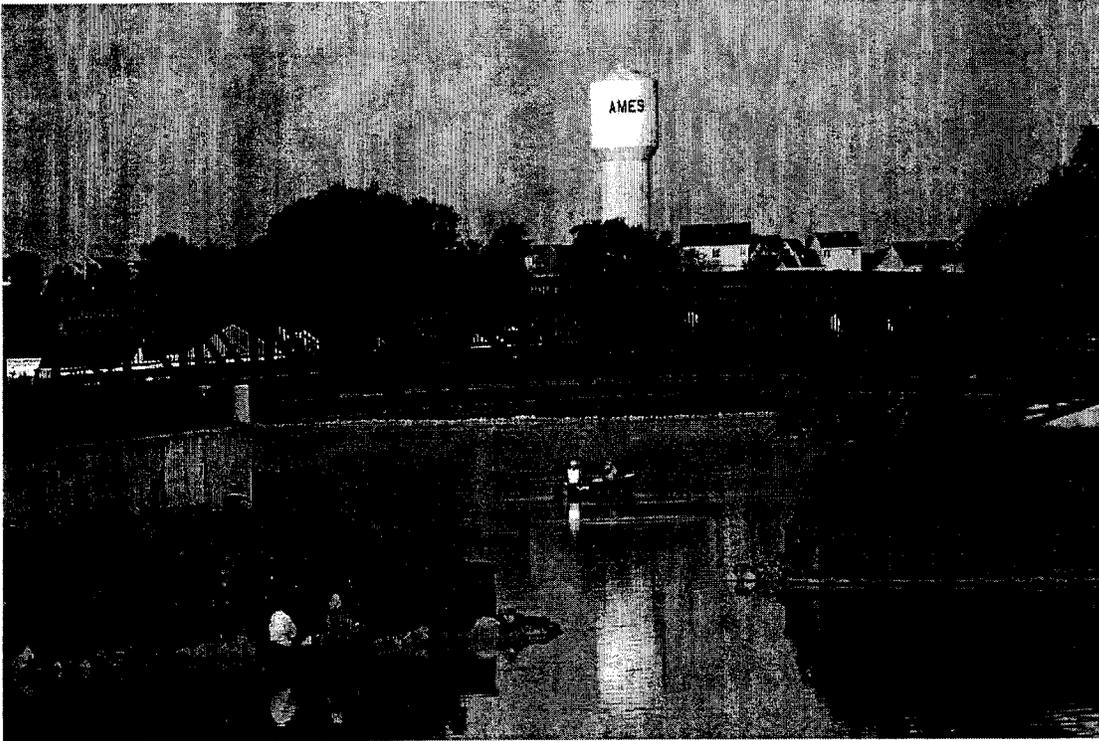


CONSTRUCTION

There were actually two separate lakes at the quarry with a service road between them that led to the main work site.

The above 12' x 125' bridge and path were constructed on the service road, and then the two lakes were joined by dredging under the bridge.

To improve the shoreline, the water level in the lake was lowered, and then the shoreline was stabilized and lined with rock.



Funding: \$6,470,000

Residents of Ames: \$4,970,000 (bond issue: 86% support, November 6, 2001)
State of Iowa: \$1,500,000 (Vision Iowa Community Attraction & Tourism Grant)

Support: \$1,000,000

Story County: "In-kind services" to plant prairie at the site

Budget: \$7,470,000

Land	\$ 3,000,000
Landscape/Restoration	\$ 2,300,000
Infrastructure	\$ 1,300,000
Contingency Funds	\$ 370,000
Design/Administrative Fees	\$ 300,000
Off-Site Improvements	\$ 200,000

