

CITY OF AMES, IOWA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2005



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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, 2005

**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, 2005**

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INTRODUCTORY

SECTION



October 26, 2005

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, 2005 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 reliable information for the preparation of the City's financial statements. 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.

The City's financial statements have been audited by EideBailly LLP, a firm of licensed certified public accountants. The independent auditor has issued an unqualified (clean) opinion on the City's financial statements for the fiscal year ended June 30, 2005. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A should be read in conjunction with this letter of transmittal.

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 per the 2000 census. 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. The City of Ames is also financially accountable for a legally separate hospital foundation reported separately within the City of Ames financial statements. Additional information on the hospital foundation can be found in the notes to the financial statements (See Note 1.A).

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 function.

LOCAL ECONOMY

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.

The assessed value of taxable property grew at a rate of 5.0% for the current fiscal year. Low interest rates helped to maintain strong residential construction both in multi-family and single family units. Retail sales growth rate was steady with an increase in taxable retail sales of 2.0% for the second straight year.

Ames continued to experience steady population growth. The U.S. Census Bureau estimate for 2004 indicated that the Ames population grew over three percent for the year.

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 2005 study by *Expansion Management* magazine ranked Ames third nationally in a survey of highly-educated workforce required for knowledge-based businesses. 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. Ames also maintains a strong manufacturing base with companies such as 3M, Sauer-Danfoss, Barilla, and Hach Chemical.

LONG-TERM FINANCIAL PLANNING

The City Council has adopted a comprehensive set of budget and fiscal policies including general revenue management, user fee cost recovery goals, enterprise fund fees and rates, grant funding, investments, capital improvement management, and fund balance designations and reserves. The ending fund balance level established for the general fund is 20% of operating expenditures. The City of Ames met the minimum fund balance requirement for the general fund and all other financial policies established by the City Council.

MAJOR INITIATIVES

In 2005 the City of Ames electric utility completed installation of a 20 megawatt combustion turbine generator. This \$16.7 million project will provide a cost effective method to meet peak energy demand for the City of Ames. This project is part of the electric utility capital improvement plan to continue to provide affordable and reliable electric power.

The City of Ames entered into an agreement with Story County and Iowa State University to provide a centralized data system for public safety dispatch and reporting. This project will provide both cost savings due to consolidation and improved service.

AWARDS AND ACKNOWLEDGEMENTS

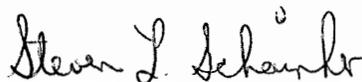
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ames, Iowa, for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the 26th consecutive 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, 2005. 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,

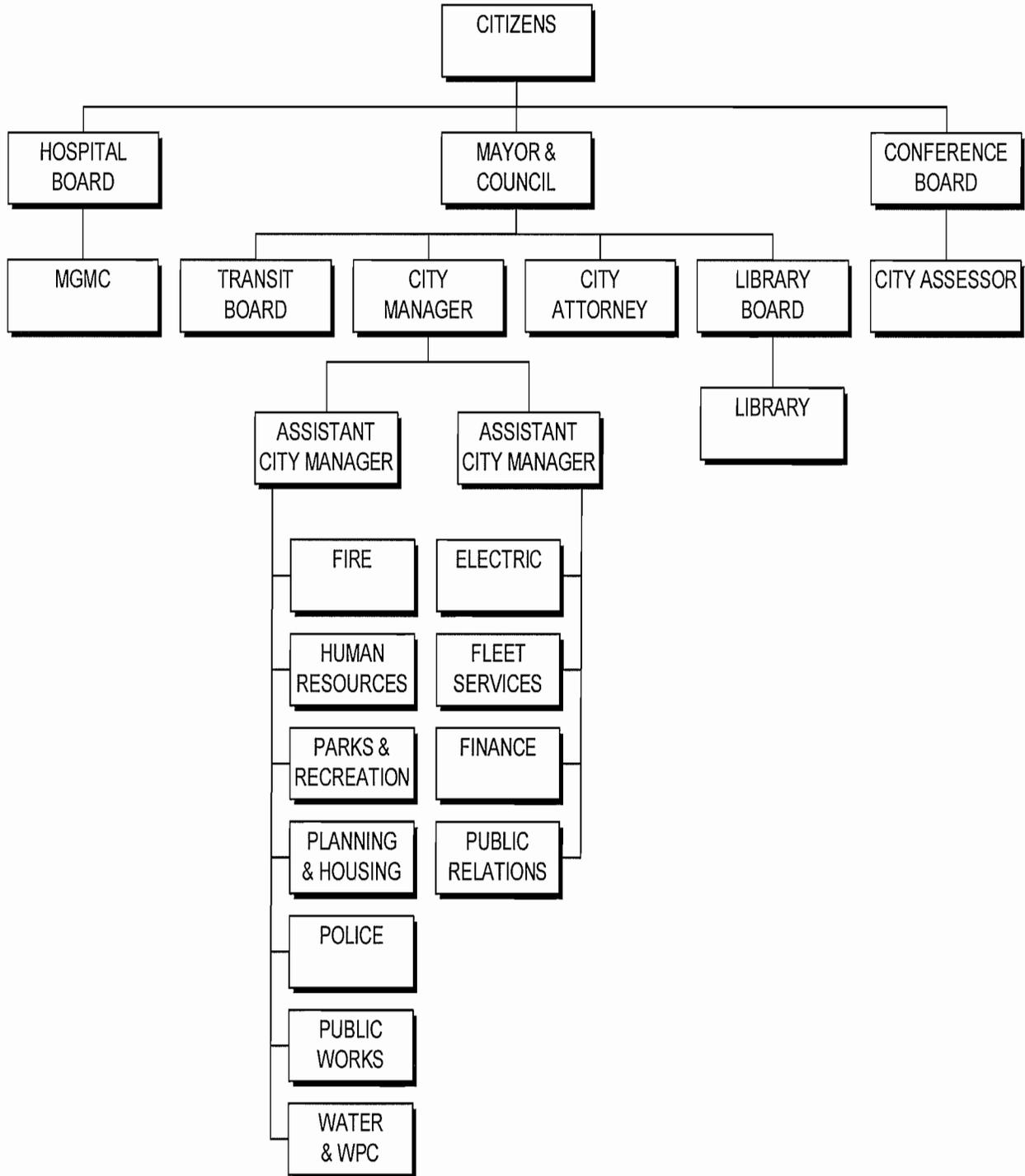


Steven L. Schainker
City Manager



Duane R. Pitcher, CPA, CPFO
Director of Finance

CITY OF AMES, IOWA ORGANIZATIONAL CHART



CITY OF AMES, IOWA

PRINCIPAL OFFICIALS

Elected Officials

Ted Tedesco	Mayor
Matthew Goodman	Council Member – At Large
Russ Cross	Council Member – At Large
Sharon Wirth	Council Member – First Ward
Steve Goodhue	Council Member – Second Ward
Daryle Vegge	Council Member – Third Ward
Riad Mahayni	Council Member – Fourth Ward

Council-Appointed Officials

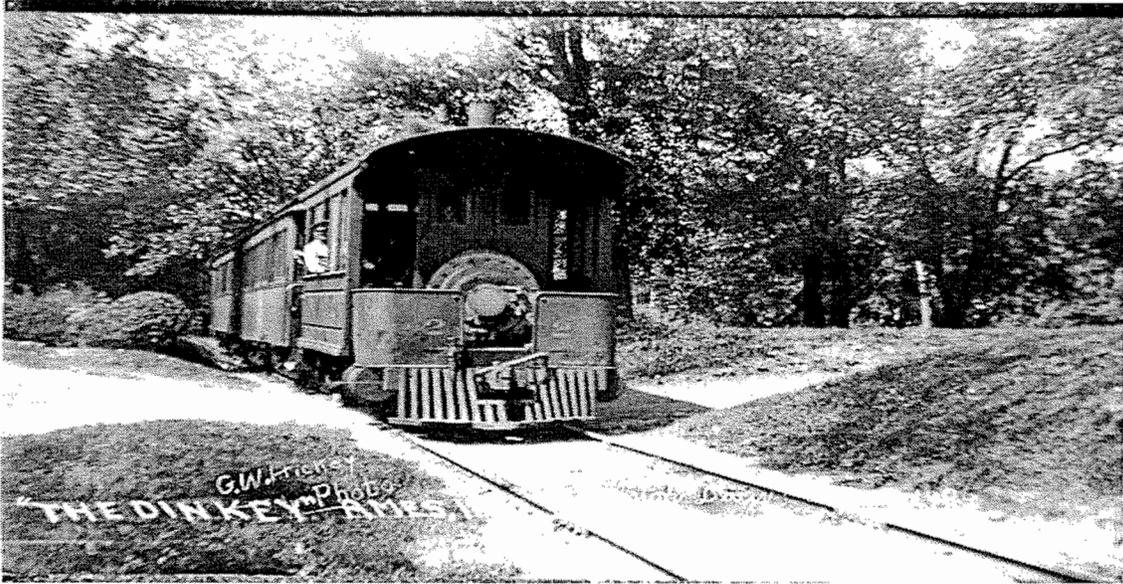
Steven Schainker	City Manager
John Klaus	City Attorney

Manager-Appointed Officials

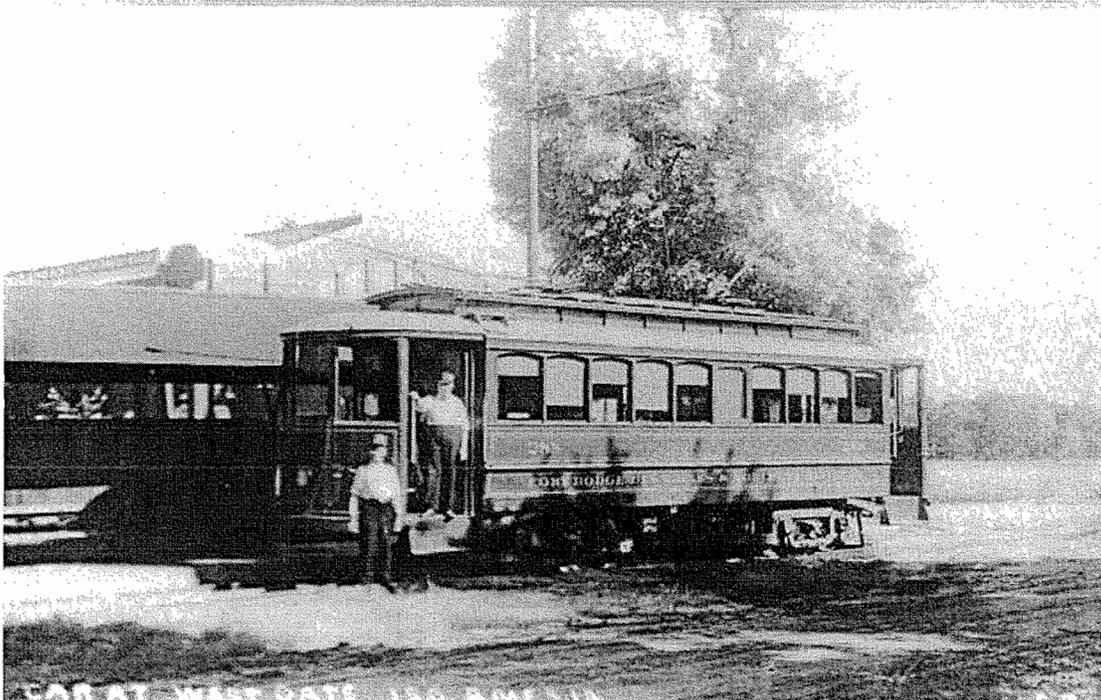
Bob Kindred	Assistant City Manager
Sheila Lundt	Assistant City Manager
Merlin Hove	Director of Electric Utility
John Joiner	Director of Public Works
Duane Pitcher	Director of Finance
Robert Bourne	Director of Transportation
Clint Petersen	Fire Chief
Loras Jaeger	Police Chief
Julie Huisman	Director of Human Resources
Matthew Flynn	Director of Planning & Housing
Nancy Carroll	Director of Parks & Recreation
Tom Neumann	Director of Water and Pollution Control
Paul Hinderaker	Director of Fleet Services
Gina Millsap	Library Director
Roger Wisecup II	City Treasurer

Hospital Administration

Kimberly Russel	President/Chief Executive Officer
Brian Dieter	Vice President/Chief Financial Officer



Steam-powered Ames and College Railroad (a.k.a. "the Dinkey") was organized in 1892 to provide better transportation between downtown Ames and the growing Iowa State College. From the east end of Main Street, it traveled down Fifth Street, over Squaw Creek, and across central campus. The Dinkey is shown here leaving the campus for downtown. Fare was five cents. The steam engine was replaced by electric cars in 1907.



In 1915-16, the streetcar line was removed from central campus at ISC, and the "loop" around the campus developed. Here, car 288 is shown as it heads north along the east side of Sheldon Avenue, stopped at a passenger shelter near the west gate of campus. The west end of the State Gym is in the background.

(Both photos courtesy of the Farwell T. Brown Photographic Archive.)

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, 2004

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.