**INFORMATION PROVIDED TO COMPLY WITH
OMB CIRCULAR A-133
AND
*GOVERNMENT AUDITING STANDARDS***

CITY OF AMES, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2004
DIRECT:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Lower Income Housing Assistance Program- Section 8 Substantial Rehabilitation	14.182*	IA05-8023-010	\$7,364
Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation	14.856*	IA05-K089-001	<u>85,660</u>
			<u>93,024</u>
Section 8 Housing Choice Vouchers	14.871	IA089-VO-001,002,003, 005,006	<u>993,328</u>
DEPARTMENT OF THE INTERIOR			
U.S. Fish and Wildlife Service Partner's Program	15.FFC	301813J188	<u>5,000</u>
DEPARTMENT OF JUSTICE			
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-1339	<u>5,819</u>
Bulletproof Vest Partnership Program	16.607		<u>555</u>
DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program	20.106	3-19-0004-14-2004	<u>66,965</u>
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-01	644,320
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-02	22,951
Federal Transit-Formula Grants	20.507*	IA-90-X270-00	<u>702,887</u>
			<u>1,370,158</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Assistance to Firefighters Grant	83.554	EMW-2002-FG-08049	<u>6,905</u>
TOTAL DIRECT			<u>2,541,754</u>
INDIRECT:			
DEPARTMENT OF JUSTICE			
Iowa Department of Human Rights Juvenile Accountability Incentive Block Grant	16.523	JAB-S04-60	<u>5,659</u>

(continued)

CITY OF AMES, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2004
INDIRECT: (continued)			
DEPARTMENT OF JUSTICE			
Iowa Department of Human Services			
Enforcing Underage Drinking Laws Program	16.727	CJJP-04-A5-005	<u>\$3,917</u>
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-U-0155(639)--70-85	113,107
Highway Planning and Construction	20.205	STP-U-0155(640)--70-85	184,600
Highway Planning and Construction	20.205	STP-U-0155(644)--70-85	<u>348,882</u>
			<u>646,589</u>
Federal Transit-Capital Investment Grants	20.500	03-0092-155-01	120,807
Federal Transit-Capital Investment Grants	20.500	03-0095-015-02	259,779
Federal Transit-Capital Investment Grants	20.500	03-0103-015-04	<u>32,340</u>
			<u>412,926</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-0023-015-02	<u>92,193</u>
State Planning and Research	20.515	04MPO-AAMPO	<u>45,289</u>
Iowa Department of Public Safety			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601*	PAP 03-410, Task 02	5,302
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601*	PAP 04-410, Task 02	13,832
Safety Incentive to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605*	PAP 04-163, Task 02	<u>5,280</u>
			<u>24,414</u>
NATIONAL ENDOWMENT FOR THE ARTS			
Iowa Arts Council			
Promotion of the Arts-Partnership Agreements	45.025	04-0008	<u>\$9,000</u>
TOTAL INDIRECT			<u>1,239,987</u>

(continued)

CITY OF AMES, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2004
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$3,781,741</u>

(concluded)

*Clustered programs under OMB Circular A-133

See notes to Schedule of Expenditures of Federal Awards.

CITY OF AMES, IOWA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting (revenues are recorded in the year earned by the City of Ames, Iowa (City) and expenditures are recorded in the year incurred).

2. GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal award programs of the City. The City's reporting entity is defined in Note 1 to the City's financial statements. All expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other government agencies, are included on the schedule.



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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the City Council
City of Ames, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ames, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part II of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. All prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Ames, Iowa, into a separate letter dated October 26, 2004. There were no prior year reportable conditions.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Ames, Iowa, and other parties to whom the City of Ames, Iowa, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ames, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Eide Bailly LLP

Dubuque, Iowa
October 26, 2004



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Ames, Iowa

Compliance

We have audited the compliance of the City of Ames, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Ames, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Ames, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Ames, Iowa, and other parties to whom the City of Ames, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Eida Bailey LLP

Dubuque, Iowa
October 26, 2004

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.871 – Section 8 Housing Choice Vouchers.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Ames, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Wheelock, Utility Accounts Supervisor, wife is part owner of Heartland Pet Hospital	Veterinary services	\$ 340

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting: (continued)

Name, Title, and Business Connection	Transaction Description	Amount
Jan Heuss, library employee, husband is owner of Heuss Printing, Inc.	Printing services	\$ 34,382
Jim Linder, Plumbing and Mechanical Board, owner of Ames Heating and Cooling	Repairs	\$ 595
John Diller, Board of Electrical Examiners and Appeals, owner of Diller Electric, Inc.	Repairs	\$ 2,375
Suzanne Thompson, City Clerk, husband is owner of Thompson Electric	Repairs	\$ 400

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since they were either less than \$1,500 or entered into through competitive bidding.

- II-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-I-04 Revenue Bonds – We noted no instances of non-compliance with the provisions of the City’s revenue bond resolutions.