Nancy L. Zielle

President

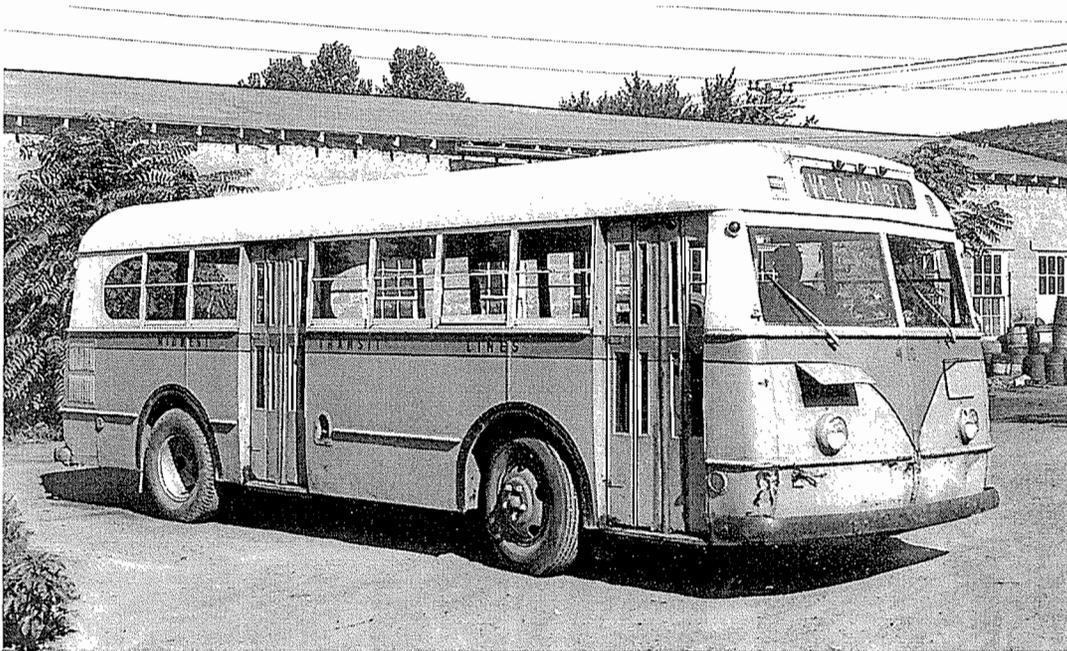
Jeffrey R. Emer

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, 2004. 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 26 consecutive years (fiscal years ended 1979-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



Midwest Transit garage at Oak and North 2nd



CyRide's first bus, 1975. This minibus is still used by CyRide to service the bus stops.

Public transit in Ames began in the 1870s with a stagecoach line connection. A steam train (the Dinkey) operated from 1893 to 1907 when electric streetcars began operation. Competing bus service started in 1921 and the streetcars ceased operation in 1929. Interstate Transit Lines, a Union Pacific subsidiary, purchased the local bus service in 1931 and operated it until 1952 when it was sold to Midwest Transportation Company. Midwest operated this service until 1976 when CyRide was created.

**FINANCIAL
SECTION**



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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2005, 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, 2005, 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.

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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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 26, 2005

CITY OF AMES, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

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, 2005. 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 \$409,901,085 (net assets). This was an increase of \$23,259,915 over net assets at June 30, 2004. Unrestricted net assets at June 30, 2005 in the amount of \$129,674,673 may be used to meet the City's ongoing obligations to citizens and creditors.
- The revenues of the general fund exceeded expenses by \$499,959. This was \$706,904 more than the final budgeted decrease in fund balance of \$206,945. A decrease in actual expenditures over budgeted expenditures of \$551,558 accounted for 78% of this increase in budgeted fund balance.
- The ending general fund balance of \$5,606,958 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 \$17,702,275. 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 \$5,557,640 compared to \$6,425,113 in 2004.

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 twenty 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, special revenue, and enterprise funds according to State of Iowa code. A budgetary comparison schedule has been provided as required supplementary information 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, sewer, and water utility; all of which are considered to be major funds of the City. Data from the other six 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

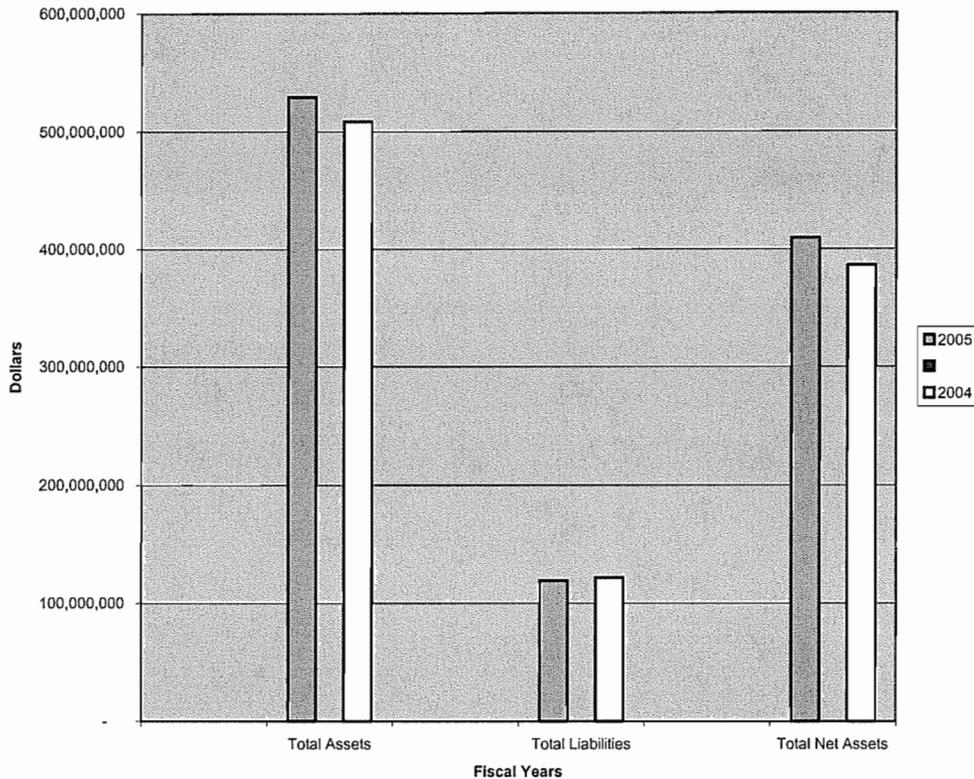
Net assets. As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$409,901,085 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (66.4%) 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 47,527,642	\$ 44,696,192	\$ 139,631,755	\$ 139,037,931	\$ 187,159,397	\$ 183,734,123
Capital assets, net of depreciation	114,017,201	108,998,527	228,215,910	215,842,216	342,233,111	324,840,743
Total assets	161,544,843	153,694,719	367,847,665	354,880,147	529,392,508	508,574,866
Long-term debt outstanding	33,310,028	33,168,133	28,954,971	32,846,867	62,264,999	66,015,000
Other liabilities	29,124,034	26,973,445	28,102,390	28,945,251	57,226,424	55,918,696
Total liabilities	62,434,062	60,141,578	57,057,361	61,792,118	119,491,423	121,933,696
Net assets						
Invested in capital assets, net						
of related debt	77,768,887	72,431,317	194,461,923	177,602,171	272,230,810	250,033,488
Restricted	6,091,644	5,392,715	1,903,958	2,021,178	7,995,602	7,413,893
Unrestricted	15,250,250	15,729,109	114,424,423	113,464,680	129,674,673	129,193,789
Total net assets	\$ 99,110,781	\$ 93,553,141	\$ 310,790,304	\$ 293,088,029	\$ 409,901,085	\$ 386,641,170

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 (\$129,674,673) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2005 and 2004, 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.

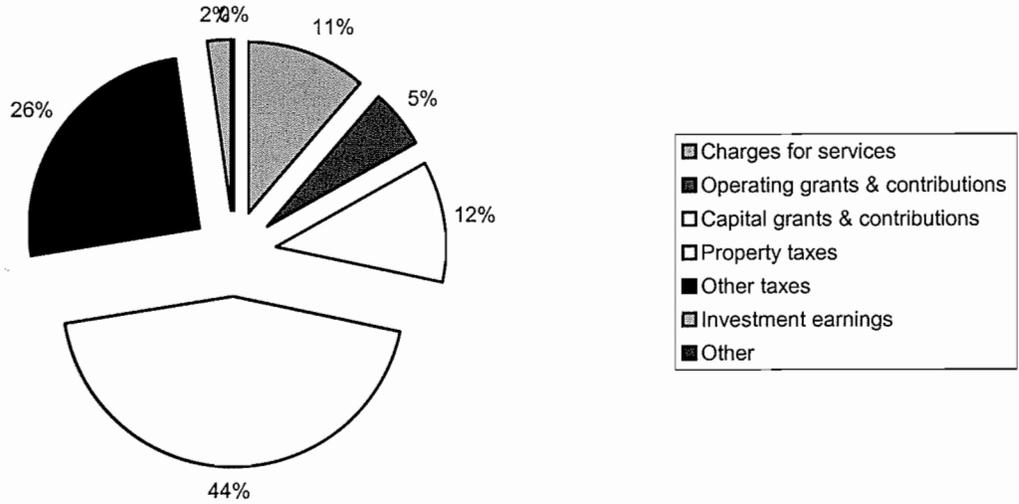
Governmental activities. Governmental activities increased the net assets of the City by \$5,557,640 or 23.9% of the total increase in net assets in 2005 and \$6,425,113 or 28.5% of the increase in 2004. Taxes are the largest source of governmental revenues with property taxes of \$17,728,215 in 2005 and other taxes (sales taxes and road use tax) of \$10,287,414. Capital grants and contributions for 2005 totaled \$4,672,565. The \$665,902 increase in property tax collections in 2005 over 2004 was due to increased valuations and a \$.27 increase in the overall tax rate. The decrease in other taxes was due to decreased local option tax collections. Steadily increasing interest rates are reflected in the \$338,491 increase in investment revenue. Governmental expenses during 2005 increased \$2,081,214 over 2004 expenses or 6.35%.

City of Ames Changes in Net Assets

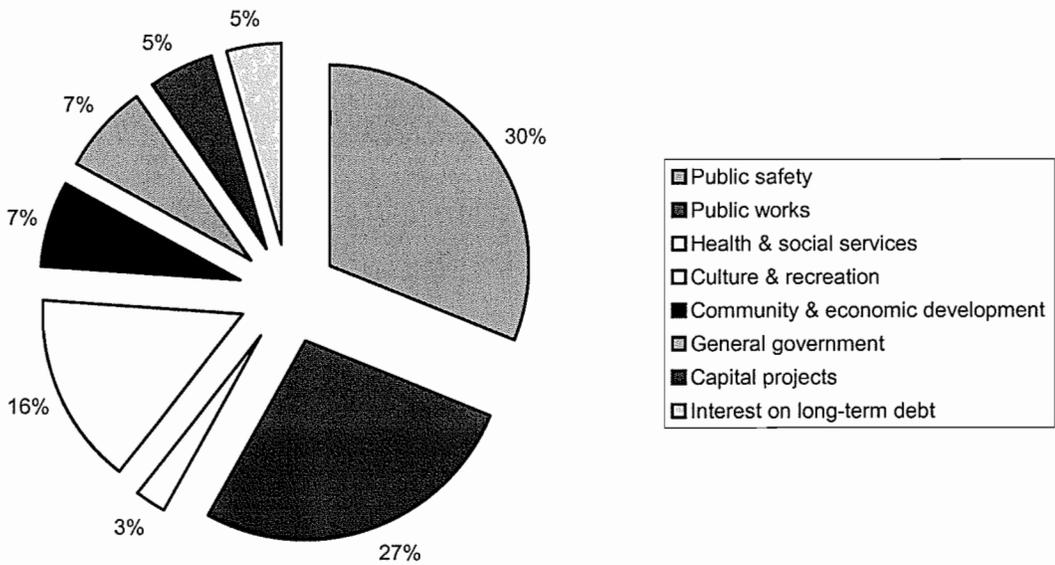
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	\$ 4,637,700	\$ 4,903,368	\$ 177,720,127	\$ 157,881,571	\$ 182,357,827	\$ 162,784,939
Operating grants & contributions	2,150,390	2,568,666	508,639	1,771,872	2,659,029	4,340,538
Capital grants & contributions	4,672,565	3,340,218	3,040,686	2,332,603	7,713,251	5,672,821
General revenues						
Property taxes	17,728,215	17,062,313			17,728,215	17,062,313
Other taxes	10,287,414	10,258,904			10,287,414	10,258,904
Unrestricted grants & contributions	31,045	48,413			31,045	48,413
Investment earnings	828,277	489,786	4,363,765	5,200,766	5,192,042	5,690,552
Other	703	308,156	199,929	(246,848)	200,632	61,308
Total revenues	40,336,309	38,979,824	185,833,146	166,939,964	226,169,455	205,919,788
Expenses						
Public safety	10,857,504	10,160,215			10,857,504	10,160,215
Public works	9,348,746	8,968,386			9,348,746	8,968,386
Health & social services	909,454	917,209			909,454	917,209
Culture & recreation	5,435,218	5,268,507			5,435,218	5,268,507
Community & economic development	2,447,892	2,612,198			2,447,892	2,612,198
General government	2,485,193	2,853,720			2,485,193	2,853,720
Capital projects	1,788,341	364,871			1,788,341	364,871
Interest on long-term debt	1,589,465	1,635,493			1,589,465	1,635,493
Mary Greeley Medical Center			111,220,658	97,429,390	111,220,658	97,429,390
Electric Utility			35,167,126	32,052,383	35,167,126	32,052,383
Sewer Utility			5,387,364	5,103,253	5,387,364	5,103,253
Water Utility			5,088,878	5,097,617	5,088,878	5,097,617
Storm Sewer Utility			375,498	385,303	375,498	385,303
Parking Lot			808,289	799,523	808,289	799,523
Resource Recovery			3,353,518	3,215,617	3,353,518	3,215,617
Transit			5,983,230	5,885,535	5,983,230	5,885,535
Ames/ISU Ice Arena			460,759	471,392	460,759	471,392
Homewood Golf Course			202,407	205,478	202,407	205,478
Total expenses	34,861,813	32,780,599	168,047,727	150,645,491	202,909,540	183,426,090
Excess before transfers	5,474,496	6,199,225	17,785,419	16,294,473	23,259,915	22,493,698
Transfers	83,144	225,888	(83,144)	(225,888)	-	-
Increase in net assets	\$ 5,557,640	\$ 6,425,113	\$ 17,702,275	\$ 16,068,585	\$ 23,259,915	\$ 22,493,698

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

Governmental Activities Revenues 2005



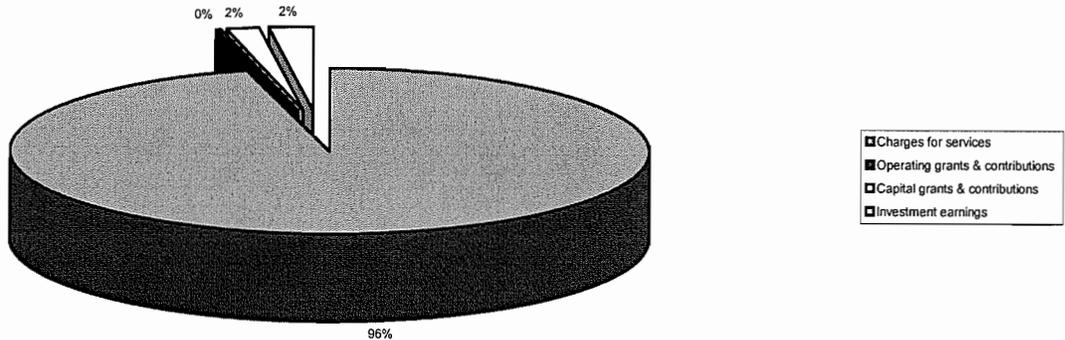
Governmental Activities Expenses 2005



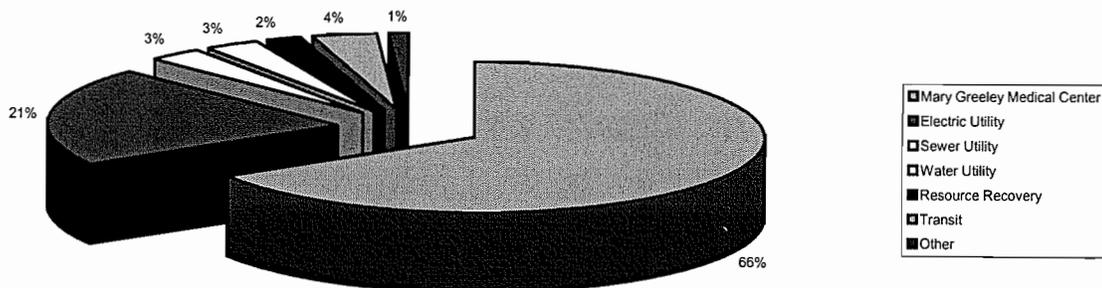
Business-type activities. Business-type activities increased net assets by \$17,702,275 accounting for 76.5% of the City of Ames growth in net assets at June 30, 2005. This was 10% more than the 2004 increase in net assets of \$16,068,585. Business-type charges for services increased \$19,838,556 during 2005 or 12.6% over 2004 totals. Of this, 90% or \$17,955,002 was provided by Mary Greeley Medical Center. Investment earnings decreased \$837,001 during 2005.

The expenses of the business-type activities increased \$17,402,236 or 11.6% over 2004 expenses. Expenses for Mary Greeley Medical Center were 79.2% of this total increase or \$13,791,268. Below are graphs showing the business-type activities revenue and expense comparisons.

Business-type Activities Revenues 2005



Business-type Activities Expenses 2005



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 \$21,504,739 at June 30, 2005. This was an increase of \$1,103,230 over the prior year. Approximately sixty-four percent (\$13,695,579) constitutes unreserved fund balance, an increase of \$347,494 over the 2004 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 \$499,959 or 9.8% leaving a fund balance in excess of 29% of current annual expenditures and exceeding the City's goal of 20% of expenditures.

The debt service fund utilized \$275,706 of its fund balance for principal and interest payments during 2005. 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 \$1,400,000.

The fund balance of the capital projects fund increased by \$243,545 to \$1,876,593 at June 30, 2005. Expenditures were \$7,854,837 or \$861,796 more than 2004 expenditures. Bonds issued for capital projects in 2005 totaled \$6,030,000.

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, 2005 totaled \$305,554,869 of which 35.7% (\$109,188,988) is unrestricted. This is a \$17,688,705 or 6.1% increase over the 2004 net assets of \$287,866,164. The net assets of the internal service funds are \$13,881,414, a \$623,730 increase over the 2004 total net assets. The unrestricted net assets of the internal service funds are \$8,194,043 (59.0%).

The net assets of Mary Greeley Medical Center increased \$14,906,297 to \$136,291,214 or 12.3% over the 2004 net assets of \$121,384,917. The change in net assets resulted primarily from an increase in operating income of approximately \$4,163,000.

The Electric Utility had a \$1,092,458 increase in net assets which is \$859,790 less than the 2004 increase in net assets of \$1,952,248. Costs of goods and services increased in 2005 by \$3,070,501 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 increased \$198,915 due to higher interest rates.

The Sewer Utility continued to have a decline in net assets of \$377,758 or \$221,729 more than the 2004 decrease in net assets of \$156,029. Charges for services in 2005 decreased \$85,825 over 2004 levels. There was no increase in sewer rates during 2005.

BUDGETARY HIGHLIGHTS

There were two amendments to the City's 2004-2005 budget. The first amendment was passed in March 2005 to reflect carryovers of capital project expenditures due to good construction weather throughout the year. 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 \$295,307. Actual general fund expenses were \$417,476 (2.2%) less than the final budgeted amount.

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, 2005, amounts to \$342,233,111 (net of accumulated depreciation), an increase of \$17,392,368 or 5.4% above the 2004 investment of \$324,840,743. 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 on pages 67 and 68.

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:

5th and Grand parking lot construction \$79,400.
CyRide bus storage addition (beginning) \$456,200.
Airport runway renovation completion \$1,257,200.
20 MW combustion turbine (ongoing project) \$11,772,200.
East LincolnWay widening (beginning) \$2,413,000.
Purchase of 2005 American LaFrance fire engine \$361,500.
Parks and recreation on-line reservation software purchase \$52,400.
Skunk River recreation trail \$70,300.

Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 10,204,551	\$ 10,162,859	\$ 9,775,909	\$ 9,754,053	\$ 19,980,460	\$ 19,916,912
Other nondepreciable assets	4,162,051	4,047,816			4,162,051	4,047,816
Depreciable assets	95,543,591	93,374,101	200,402,408	201,226,797	295,945,999	294,600,898
Construction in progress	<u>4,107,008</u>	<u>1,413,751</u>	<u>18,037,593</u>	<u>4,861,366</u>	<u>22,144,601</u>	<u>6,275,117</u>
Total	<u>\$ 114,017,201</u>	<u>\$ 108,998,527</u>	<u>\$ 228,215,910</u>	<u>\$ 215,842,216</u>	<u>\$ 342,233,111</u>	<u>\$ 324,840,743</u>

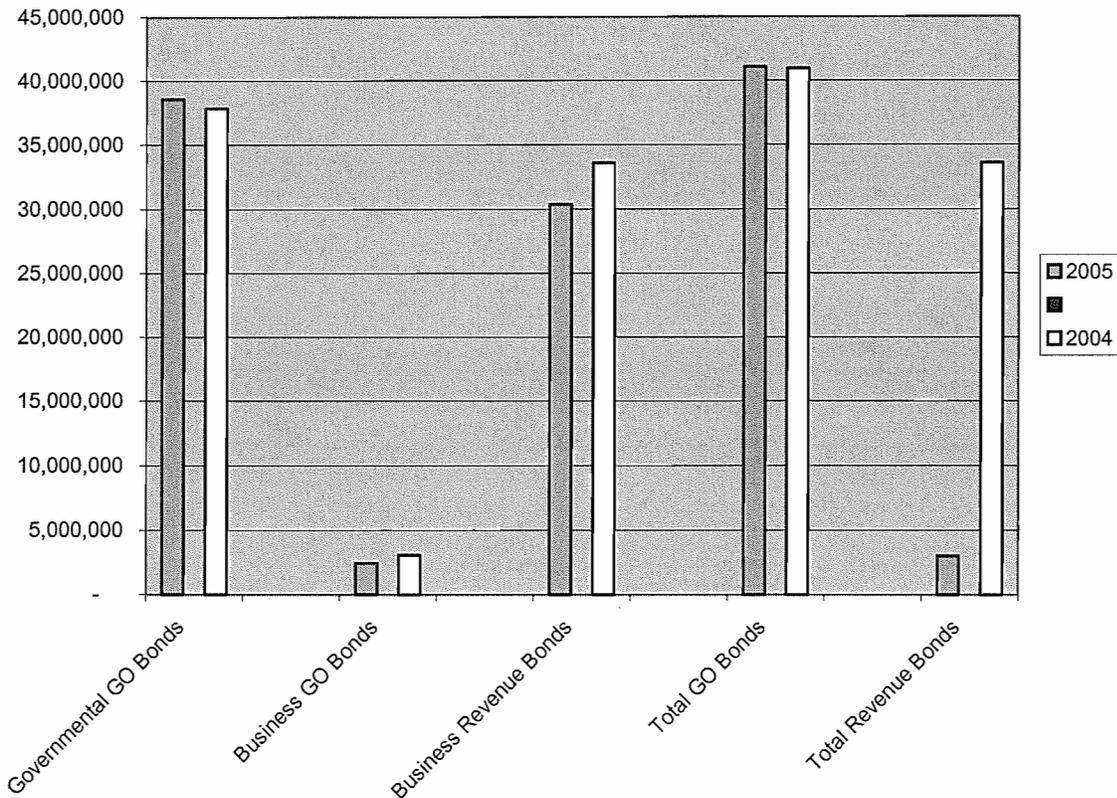
Long-term Debt. At the close of the fiscal year ended June 30, 2005, the City had bonds outstanding of \$71,445,000. General obligation debt was \$41,065,000 and revenue bonds outstanding totaled \$30,380,000. General obligation bonds of \$6,030,000 were issued for the cost of construction, reconstruction and repair of streets and storm sewers in the City and for fire apparatus and the completion of construction of Ada Hayden Heritage Park.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 38,598,133	\$ 37,875,405	\$ 2,466,867	\$ 3,069,595	\$ 41,065,000	\$ 40,945,000
Revenue bonds			<u>30,380,000</u>	<u>33,595,000</u>	<u>30,380,000</u>	<u>33,595,000</u>
Total	<u>\$ 38,598,133</u>	<u>\$ 37,875,405</u>	<u>\$ 32,846,867</u>	<u>\$ 36,664,595</u>	<u>\$ 71,445,000</u>	<u>\$ 74,540,000</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, 2003 related to the 2004-2005 fiscal year. The current debt limitation for the City is \$130,841,177. 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 on pages 70 through 73.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s unemployment rate ended the fiscal year at 3.6%, moderately higher than the 3.0% rate for the prior year and still under the State of Iowa rate of 4.6% and the 5.0% 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 showed slight increases or decreases from the prior year.

Selected Revenues

	2005	2004	Change
Local Option Tax	5,204,403	5,385,337	(180,934)
Hotel/Motel Tax	854,246	760,168	94,078
Road Use Tax	4,211,923	4,255,230	(43,307)
Building Permits	765,725	731,359	34,366

Property taxes.

The City continues to enjoy moderate growth in valuation of taxable property. The 2005-06 budget required a \$.21 (2.16%) increase in the property tax rate from \$9.95/\$1,000 of taxable valuation to \$10.16.

This moderate property tax increase is due in part to:

- The success experienced in the area of health care cost containment. By implementing the recommendations of our health insurance team with the support of our employees, we reduced health costs by nearly 10% in the current year and held the increase for 2005-2006 to approximately 8% over this reduced level.
- The larger than anticipated fund balance in the general fund has allowed financing of one-time capital items in 2004-2005 rather than raising taxes to support these expenditures in fiscal 2005-2006.
- The larger than expected fund balance has also allowed utilizing general fund monies to offset the entire 2004-2005 obligation to the retirement plan for police and fire personnel. The normal transfer from the special revenue fund for this expense was not made. This extends the availability of the special revenue fund to mitigate future property tax subsidies for the state-mandated police and fire retirement system.

Utility rates. Rates charged the citizens of Ames by the electric, water, and resource recovery utilities were not increased for FY 2005-2006. Sanitary sewer utility rates which had not changed since 1985 were adjusted to increase revenue by an average of 10% effective July 1, 2005. The storm sewer utility fee was increased from \$1.50 per month to \$2.25 per month effective with fiscal year 2005-2006.

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.



CyRide is the city bus system for Ames, Iowa (pop. 50,731). CyRide began as a City department in September 1976, and through the cooperation of the City of Ames, Iowa State University, and the Government of the Student Body at Iowa State University, became the Ames Transit Agency in January 1981. This unique venture between the three funding bodies earned an All-America City Award in 1983.

**BASIC
FINANCIAL
STATEMENTS**

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current assets:				
Cash and pooled cash investments	\$ 29,352,280	\$ 21,921,465	\$ 51,273,745	\$ 118,838
Investments		18,365,035	18,365,035	7,280,915
Taxes receivable	187,232		187,232	
Special assessments receivable	236,277		236,277	
Accounts receivable, net	361,341	25,903,495	26,264,836	
Pledges receivable, net				124,507
Accrued interest receivable	208,178	377,283	585,461	
Intergovernmental receivables	2,136,225	1,116,088	3,252,313	
Internal balances	(4,356,086)	4,356,086		
Inventories	175,260	4,824,326	4,999,586	
Prepaid items	62,752	584,503	647,255	
Total unrestricted current assets	<u>28,363,459</u>	<u>77,448,281</u>	<u>105,811,740</u>	<u>7,524,260</u>
Restricted current assets:				
Investments		4,442,916	4,442,916	
Accrued interest receivable		337,345	337,345	
Total restricted current assets		<u>4,780,261</u>	<u>4,780,261</u>	
Total current assets	<u>28,363,459</u>	<u>82,228,542</u>	<u>110,592,001</u>	<u>7,524,260</u>
Noncurrent assets:				
Long-term investments		2,938,842	2,938,842	
Succeeding year taxes receivable	18,276,819		18,276,819	
Long-term special assessments receivable	754,267		754,267	
Deferred debt issuance costs	133,097	891,406	1,024,503	
Capital assets:				
Land	10,204,551	9,775,909	19,980,460	
Other nondepreciable assets	4,162,051		4,162,051	
Depreciable assets	149,796,219	423,864,029	573,660,248	
Construction in progress	4,107,008	18,037,593	22,144,601	
Less accumulated depreciation	(54,252,628)	(223,461,621)	(277,714,249)	
Capital assets, net	<u>114,017,201</u>	<u>228,215,910</u>	<u>342,233,111</u>	
Total unrestricted noncurrent assets	<u>133,181,384</u>	<u>232,046,158</u>	<u>365,227,542</u>	
Restricted noncurrent assets:				
Long-term investments		53,572,965	53,572,965	
Total noncurrent assets	<u>133,181,384</u>	<u>285,619,123</u>	<u>418,800,507</u>	
Total assets	<u>161,544,843</u>	<u>367,847,665</u>	<u>529,392,508</u>	<u>7,524,260</u>

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current liabilities:				
Accounts payable	2,331,355	8,158,733	10,490,088	53,086
Retainage payable	301,061	978,922	1,279,983	
Due to other governments	330,853	261,231	592,084	
Compensation and payroll taxes	157,556	2,545,666	2,703,222	
Employee benefits	4,950	7,920,612	7,925,562	
Bonds payable	5,288,105	3,891,895	9,180,000	
Notes payable		587,020	587,020	
Interest payable	125,272	193,807	319,079	
Claims payable	340,000	334,727	674,727	
Unearned revenue	150,437	11,400	161,837	
Customer deposits	84,643	665,307	749,950	
Total current liabilities	<u>9,114,232</u>	<u>25,549,320</u>	<u>34,663,552</u>	<u>53,086</u>
Noncurrent liabilities:				
Employee benefits	1,538,643	1,052,685	2,591,328	
Bonds payable	33,310,028	28,954,971	62,264,999	
Unamortized premiums on bonds issued	194,340	1,172,983	1,367,323	
Deferred charges		(1,104,826)	(1,104,826)	
Notes payable		320,101	320,101	
Due to other governments		100,000	100,000	
Succeeding year unearned revenue	18,276,819		18,276,819	
Claims payable		250,000	250,000	
Landfill postclosure costs		762,127	762,127	
Total noncurrent liabilities	<u>53,319,830</u>	<u>31,508,041</u>	<u>84,827,871</u>	
Total liabilities	<u>62,434,062</u>	<u>57,057,361</u>	<u>119,491,423</u>	<u>53,086</u>
 NET ASSETS				
Invested in capital assets, net of related debt	77,768,887	194,461,923	272,230,810	
Restricted:				
Expendable for:				
Debt service	1,439,613	1,903,958	3,343,571	
Capital improvements	2,349,819		2,349,819	
State statute purposes	1,508,221		1,508,221	
Mary Greeley Medical Center				4,776,371
Nonexpendable for:				
Perpetual care	793,991		793,991	
Bliss Cancer Endowment Fund				135,181
Unrestricted	<u>15,250,250</u>	<u>114,424,423</u>	<u>129,674,673</u>	<u>2,559,622</u>
Total net assets	<u>\$ 99,110,781</u>	<u>\$ 310,790,304</u>	<u>\$ 409,901,085</u>	<u>\$ 7,471,174</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, 2005**

Functions	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	\$ 10,857,504	2,233,090	169,071
Public works	9,348,746	181,137	39,755
Health and social services	909,454		
Culture and recreation	5,435,218	1,042,181	465,884
Community and economic development	2,447,892	46,300	1,391,568
General government	2,485,193	1,131,802	84,112
Capital projects	1,788,341	3,190	
Interest on long-term debt	1,589,465		
Total governmental activities	<u>34,861,813</u>	<u>4,637,700</u>	<u>2,150,390</u>
Business-type activities:			
Mary Greeley Medical Center	111,220,658	122,552,271	19,037
Electric Utility	35,167,126	36,677,050	
Sewer Utility	5,387,364	4,190,238	
Water Utility	5,088,878	5,885,844	
Storm Sewer Utility	375,498	433,885	
Parking Lot	808,289	715,634	
Resource Recovery	3,353,518	3,925,447	
Transit	5,983,230	2,745,924	489,602
Ames/ISU Ice Arena	460,759	379,783	
Homewood Golf Course	202,407	214,051	
Total business-type activities	<u>168,047,727</u>	<u>177,720,127</u>	<u>508,639</u>
Total primary government	<u>\$ 202,909,540</u>	<u>\$ 182,357,827</u>	<u>\$ 2,659,029</u>
Component unit:			
Mary Greeley Medical Center Foundation	<u>\$ 649,961</u>		<u>\$ 932,548</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Road use tax

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Gain 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.

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
370,219	\$ (8,085,124)		\$ (8,085,124)	
1,885,015	(7,242,839)		(7,242,839)	
	(909,454)		(909,454)	
265,951	(3,661,202)		(3,661,202)	
	(1,010,024)		(1,010,024)	
	(1,269,279)		(1,269,279)	
2,151,380	366,229		366,229	
	(1,589,465)		(1,589,465)	
<u>4,672,565</u>	<u>(23,401,158)</u>		<u>(23,401,158)</u>	
		\$ 11,350,650	11,350,650	
		1,509,924	1,509,924	
725,796		(471,330)	(471,330)	
787,984		1,584,950	1,584,950	
		58,387	58,387	
9,880		(82,775)	(82,775)	
		571,929	571,929	
1,490,884		(1,256,820)	(1,256,820)	
26,142		(54,834)	(54,834)	
		11,644	11,644	
<u>3,040,686</u>		<u>13,221,725</u>	<u>13,221,725</u>	
<u>\$ 7,713,251</u>	<u>(23,401,158)</u>	<u>13,221,725</u>	<u>(10,179,433)</u>	
<u>\$ 4,716</u>				<u>\$ 287,303</u>
	17,728,215		17,728,215	
	6,075,491		6,075,491	
	4,211,923		4,211,923	
	31,045		31,045	
	828,277	4,363,765	5,192,042	442,704
	703		703	
		199,929	199,929	
	83,144	(83,144)		
	<u>28,958,798</u>	<u>4,480,550</u>	<u>33,439,348</u>	<u>442,704</u>
	5,557,640	17,702,275	23,259,915	730,007
	<u>93,553,141</u>	<u>293,088,029</u>	<u>386,641,170</u>	<u>6,741,167</u>
<u>\$ 99,110,781</u>	<u>\$ 310,790,304</u>	<u>\$ 409,901,085</u>		<u>\$ 7,471,174</u>

CITY OF AMES, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

ASSETS	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and pooled cash investments	\$ 4,482,032	\$ 1,359,417	\$ 3,048,665	\$ 12,535,061	\$ 21,425,175
Taxes receivable	117,653	60,641		8,938	187,232
Special assessments receivable			236,277		236,277
Accounts receivable	268,859		60	57,887	326,806
Accrued interest receivable	76,938	10,308	41	60,441	147,728
Intergovernmental receivables	203,359		430,166	1,498,545	2,132,070
Due from other funds	783,249	9,247	19,312	47,657	859,465
Inventories	34,717			77,512	112,229
Prepaid items	23,657			5,875	29,532
Succeeding year taxes receivable	10,500,161	6,604,234		1,172,424	18,276,819
Long-term special assessments receivable			754,267		754,267
Total assets	\$ 16,490,625	\$ 8,043,847	\$ 4,488,788	\$ 15,464,340	\$ 44,487,600
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 133,971		\$ 1,571,889	\$ 231,783	\$ 1,937,643
Retainage payable			235,473	65,588	301,061
Due to other governments	39,625		72	268,708	308,405
Compensation and payroll taxes	93,847		4,757	47,409	146,013
Due to other funds	106,365		45,737	776,598	928,700
Interest payable				385	385
Interfund payable	2,257				2,257
Unearned revenue	5,292		754,267	235,227	994,786
Succeeding year unearned revenue	10,500,161	\$ 6,604,234		1,172,424	18,276,819
Advances from other funds	2,149				2,149
Customer deposits				84,643	84,643
Total liabilities	10,883,667	6,604,234	2,612,195	2,882,765	22,982,861
Fund balances:					
Reserved for:					
Encumbrances	131,581		1,876,593	1,056,681	3,064,855
Perpetual care				793,991	793,991
Inventories	34,717			77,512	112,229
Prepaid items	23,657			5,875	29,532
Debt service		1,439,613			1,439,613
State statute restricted purpose				1,508,221	1,508,221
Unreserved:					
Designated for subsequent year's expenditures in nonmajor special revenue funds				860,719	860,719
Unreserved, reported in:					
General fund	5,417,003				5,417,003
Nonmajor special revenue funds				8,278,576	8,278,576
Total fund balances	5,606,958	1,439,613	1,876,593	12,581,575	21,504,739
Total liabilities and fund balances	\$ 16,490,625	\$ 8,043,847	\$ 4,488,788	\$ 15,464,340	\$ 44,487,600

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 JUNE 30, 2005

Fund balances - total governmental funds	\$ 21,504,739
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	10,204,551
Other nondepreciable assets	4,162,051
Depreciable assets	138,009,463
Construction in progress	4,107,008
Less: accumulated depreciation	<u>(48,153,243)</u>
	<u>108,329,830</u>
Debt issuance costs are deferred and amortized over the life of the bonds	133,097
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; 40% is accrued for the government-wide	94,091
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.	754,267
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	8,518,399
Noncurrent assets	2,149
Depreciable assets	11,786,756
Less: accumulated depreciation	(6,099,385)
Current liabilities	(1,010,677)
Long-term liabilities	<u>(104,781)</u>
	<u>13,092,461</u>
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	(124,887)
Long-term employee benefits payable	(1,433,862)
General obligation bonds payable	(38,598,133)
Unamortized premiums on bonds sold	(194,340)
Internal balance due to integration of internal service funds	<u>(4,446,482)</u>
Net assets of governmental activities	\$ <u>99,110,781</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, 2005**

	General	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 10,139,678	\$ 6,418,720	
Special assessments			\$ 253,868
Licenses and permits	1,162,071		
Intergovernmental	283,366	43,785	2,063,459
Charges for services	2,840,886		
Fines and forfeits	165,243		
Donations	12,933		
Investment earnings	414,205	78,940	45,768
Miscellaneous	171,167		3,190
Total revenues	<u>15,189,549</u>	<u>6,541,445</u>	<u>2,366,285</u>
Expenditures:			
Current:			
Public safety	10,598,139		
Public works	1,115,763	315,000	
Health and social services	128,963		
Culture and recreation	5,023,923		
Community and economic development	522,952		
General government	1,840,231		
Capital projects			7,854,837
Debt service:			
Principal retirement		5,307,272	
Interest and fiscal charges		1,614,899	
Total expenditures	<u>19,229,971</u>	<u>7,237,171</u>	<u>7,854,837</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,040,422)</u>	<u>(695,726)</u>	<u>(5,488,552)</u>
Other financing sources (uses):			
Issuance of bonds			6,030,000
Premiums on debt issued		60,193	
Transfers in	5,577,460	359,827	
Transfers out	(1,037,079)		(297,903)
Total other financing sources (uses)	<u>4,540,381</u>	<u>420,020</u>	<u>5,732,097</u>
Net change in fund balances	499,959	(275,706)	243,545
Fund balances at beginning of year	<u>5,106,999</u>	<u>1,715,319</u>	<u>1,633,048</u>
Fund balances at end of year	<u>\$ 5,606,958</u>	<u>\$ 1,439,613</u>	<u>\$ 1,876,593</u>

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

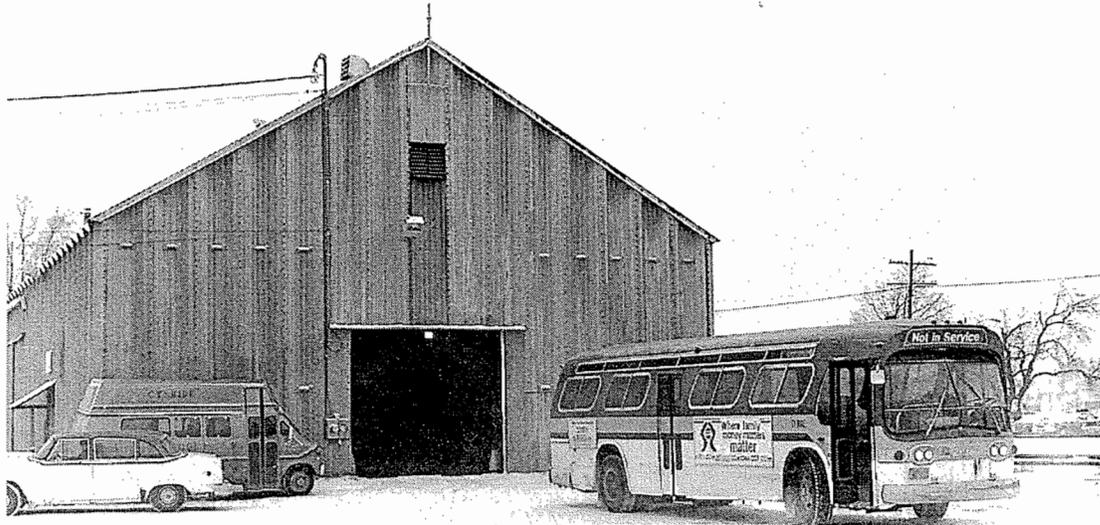
<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 1,169,817	\$ 17,728,215
	253,868
	1,162,071
11,495,974	13,886,584
20,343	2,861,229
	165,243
600,711	613,644
345,638	884,551
65,680	240,037
<u>13,698,163</u>	<u>37,795,442</u>
205,715	10,803,854
2,988,125	4,418,888
780,984	909,947
230,383	5,254,306
1,914,314	2,437,266
120,735	1,960,966
2,330,074	10,184,911
	5,307,272
	1,614,899
<u>8,570,330</u>	<u>42,892,309</u>
<u>5,127,833</u>	<u>(5,096,867)</u>
	6,030,000
	60,193
143,340	6,080,627
<u>(4,635,741)</u>	<u>(5,970,723)</u>
<u>(4,492,401)</u>	<u>6,200,097</u>
635,432	1,103,230
<u>11,946,143</u>	<u>20,401,509</u>
<u>\$ 12,581,575</u>	<u>\$ 21,504,739</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, 2005**

Net change in fund balances - total governmental funds	\$ 1,103,230
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	11,730,257
Current deletion of capital assets	(1,734,413)
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	(5,491,294)
Current elimination of depreciation on deleted assets	359,893
Debt issuance costs do not require the use of current financial resources; they are amortized over the life of the debt.	
	21,816
Current year amortization of debt issuance costs is not shown as an expenditure in governmental funds.	
	(19,775)
Hotel/Motel taxes collected after year-end are shown as deferred revenue in the funds and revenue in the government-wide statements.	
	94,091
Prior year accrued Hotel/Motel taxes are shown as revenue in the funds and not in the government-wide statements.	
	(77,249)
The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government-wide statements.	
	(209,732)
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.	
	(60,193)
Current year amortization of premiums is not shown as a revenue. It is used to reduce current year interest expense.	
	23,051
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.	
	(69,816)
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	(6,030,000)
Payments on long-term debt	5,307,272
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	125,229
Interest payable on general obligation bonds at year-end	(124,887)
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>610,160</u>
Change in net assets of governmental activities	<u>\$ 5,557,640</u>

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



This picture from January 1982 shows 635 West Lincoln Way which was the temporary CyRide garage from May, 1981 to August 1984. Twelve large buses and a few minibuses fit inside the building. Other buses were stored outside at the City Warehouse on Edison Street. Most of the building was torn down for the new Culver's Restaurant. A small portion of the building remains for Skei Coal.

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

ASSETS	Business-type Activities - Enterprise Funds		
	Mary Greeley	Electric	Sewer
	Medical Center	Utility	Utility
Current assets:			
Cash and pooled cash investments	\$ 7,851,053	\$ 1,953,184	\$ 3,454,688
Investments		18,365,035	
Accounts receivable, net	19,845,803	4,409,406	474,297
Accrued interest receivable		279,480	27,089
Intergovernmental receivables		329,524	28,364
Interfund receivables			
Due from other funds		77,097	26,933
Inventories	2,611,795	1,791,436	
Prepaid items	576,645	150	773
Total unrestricted current assets	<u>30,885,296</u>	<u>27,205,312</u>	<u>4,012,144</u>
Restricted current assets:			
Investments	2,728,028	1,714,888	
Accrued interest receivable	337,345		
Total restricted current assets	<u>3,065,373</u>	<u>1,714,888</u>	
Total current assets	<u>33,950,669</u>	<u>28,920,200</u>	<u>4,012,144</u>
Noncurrent assets:			
Long-term investments		2,938,842	
Accounts receivable			
Advances to other funds			
Deferred debt issuance costs, net	830,143	44,389	
Capital assets:			
Land	4,669,644	1,194,430	1,910,222
Land improvements	702,558		
Plant and distribution systems		121,910,455	65,346,205
Buildings	86,585,403		
Equipment	72,320,804		
Construction in progress	1,504,958	16,047,743	
Less accumulated depreciation	(73,683,629)	(92,392,498)	(27,886,519)
Capital assets, net	<u>92,099,738</u>	<u>46,760,130</u>	<u>39,369,908</u>
Total unrestricted noncurrent assets	<u>92,929,881</u>	<u>49,743,361</u>	<u>39,369,908</u>
Restricted noncurrent assets:			
Long-term investments	53,572,965		
Total noncurrent assets	<u>146,502,846</u>	<u>49,743,361</u>	<u>39,369,908</u>
Total assets	<u>180,453,515</u>	<u>78,663,561</u>	<u>43,382,052</u>

**Business-type Activities -
Enterprise Funds (continued)**

Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
\$ 4,188,952	\$ 3,443,939	\$ 20,891,816	\$ 8,956,754
		18,365,035	
694,720	479,269	25,903,495	34,535
32,485	29,644	368,698	69,035
1,782	756,184	1,115,854	4,389
			2,257
54,208	55,901	214,139	339,745
220,944	200,151	4,824,326	63,031
4,851	2,005	584,424	33,299
<u>5,197,942</u>	<u>4,967,093</u>	<u>72,267,787</u>	<u>9,503,045</u>
		4,442,916	
		337,345	
		<u>4,780,261</u>	
<u>5,197,942</u>	<u>4,967,093</u>	<u>77,048,048</u>	<u>9,503,045</u>
		2,938,842	
1,003	15,871	891,406	2,149
581,413	1,420,200	9,775,909	
	1,573,063	2,275,621	180,852
44,235,809		231,492,469	
	19,515,988	106,101,391	551,493
	11,673,744	83,994,548	11,054,411
	484,892	18,037,593	
(13,716,661)	(15,782,314)	(223,461,621)	(6,099,385)
<u>31,100,561</u>	<u>18,885,573</u>	<u>228,215,910</u>	<u>5,687,371</u>
<u>31,101,564</u>	<u>18,901,444</u>	<u>232,046,158</u>	<u>5,689,520</u>
		53,572,965	
<u>31,101,564</u>	<u>18,901,444</u>	<u>285,619,123</u>	<u>5,689,520</u>
<u>36,299,506</u>	<u>23,868,537</u>	<u>362,667,171</u>	<u>15,192,565</u>

(continued)

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

LIABILITIES	Business-type Activities - Enterprise Funds		
	Mary Greeley	Electric	Sewer
	Medical Center	Utility	Utility
Current liabilities:			
Accounts payable	5,841,642	1,636,387	142,803
Retainage payable	270,678	617,268	16,803
Due to other governments		120,154	4,273
Compensation and payroll taxes	2,283,693	109,933	6,095
Employee benefits	7,865,168	27,263	6,893
Due to other funds		212,691	87,755
Bonds payable	1,480,000	1,825,000	
Notes payable	587,020		
Interest payable	97,443	89,169	
Claims payable			
Unearned revenue			
Customer deposits		665,307	
Total current liabilities	<u>18,425,644</u>	<u>5,303,172</u>	<u>264,622</u>
Noncurrent liabilities:			
Employee benefits		539,138	131,761
Bonds payable	25,115,000	1,960,000	
Unamortized premiums on bonds issued	1,050,534	41,439	
Deferred charges	(998,978)	(55,114)	
Notes payable	320,101		
Due to other governments			
Claims payable	250,000		
Landfill postclosure costs			
Total noncurrent liabilities	<u>25,736,657</u>	<u>2,485,463</u>	<u>131,761</u>
Total liabilities	<u>44,162,301</u>	<u>7,788,635</u>	<u>396,383</u>
NET ASSETS			
Invested in capital assets, net of related debt	64,597,617	42,975,130	39,369,908
Restricted for debt service	1,151,458	752,500	
Unrestricted	<u>70,542,139</u>	<u>27,147,296</u>	<u>3,615,761</u>
Total net assets	<u>\$ 136,291,214</u>	<u>\$ 70,874,926</u>	<u>\$ 42,985,669</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)			
Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
162,063	311,712	8,094,607	457,838
52,860	21,313	978,922	
14,064	122,361	260,852	22,827
13,591	132,354	2,545,666	11,543
7,716	13,213	7,920,253	5,308
91,172	70,041	461,659	22,990
74,815	512,080	3,891,895	
		587,020	
433	6,762	193,807	
			674,727
5,000	6,400	11,400	4,009
		665,307	
<u>421,714</u>	<u>1,196,236</u>	<u>25,611,388</u>	<u>1,199,242</u>
149,533	225,126	1,045,558	111,909
73,790	1,806,181	28,954,971	
4,815	76,195	1,172,983	
(3,098)	(47,636)	(1,104,826)	
		320,101	
	100,000	100,000	
		250,000	
	762,127	762,127	
<u>225,040</u>	<u>2,921,993</u>	<u>31,500,914</u>	<u>111,909</u>
<u>646,754</u>	<u>4,118,229</u>	<u>57,112,302</u>	<u>1,311,151</u>
30,951,956	16,567,312	194,461,923	5,687,371
		1,903,958	
<u>4,700,796</u>	<u>3,182,996</u>	<u>109,188,988</u>	<u>8,194,043</u>
<u>\$ 35,652,752</u>	<u>\$ 19,750,308</u>	<u>\$ 305,554,869</u>	<u>\$ 13,881,414</u>
		<u>5,235,435</u>	
		<u>\$ 310,790,304</u>	

(concluded)

CITY OF AMES, IOWA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Operating revenues:			
Charges for goods and services	\$ 122,552,271	\$ 36,677,050	\$ 4,190,238
Operating expenses:			
Cost of goods and services	84,446,068	30,338,639	3,080,457
Administration	17,028,397	648,519	478,933
Depreciation	8,320,112	4,016,934	1,827,208
Total operating expenses	<u>109,794,577</u>	<u>35,004,092</u>	<u>5,386,598</u>
Operating income (loss)	<u>12,757,694</u>	<u>1,672,958</u>	<u>(1,196,360)</u>
Nonoperating revenues (expenses):			
Investment earnings	3,334,826	756,702	81,603
Interest expense	(1,426,081)	(154,718)	
Restricted donations	19,037		
Federal, state, and other operating grants			
Costs reimbursed by contract participants			
Gain (loss) on disposal of capital assets	220,821		
Total nonoperating revenues	<u>2,148,603</u>	<u>601,984</u>	<u>81,603</u>
Income before contributions and transfers	14,906,297	2,274,942	(1,114,757)
Capital contributions			725,796
Transfers in			11,203
Transfers out		<u>(1,182,484)</u>	
Change in net assets	14,906,297	1,092,458	(377,758)
Total net assets at beginning of year	<u>121,384,917</u>	<u>69,782,468</u>	<u>43,363,427</u>
Total net assets at end of year	<u>\$ 136,291,214</u>	<u>\$ 70,874,926</u>	<u>\$ 42,985,669</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)

Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
\$ 5,987,844	\$ 8,272,089	\$ 177,679,492	\$ 10,084,611
3,914,808	9,089,754	130,869,726	9,012,845
238,559	822,194	19,216,602	
931,321	1,198,633	16,294,208	958,980
<u>5,084,688</u>	<u>11,110,581</u>	<u>166,380,536</u>	<u>9,971,825</u>
<u>903,156</u>	<u>(2,838,492)</u>	<u>11,298,956</u>	<u>112,786</u>
96,616	94,018	4,363,765	206,505
(6,942)	(93,020)	(1,680,761)	
		19,037	
	1,051,848	1,051,848	
	614,954	614,954	
	(20,892)	199,929	(30,284)
<u>89,674</u>	<u>1,646,908</u>	<u>4,568,772</u>	<u>176,221</u>
992,830	(1,191,584)	15,867,728	289,007
685,984	492,341	1,904,121	361,483
4,298	1,083,839	1,099,340	
		(1,182,484)	(26,760)
1,683,112	384,596	17,688,705	623,730
<u>33,969,640</u>	<u>19,365,712</u>	<u>287,866,164</u>	<u>13,257,684</u>
\$ <u>35,652,752</u>	\$ <u>19,750,308</u>	\$ <u>305,554,869</u>	\$ <u>13,881,414</u>

\$ 17,688,705

13,570

\$ 17,702,275

CITY OF AMES, IOWA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Cash flows from operating activities:			
Receipts from customers	\$ 115,098,204	\$ 36,574,603	\$ 4,155,571
Payments to suppliers	(44,361,750)	(23,467,812)	(1,086,567)
Payments to employees	(56,524,244)	(6,816,350)	(1,695,798)
Payments for interfund services used		(1,359,283)	(780,509)
Other receipts	<u>2,314,589</u>		
Net cash provided by (used in) operating activities	<u>16,526,799</u>	<u>4,931,158</u>	<u>592,697</u>
Cash flows from noncapital financing activities:			
Advances to other funds			
Principal received on advances to other funds			
Interest received on advances to other funds			
Operating grants			
Costs reimbursed by contract participants			
Transfers in			11,203
Transfers out		<u>(1,182,484)</u>	
Net cash provided by (used in) noncapital financing activities		<u>(1,182,484)</u>	<u>11,203</u>
Cash flows from capital and related financing activities:			
Principal paid on revenue bond maturities	(1,435,000)	(1,780,000)	
Principal paid on general obligation bond maturities			
Interest paid and other fiscal charges	(1,274,965)	(158,203)	
Purchases of capital assets	(12,008,147)	(14,987,237)	(431,871)
Principal paid on notes payable	(668,329)		
Proceeds from sale of capital assets	2,263,072		
Restricted donations	19,037		
Capital contributions			
Net cash used in capital and related financing activities	<u>(13,104,332)</u>	<u>(16,925,440)</u>	<u>(431,871)</u>
Cash flows from investing activities:			
Purchase of investments	(22,995,625)	(22,976,121)	
Proceeds from sales and maturities of investments	17,253,497	34,204,187	
Interest on investments and pooled cash	<u>1,673,546</u>	<u>630,296</u>	<u>61,786</u>
Net cash provided by (used in) investing activities	<u>(4,068,582)</u>	<u>11,858,362</u>	<u>61,786</u>

Business-type Activities - Enterprise Funds (continued)			
Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
\$ 5,932,538	\$ 8,225,970	\$ 169,986,886	\$ 10,101,396
(1,301,357)	(3,226,924)	(73,444,410)	(6,994,249)
(1,861,770)	(5,615,695)	(72,513,857)	(1,434,269)
(1,131,033)	(1,017,524)	(4,288,349)	(385,935)
		2,314,589	
<u>1,638,378</u>	<u>(1,634,173)</u>	<u>22,054,859</u>	<u>1,286,943</u>
			2,168
			223
	1,051,848	1,051,848	
	614,954	614,954	
4,298	1,083,839	1,099,340	
		(1,182,484)	(26,760)
<u>4,298</u>	<u>2,750,641</u>	<u>1,583,658</u>	<u>(24,369)</u>
		(3,215,000)	
(76,865)	(525,863)	(602,728)	
(7,508)	(96,914)	(1,537,590)	
(1,190,234)	(568,698)	(29,186,187)	(889,977)
		(668,329)	
	5,208	2,268,280	107,965
		19,037	
<u>102,000</u>	<u>482,461</u>	<u>584,461</u>	
<u>(1,172,607)</u>	<u>(703,806)</u>	<u>(32,338,056)</u>	<u>(782,012)</u>
		(45,971,746)	
		51,457,684	
<u>72,358</u>	<u>71,076</u>	<u>2,509,062</u>	<u>156,341</u>
<u>72,358</u>	<u>71,076</u>	<u>7,995,000</u>	<u>156,341</u>

(continued)

CITY OF AMES, IOWA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Net change in cash and pooled cash investments	(646,115)	(1,318,404)	233,815
Cash and pooled cash investments at beginning of year	<u>8,497,168</u>	<u>3,271,588</u>	<u>3,220,873</u>
Cash and pooled cash investments at end of year	<u>\$ 7,851,053</u>	<u>\$ 1,953,184</u>	<u>\$ 3,454,688</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 12,757,694	\$ 1,672,958	\$ (1,196,360)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	8,320,112	4,016,934	1,827,208
Changes in:			
Accounts receivable, net	(4,408,002)	(180,377)	(11,415)
Intergovernmental receivables		91,678	(9,476)
Due from other funds		(10,031)	(11,200)
Inventories	(601,351)	293,511	
Prepaid items	(48,241)	5,388	(178)
Accounts payable	(126,504)	(473,318)	(23,572)
Due to other governments		(480,509)	(3,309)
Accrued expenses	633,091	25,170	13,529
Due to other funds		(26,529)	10,046
Claims payable			
Unearned revenue			(2,576)
Customer deposits		(3,717)	
Landfill postclosure costs			
Net cash provided by (used in) operating activities	<u>\$ 16,526,799</u>	<u>\$ 4,931,158</u>	<u>\$ 592,697</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases (decreases) in the fair value of investments	<u>\$ 1,262,580</u>	<u>\$ (45,687)</u>	<u>\$ (1,179)</u>
Noncash capital asset contributions			<u>\$ 614,154</u>
Outstanding note obligations on assets acquired	<u>\$ 907,121</u>		
Capital asset trade-ins			

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

Business-type Activities - Enterprise Funds (continued)				
Water Utility	Other Enterprise Funds	Totals		Internal Service Funds
542,427	483,738	(704,539)		636,903
<u>3,646,525</u>	<u>2,960,201</u>	<u>21,596,355</u>		<u>8,319,851</u>
\$ <u>4,188,952</u>	\$ <u>3,443,939</u>	\$ <u>20,891,816</u>		\$ <u>8,956,754</u>
\$ 903,156	\$ (2,838,492)	\$ 11,298,956		\$ 112,786
931,321	1,198,633	16,294,208		958,980
(30,372)	50,024	(4,580,142)		46,207
12,022	(79,119)	15,105		2,208
(41,956)	(7,641)	(70,828)		(31,272)
7,313	(18,284)	(318,811)		(12,537)
(527)	33,115	(10,443)		401,332
(29,611)	19,411	(633,594)		(193,176)
(28,023)	18,786	(493,055)		14,270
4,888	18,490	695,168		15,913
(94,833)	(5,522)	(116,838)		(2,193)
				(25,217)
5,000	(9,383)	(6,959)		(358)
		(3,717)		
	<u>(14,191)</u>	<u>(14,191)</u>		
\$ <u>1,638,378</u>	\$ <u>(1,634,173)</u>	\$ <u>22,054,859</u>		\$ <u>1,286,943</u>
\$ <u>(1,430)</u>	\$ <u>(1,330)</u>	\$ <u>1,212,954</u>		\$ <u>(3,058)</u>
\$ <u>583,984</u>	\$ <u>9,880</u>	\$ <u>1,208,018</u>		\$ <u>361,483</u>
		\$ <u>907,121</u>		
				\$ <u>65,410</u>

(concluded)

CITY OF AMES, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUNDS JUNE 30, 2005

ASSETS	Agency Funds
Cash and pooled cash investments	\$ 343,639
Due from other governments	<u>682</u>
Total assets	<u>\$ 344,321</u>
 LIABILITIES	
Accounts payable	\$ 54,551
Due to other governments	<u>289,770</u>
Total liabilities	<u>\$ 344,321</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, 2005

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 financial statements. Agency funds have no measurement focus. 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 main 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.

The water utility fund accounts for the operation of the City owned water plant, which provides water services to residents of the City and some contiguous areas.

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 has several nonmajor special revenue funds which have investment interest income and/or net increases (decreases) in fair value 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, 2005. 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. Special revenue funds are budgeted at the aggregate fund level. 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. The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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

Deposits

The City's deposits at June 30, 2005 were entirely covered by federal depository insurance or collateralized 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. The amount of the pledged collateral is based on an approved method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using this method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City of Ames. Because of the inability to measure the exact amounts of collateral pledged for the City of Ames under this method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of Iowa enforces strict

standards of financial stability for each depository that collateralizes public deposits. The City of Ames has no policy regarding custodial credit risk for deposits.

Investments

The table below identifies the investment types that are authorized for the City of Ames by the City of Ames Investment Policy. The Medical Center is guided by Chapters 12B and 12C of the Code of Iowa and policy as approved by the Board of Trustees in the selection of security investments. The City of Ames Investment Policy considers certificates of deposit as investments and all certificates of deposit purchased by the City of Ames are nonnegotiable. However, under GAAP, nonnegotiable certificates of deposit are cash deposits and not investments. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Operating Funds Maximum Maturity	Non-Operating Funds Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	397 Days	7 Years	N/A	N/A
U.S. Agency Securities	397 Days	7 Years	N/A	N/A
Certificates of Deposit	397 Days	7 Years	N/A	N/A
Prime Banker's Acceptances	270 Days	270 Days	10%	5%
Commercial Paper	270 Days	270 Days	10%	5%
Repurchase Agreements	397 Days	7 Years	N/A	N/A
Constant Dollar Money Market Funds	397 Days	7 Years	N/A	N/A
Joint Investment Trust	397 Days	7 Years	N/A	N/A
Warrants or Improvement Certificates of a Levee or Drainage District	397 Days	7 Years	N/A	N/A
Mutual Funds	N/A	N/A	N/A	N/A
U. S. Treasury Notes	17 Years	N/A	N/A	N/A
Corporate Debt Securities	N/A	30 Years	N/A	5%

At June 30, 2005, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Iowa Public Agency Investment Trust	\$ 15,380	N/A
Federal Agency Coupon Securities	30,957,399	Various 8/15/2005 thru 3/3/2008
Federal Agency Pass Through Securities	1,419,042	Various 6/1/2008 thru 11/1/2010
U.S. Treasury Notes	3,471,120	Various 8/15/2009 thru 2/16/2016
Mutual Funds	31,618,204	N/A
Corporate Debt Securities	8,720,772	10/1/2005 thru 11/25/2033
Total:	<u>\$ 76,201,917</u>	

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Ames manages exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Investments are purchased with the intent to hold until maturity.

Information about the sensitivity of the fair values of the City of Ames' investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Ames' investments by maturity:

Investment Type	Remaining Maturity in Months				
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
Iowa Public Agency Investment Trust	\$ 15,380	\$ 15,380			
Federal Agency Coupon Securities	30,957,399	26,755,623	\$ 2,229,966	\$ 1,971,810	
Federal Agency Pass Through Securities	1,419,042			1,044,303	\$ 374,739
U.S. Treasury Notes	3,471,120			2,094,732	1,376,388
Mutual Funds	31,618,204	N/A	N/A	N/A	N/A
Corporate Debt Securities	8,720,772	174,802	1,581,221	4,599,146	2,365,603
Total	\$ 76,201,917	\$ 26,945,805	\$ 3,811,187	\$ 9,709,991	\$ 4,116,730

The City of Ames' investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

	Fair Value At Year End
Federal Agency Pass Through Securities. These securities are subject to early payment in a period of changing interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 1,419,042

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City of Ames will minimize credit risk by using the following measures:

- Limiting investments to those authorized by the investment policy.

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the City will do business.
- Diversifying the investment portfolio by agency and issuer so that potential losses on individual securities can be minimized.
- Holding a minimum of 5% of the total portfolio in highly marketable short-term treasuries, checking with interest, government pooled account, or a combination of all three.

Presented below is the actual rating as of year end for each investment type of the City of Ames investment portfolio.

<u>Investment Type</u>		<u>Ratings as of Year End</u>
Iowa Public Agency Investment Trust	\$ 15,380	N/A
Federal Agency Coupon Securities	30,957,399	AAA
Federal Agency Pass Through Securities	1,419,042	AAA
U.S. Treasury Notes	3,471,120	N/A
Mutual Funds	31,618,204	N/A
Corporate Debt Securities	<u>8,720,772</u>	<Baa-AAA
Total	<u>\$ 76,201,917</u>	

Concentration of Credit Risk

The investment policy of the City of Ames provides for limitations approved by City Council on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total City of Ames investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Portfolio</u>
Federal Home Loan Bank	Federal Agency Securities	\$ 11,207,972	14.71%
Federal National Mortgage Association	Federal Agency Securities	6,869,858	9.02%
Federal Home Loan Mortgage Co.	Federal Agency Securities	3,929,212	5.16%

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City of Ames' investment policy contains requirements that limit the exposure to custodial credit risk for deposits or investments by the following measures:

- Delivery vs. Payment-All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial

institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

- Bonding-City investment officials shall be bonded to protect loss of public funds against possible embezzlement and/or malfeasance.
- Internal Controls-The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Ames are protected from loss, theft, or misuse.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Delivery versus payment
- Clear delegation of authority
- Confirmation of transactions for investments and wire transfers

As of June 30, 2005, The City of Ames' investments in the following investment types were held by the same third party custodian that was used by the City of Ames to buy the securities and evidenced by safekeeping receipts:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 11,207,972
Federal Home Loan Mortgage Co.	Federal Agency Securities	3,929,212
Federal National Mortgage Association	Federal Agency Securities	6,869,858

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2005, the City of Ames had no exposure to foreign currency rate risk.

Foundation Investments

The Mary Greeley Medical Center Foundation reports under FASB standards. As such, adoption of GASB Statement No. 40, Deposit and Investment Risk Disclosures, was not required by the Foundation and, accordingly, no such disclosures are presented here.

Foundation investments at fair value at June 30, 2005 are summarized as follows:

Equity mutual funds	\$ 5,475,866
Bond mutual funds	<u>1,805,049</u>
Total investments	<u><u>\$ 7,280,915</u></u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,162,859	\$ 41,692		\$ 10,204,551
Land improvements	1,384,118			1,384,118
Construction in progress	1,413,751	3,844,216	\$ 1,150,959	4,107,008
Public art collection	312,907	23,196		336,103
Library collection	2,350,791	314,600	223,561	2,441,830
Total capital assets not being depreciated	<u>15,624,426</u>	<u>4,223,704</u>	<u>1,374,520</u>	<u>18,473,610</u>
Capital assets being depreciated:				
Buildings	13,046,523	12,717		13,059,240
Equipment	12,415,340	1,382,149	800,364	12,997,125
Infrastructure	116,664,457	7,428,557	353,160	123,739,854
Total capital assets being depreciated	<u>142,126,320</u>	<u>8,823,423</u>	<u>1,153,524</u>	<u>149,796,219</u>
Less accumulated depreciation for:				
Buildings	5,467,199	332,501		5,799,700
Equipment	6,373,230	1,040,476	596,705	6,817,001
Infrastructure	36,911,790	5,077,297	353,160	41,635,927
Total accumulated depreciation	<u>48,752,219</u>	<u>6,450,274</u>	<u>949,865</u>	<u>54,252,628</u>
Total capital assets being depreciated, net	<u>93,374,101</u>	<u>2,373,149</u>	<u>203,659</u>	<u>95,543,591</u>
Governmental activities capital assets, net	<u>\$ 108,998,527</u>	<u>\$ 6,596,853</u>	<u>\$ 1,578,179</u>	<u>\$ 114,017,201</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,754,053	\$ 21,856		\$ 9,775,909
Construction in progress	4,861,366	14,842,355	\$ 1,666,128	18,037,593
Total capital assets not being depreciated	<u>14,615,419</u>	<u>14,864,211</u>	<u>1,666,128</u>	<u>27,813,502</u>
Capital assets being depreciated:				
Plant and distribution systems	225,046,733	6,445,736		231,492,469
Buildings	104,818,564	1,733,827	451,000	106,101,391
Improvements other than buildings	2,183,651	91,970		2,275,621
Equipment	78,799,343	9,599,060	4,403,855	83,994,548
Total capital assets being depreciated	<u>410,848,291</u>	<u>17,870,593</u>	<u>4,854,855</u>	<u>423,864,029</u>
Less accumulated depreciation for:				
Plant and distribution systems	127,220,214	6,775,463		133,995,677
Buildings	28,827,874	3,462,549	39,313	32,251,110
Improvements other than buildings	1,052,096	81,303		1,133,399
Equipment	52,521,310	5,974,893	2,414,768	56,081,435
Total accumulated depreciation	<u>209,621,494</u>	<u>16,294,208</u>	<u>2,454,081</u>	<u>223,461,621</u>
Total capital assets being depreciated, net	<u>201,226,797</u>	<u>1,576,385</u>	<u>2,400,774</u>	<u>200,402,408</u>
Business-type activities capital assets, net	<u>\$ 215,842,216</u>	<u>\$ 16,440,596</u>	<u>\$ 4,066,902</u>	<u>\$ 228,215,910</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>\$ 5,194,583</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>\$ 15,703,508</u>

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

The City had active construction projects at June 30, 2005. The commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Street projects	\$ 4,643,114	\$ 3,158,521
Sewer projects	398,930	68,949
Bandshell Park project	125,939	165,150
Transit garage expansion	404,938	871,143
Water projects	990,864	95,966
Electric projects	11,285,122	1,052,387
Total	<u>\$ 17,848,907</u>	<u>\$ 5,412,116</u>

C. Interfund Receivables, Payables, and Transfers

Individual interfund balances at June 30, 2005 were as follows:

	Due From								
	General fund	Capital Projects	Electric fund	Sewer fund	Water fund	Nonmajor special revenue	Nonmajor enterprise	Internal Service	
Total									
Due To:									
Major Funds:									
General fund	\$ 783,249	\$ 29,446	\$ 85,995	\$ 20,431	\$ 24,282	\$ 579,746	\$ 34,647	\$ 8,702	
Debt service	9,247			9,247					
Capital projects	19,312	39				19,273			
Electric fund	77,097			36,300	40,000			797	
Sewer fund	26,933	11,203	7,137		8,593				
Water fund	54,208	3,763	10,333	112		40,000			
Nonmajor Funds:									
Nonmajor special revenue	42,701	445		5,227	5,227	15,931	5,227	10,644	
Nonmajor enterprise	55,901	8,831	47,070						
Internal service	339,745	92,133	1,286	62,156	16,438	121,648	30,167	2,847	
Permanent fund	4,956	4,956							
Totals	\$ 1,413,349	\$ 106,365	\$ 45,737	\$ 212,691	\$ 87,755	\$ 91,172	\$ 776,598	\$ 70,041	\$ 22,990

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, 2005:

	Transfers From				
	General fund	Capital projects	Electric fund	Nonmajor special revenue	Internal service
Total					
Transfer To:					
Major Funds:					
General fund	\$ 5,577,460		\$ 1,182,484	\$ 4,394,976	
Debt service	359,827	\$ 283,143		76,684	
Sewer	11,203	11,203			
Water	4,298	3,557		741	
Nonmajor Funds:					
Nonmajor special revenue funds	143,340			143,340	
Nonmajor enterprise funds	1,083,839	\$ 1,037,079		20,000	\$ 26,760
Totals	\$ 7,179,967	\$ 1,037,079	\$ 297,903	\$ 4,635,741	\$ 26,760

D. Leases and Notes Payable

The City had various leases with third parties for equipment and rental agreements. During the year ended June 30, 2005, \$98,136 was paid. Future minimum payment requirements are as follows:

Year ending June 30,	
2006	\$ 23,362
2007	14,490
2008	14,490
2009	14,490
2010	14,490
Thereafter	<u>26,565</u>
	<u>\$ 107,887</u>

Mary Greeley Medical Center has three, 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 2006, 2007, and 2008, requiring payments of approximately \$49,000 per month, \$23,000 per month, and \$3,500 per month, respectively.

At June 30, 2005, future minimum notes payable obligations are as follows:

2006	\$ 617,193
2007	285,367
2008	<u>42,023</u>
Total	944,583
Less amount representing interest	<u>37,462</u>
	907,121
Less current obligations	<u>587,020</u>
Total notes payable, net of current obligations	<u>\$ 320,101</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, 2005, Mary Greeley Medical Center paid \$2,647,363 in principal and interest on revenue bonds and the Electric Utility Fund paid \$1,924,275 in revenue bond principal and interest.

Details of bonds payable at June 30, 2005 are as follows:

	Date of Issue	Interest Rates	Amount Originally Issued	Maturity Date	Outstanding June 30, 2005
General obligation bonds:					
Corporate purpose	6/1997	4.40 - 4.60%	5,460,000	6/2009	1,800,000
Corporate purpose	6/1998	4.13 - 4.25%	5,130,000	6/2010	2,125,000
Corporate purpose	6/1999	3.60 - 4.45%	4,045,000	6/2011	2,245,000
Corporate & Ice Arena	7/2000	4.75 - 5.15%	5,870,000	6/2012	3,825,000
Corporate purpose	8/2001	4.00 - 4.70%	10,080,000	6/2013	6,985,000
GO refunding	12/2001	2.50 - 3.60%	2,692,520	6/2008	1,060,000
Fire station	12/2001	2.50 - 4.10%	1,310,000	6/2013	900,000
Ames Quarry	5/2002	4.00 - 5.13%	3,475,000	6/2021	3,090,000
Corporate purpose 2002B	10/2002	2.25 - 3.60%	5,885,000	6/2014	4,540,000
Corporate refunding 2002C	10/2002	2.50 - 3.50%	3,212,820	6/2007	1,143,133
Water GO refunding 2002C	10/2002	2.50 - 3.50%	390,986	6/2007	148,605
Resource Recovery GO refunding 2002C	10/2002	2.50 - 3.50%	3,976,194	6/2010	2,318,262
Corp & Ada Hayden Park	09/2003	1.10 - 3.70%	6,555,000	6/2015	5,455,000
Corp, Fire & Ada Hayden	10/2004	2.75 - 3.75%	6,030,000	6/2014	<u>5,430,000</u>
Total general obligation bonds					<u>41,065,000 (a)</u>
Revenue bonds:					
Mary Greeley Medical Center:					
2003 Refunding	6/2003	3.00 - 5.00%	29,385,000	6/2022	<u>26,595,000</u>
Total Mary Greeley Medical Center revenue bonds					<u>26,595,000</u>
Electric:					
2002D Refunding	10/2002	2.50 - 3.00	7,525,000	1/2008	<u>3,785,000</u>
Total Electric revenue bonds					<u>3,785,000</u>
Total revenue bonds					<u>30,380,000 (b)</u>
Total all bonds					<u>\$ 71,445,000</u>

(a) Excludes unamortized premiums of \$81,010 and unamortized charges arising from refunding of \$50,734.

(b) Excludes unamortized premiums of \$1,050,534 and unamortized charges arising from refunding of \$998,978.

As of June 30, 2005, annual debt service requirements of governmental activities to maturity are as follows:

Year ending June 30	General Obligation Bonds	
	Principal	Interest
2006	\$ 5,288,105	\$ 1,498,640
2007	5,190,028	1,308,166
2008	4,760,000	980,333
2009	4,545,000	813,450
2010	4,180,000	651,235
2011-2015	13,215,000	1,369,771
2016-2020	1,155,000	247,511
2021-2022	265,000	13,581
Total requirements	<u>\$ 38,598,133</u>	<u>\$ 6,882,687</u>

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

As of June 30, 2005, 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
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	425,000	14,875	1,090,000	993,613	1,515,000	1,008,488
2011-2015			7,180,000	4,256,500	7,180,000	4,256,500
2016-2020			9,000,000	2,370,875	9,000,000	2,370,875
2021-2022			4,225,000	296,150	4,225,000	296,150
Total requirements	<u>\$ 2,466,867</u>	<u>\$ 242,964</u>	<u>\$ 30,380,000</u>	<u>\$ 12,442,613</u>	<u>\$ 32,846,867</u>	<u>\$ 12,685,577</u>

The following is a summary of long-term liability activity for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 37,875,404	\$ 6,030,000	\$ (5,307,271)	\$ 38,598,133	\$ 5,288,105
Employee benefits	1,456,272	335,753	(248,432)	1,543,593	4,950
Total Governmental Activities	<u>\$ 39,331,676</u>	<u>\$ 6,365,753</u>	<u>\$ (5,555,703)</u>	<u>\$ 40,141,726</u>	<u>\$ 5,293,055</u>
Business-Type Activities:					
Revenue bonds	\$ 33,595,000		\$ (3,215,000)	\$ 30,380,000	\$ 3,305,000
General obligation bonds	3,069,595		(602,729)	2,466,866	586,895
Employee benefits	8,608,182	8,474,403	(8,109,288)	8,973,297	7,920,612
Notes payable	1,575,450		(668,329)	907,121	587,020
Landfill postclosure costs	776,318		(14,191)	762,127	
Total Business-Type Activities	<u>\$ 47,624,545</u>	<u>\$ 8,474,403</u>	<u>\$ (12,609,537)</u>	<u>\$ 43,489,411</u>	<u>\$ 12,399,527</u>

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

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.

The City had one outstanding contract between the Iowa Department of Economic Development (IDED) and city business entities for Community Economic Betterment Account (CEBA) loans at June 30, 2005. Although the note bears 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 loan is not reported as a liability 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	\$ 1,151,458
Electric Utility	752,500
Total restricted for debt service	<u>\$ 1,903,958</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, the deductible for general liability insurance and administrative costs from its revenues and holds excess revenues for reserve against future claims.

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$396,822.00.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also retained. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005,

settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with property (buildings and contents) and boiler and machinery coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in the balance of claims liabilities during the years ended June 30, 2005 and 2004 were as follows:

	2005	2004
Balance at July 1	\$ 359,944	\$ 76,275
Current year claims and changes in estimates	436,957	527,197
Claim payments	<u>(462,174)</u>	<u>(243,528)</u>
Balance at June 30	<u>\$ 334,727</u>	<u>\$ 359,944</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, 2005.

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 September 13, 2005, the City issued \$3,675,000 of general obligation corporate purpose bonds and \$1,820,000 of general obligation refunding bonds for a total issue of \$5,495,000. The proceeds to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City totaled \$3,596,000, proceeds to be used for fire apparatus is \$79,000, and \$1,820,000 is to be used to refund the 1997 general obligation corporate purpose bonds remaining at June 30, 2005.

The true interest cost on the bonds is 3.482054% and the maturity dates on the bonds range from June 1, 2006 through June 1, 2017. Debt service payments are scheduled semiannually at amounts that range from \$6,935 to \$810,251. The bonds maturing in the year June 1, 2014 and thereafter are subject to prior redemption on June 1, 2013 and any date thereafter at a price of par plus accrued interest to the date of redemption.

The Chapter 410 Fire Pension Plan for firefighters who entered City employment prior to March 31, 1934 closed in July, 2005 due to the death of the sole remaining beneficiary of the plan.

C. Contingent Liabilities

The City legal department reported to management that, as of June 30, 2005, 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 \$762,127 at June 30, 2005.

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 94 percent of gross patient charges determined at established rates for the year ended June 30, 2005 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, 2005, 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
2003	\$2,955,342	100%
2004	3,022,724	100%
2005	3,236,750	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, 2005, 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, 2004 the City mandated minimum contribution increased to 24.92%. An additional increase will occur on July 1, 2005 to 28.21% with a scheduled decrease to 27.75% effective July 1, 2006.

For the year ended June 30, 2005, the City’s contribution was 24.92 percent of the earnable compensation of each member.

Schedule of Employer Contributions

Year Ended June 30	Amount Required	Percentage Contributed
2003	\$ 775,167	100%
2004	968,528	100%
2005	1,228,717	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 148 active and fully vested participants, 66 terminated participants, 3 retired participants, and 9 other participants in the plan at June 30, 2005.

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.

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, 2005 was \$22,795,491. Employee contributions to the plan for the fiscal year ended June 30, 2005 totaled \$418,220 and employer contributions were \$614,163.

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. Related-Party Transactions

Effective February 12, 2003, the Medical Center entered into a joint venture with McFarland Clinic, P.C. to form a joint venture company, Health Ventures of Central Iowa, LLC (the "joint venture"). The Medical Center uses the equity method of accounting for joint ventures in which it has the ability to exercise significant influence over operating and financial policies of the investee. The Medical Center owns 50% of the joint venture which is recorded as an investment of \$140,164 at June 30, 2005, and is included in other assets in the balance sheet.

Included in other receivables is approximately \$1,331,000 due from the joint venture at June 30, 2005. Effective June 30, 2005, the operations of a newly remodeled cardiac catheterization lab were transferred from the Medical Center to the joint venture. In connection with this transaction, the Medical Center sold approximately \$146,000 of inventory to the joint venture at cost. In addition, the Medical Center sold approximately \$2,262,000 of property, plant and equipment, net of approximately \$184,000 of accumulated depreciation, to the joint venture at cost; a gain on sale of approximately \$184,000 was recorded on this transaction.

I. New Accounting Pronouncements

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. The City will implement the standards of this statement effective for the fiscal year ending June 30, 2006.

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. This statement requires systematic, accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service. The City has not determined the effect implementation of this statement will have on their financial statements.

Statement No. 46, Net Assets Restricted by Enabling Legislation, issued December, 2004, will be effective for periods beginning after June 15, 2005. This statement clarifies the definition of a legally enforceable enabling legislation restriction and specifies the accounting and reporting requirements for the restrictions and any changes in them. The City will implement the standards of this statement effective for the fiscal year ending June 30, 2006.

GASB Statement No. 47, Accounting for Termination Benefits, was issued in June, 2005 and will be implemented by the City effective for the fiscal year ending June 30, 2006.



Part of CyRide's Fleet in 1984

The average age of the CyRide large bus fleet is 13.3 years, much higher than the national average of 6.5 years. Twenty-seven buses are past their design life. All scheduled trips are wheelchair accessible and all trips are air-conditioned in the summer.

CyRide will receive three new low-floor buses in August, 2006. Federal funds provide 83% of the cost of a new bus.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



About CyRide

CyRide operates ten fixed routes, a Dial-a-Ride service for people with disabilities, and a late-night service called Moonlight Express. The fixed routes and Dial-A-Ride operate every day of the year except Thanksgiving, Christmas, and New Year's Day. Moonlight Express operates on Friday and Saturday nights when Iowa State University is in session.

CyRide also operates a shuttle service to the Des Moines International Airport during Iowa State University's school calendar breaks.

During the summer of 2005, CyRide operated a "State Fair Shuttle" from Southeast Polk High School to the State Fair in Des Moines.

CITY OF AMES, IOWA

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Final to Actual Variance
Revenues & other financing sources:						
Taxes levied on property	\$ 17,327,102		\$ 17,327,102	\$ 17,318,377	\$ 17,318,377	\$ 8,725
Delinquent property taxes	52,567		52,567			52,567
TIF revenues	229,993		229,993	276,855	238,442	(8,449)
Other City taxes	6,158,794		6,158,794	6,125,868	6,065,317	93,477
Licenses & permits	1,162,071		1,162,071	987,450	1,137,550	24,521
Use of money and property	884,548	\$ 4,963,111	5,847,659	3,930,703	5,314,342	533,317
Intergovernmental	7,846,343	4,402,079	12,248,422	14,466,048	14,565,295	(2,316,873)
Charges for services	2,782,958	173,765,543	176,548,501	159,663,154	165,432,941	11,115,560
Special assessments	288,662		288,662	227,000	270,000	18,662
Miscellaneous	1,086,290	1,191,756	2,278,046	1,748,675	1,539,081	738,965
Other financing sources	13,417,216	1,492,764	14,909,980	15,086,667	14,758,999	150,981
Total revenues and other sources	<u>51,236,544</u>	<u>185,815,253</u>	<u>237,051,797</u>	<u>219,830,797</u>	<u>226,640,344</u>	<u>10,411,453</u>
Expenditures & other financing uses:						
Public safety	10,803,857		10,803,857	11,056,790	11,104,289	300,432
Public works	4,103,897		4,103,897	4,217,268	4,147,701	43,804
Health and social services	909,945		909,945	952,136	955,310	45,365
Culture and recreation	5,320,818		5,320,818	5,440,484	5,346,438	25,620
Community and economic development	2,379,595		2,379,595	3,071,110	3,388,077	1,008,482
General government	1,948,520		1,948,520	2,134,408	2,106,101	157,581
Debt service	7,629,323		7,629,323	7,546,276	7,631,344	2,021
Capital projects	10,184,918		10,184,918	11,262,683	13,079,722	2,894,804
Total government activities expenditures	<u>43,280,873</u>		<u>43,280,873</u>	<u>45,681,155</u>	<u>47,758,982</u>	<u>4,478,109</u>
Business type/enterprises		171,898,638	171,898,638	173,456,050	184,264,326	12,365,688
Total government activities & business expenditures	43,280,873	171,898,638	215,179,511	219,137,205	232,023,308	16,843,797
Transfers out	6,824,969	1,968,058	8,793,027	9,051,667	8,630,372	(162,655)
Total expenditures/transfers out	<u>50,105,842</u>	<u>173,866,696</u>	<u>223,972,538</u>	<u>228,188,872</u>	<u>240,653,680</u>	<u>16,681,142</u>
Excess revenues & other sources over (under) expenditures/transfers out	1,130,702	11,948,557	13,079,259	(8,358,075)	(14,013,336)	27,092,595
Beginning fund balance July 1	<u>25,581,006</u>	<u>234,717,773</u>	<u>260,298,779</u>	<u>239,058,475</u>	<u>260,298,779</u>	
Ending fund balance June 30	<u>\$ 26,711,708</u>	<u>\$ 246,666,330</u>	<u>\$ 273,378,038</u>	<u>\$ 230,700,400</u>	<u>\$ 246,285,443</u>	<u>\$ 27,092,595</u>

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

CITY OF AMES, IOWA

**BUDGET TO GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2005**

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	Modified Accrual Basis	Budget Basis	Adjustments	Accrual Basis
Revenues & other financing sources	\$ 51,236,544	\$ (1,270,282)	\$ 49,966,262	\$ 185,815,253	\$ 1,117,233	\$ 186,932,486
Expenditures & other financing uses	<u>50,105,842</u>	<u>(1,242,810)</u>	<u>48,863,032</u>	<u>173,866,696</u>	<u>(4,622,915)</u>	<u>169,243,781</u>
Excess revenues & other sources over (under) expenditures & other uses	1,130,702	(27,472)	1,103,230	11,948,557	5,740,148	17,688,705
Beginning fund balances	<u>25,581,006</u>	<u>(5,179,497)</u>	<u>20,401,509</u>	<u>234,717,773</u>	<u>53,148,391</u>	<u>287,866,164</u>
Ending fund balances	<u>\$ 26,711,708</u>	<u>\$ (5,206,969)</u>	<u>\$ 21,504,739</u>	<u>\$ 246,666,330</u>	<u>\$ 58,888,539</u>	<u>\$ 305,554,869</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, 2005

1. Budgetary Reporting

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Enterprise Funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund.

During the year, two budget amendments increased budgeted expenditures by \$12,886,103. These budget amendments are reflected in the final budgeted amounts.

**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.

CDBG - This fund is used to account for funds received from HUD to be used according to our Community Development Block Grant program.

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, 2005**

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled cash investments	\$ 11,745,059	\$ 790,002	\$ 12,535,061
Taxes receivable	8,938		8,938
Accounts receivable	57,052	835	57,887
Accrued interest receivable	60,441		60,441
Intergovernmental receivables	1,498,545		1,498,545
Due from other funds	42,701	4,956	47,657
Inventories	77,512		77,512
Prepaid items	5,875		5,875
Succeeding year taxes receivable	1,172,424		1,172,424
	<u>14,668,547</u>	<u>795,793</u>	<u>15,464,340</u>
Total assets	\$ 14,668,547	\$ 795,793	\$ 15,464,340
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 229,981	\$ 1,802	\$ 231,783
Retainage payable	65,588		65,588
Due to other governments	268,708		268,708
Compensation and payroll taxes	47,409		47,409
Due to other funds	776,598		776,598
Interest payable	385		385
Unearned revenue	235,227		235,227
Succeeding year unearned revenue	1,172,424		1,172,424
Customer deposits	84,643		84,643
Total liabilities	<u>2,880,963</u>	<u>1,802</u>	<u>2,882,765</u>
Fund balances:			
Reserved for:			
Encumbrances	1,056,681		1,056,681
Perpetual care		793,991	793,991
Inventories	77,512		77,512
Prepaid items	5,875		5,875
State statute restricted purpose	1,508,221		1,508,221
Unreserved:			
Unreserved, designated for subsequent year's expenditures	860,719		860,719
Unreserved, reported in nonmajor special revenue funds	8,278,576		8,278,576
Total fund balances	<u>11,787,584</u>	<u>793,991</u>	<u>12,581,575</u>
Total liabilities and fund balances	\$ 14,668,547	\$ 795,793	\$ 15,464,340

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 1,169,817		\$ 1,169,817
Intergovernmental	11,495,974		11,495,974
Charges for services	9,431	\$ 10,912	20,343
Donations	600,711		600,711
Investment earnings	345,638		345,638
Miscellaneous	65,680		65,680
	<hr/>		<hr/>
Total revenues	13,687,251	10,912	13,698,163
Expenditures:			
Current:			
Public safety	205,715		205,715
Public works	2,988,125		2,988,125
Health and social services	780,984		780,984
Culture and recreation	224,573	5,810	230,383
Community and economic development	1,914,314		1,914,314
General government	120,735		120,735
Capital projects	2,330,074		2,330,074
	<hr/>		<hr/>
Total expenditures	8,564,520	5,810	8,570,330
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	5,122,731	5,102	5,127,833
Other financing sources (uses):			
Transfers in	143,340		143,340
Transfers out	(4,635,741)		(4,635,741)
Total other financing sources (uses)	<hr/>		<hr/>
	(4,492,401)		(4,492,401)
Net change in fund balance	630,330	5,102	635,432
Fund balances at beginning of year	<hr/>	<hr/>	<hr/>
	11,157,254	788,889	11,946,143
Fund balances at end of year	<hr/>	<hr/>	<hr/>
	\$ 11,787,584	\$ 793,991	\$ 12,581,575

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005**

ASSETS	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Cash and pooled cash investments	\$ 2,545,340	\$ 464,175	\$ 218,160	\$ 1,902,387	\$ 18,305
Taxes receivable					
Accounts receivable	25,715		6,768		
Accrued interest receivable	20,311				
Intergovernmental receivables	797,198	235,227		338,939	
Due from other funds	3,684			26,326	
Inventories				77,512	
Prepaid items		5,000			
Succeeding year taxes receivable					
Total assets	\$ 3,392,248	\$ 704,402	\$ 224,928	\$ 2,345,164	\$ 18,305
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash in bank overdraft					
Accounts payable	\$ 91,642	\$ 43,008	\$ 772	\$ 45,462	
Retainage payable	25,453			29,257	
Due to other governments			133,625	1,630	
Compensation and payroll taxes	22		1,450	43,672	
Due to other funds	542,445	243	8,918	138,994	
Interest payable			385		
Unearned revenue		235,227			
Succeeding year unearned revenue					
Customer deposits					
Total liabilities	659,562	278,478	145,150	259,015	
Fund balances:					
Reserved for:					
Encumbrances	321,606	3,107		566,818	
Inventories				77,512	
Prepaid items		5,000			
State statute restricted purposes					
Unreserved, designated for subsequent year's expenditures	68,972	79,608		104,943	
Unreserved, reported in nonmajor special revenue funds	2,342,108	338,209	79,778	1,336,876	\$ 18,305
Total fund balances	2,732,686	425,924	79,778	2,086,149	18,305
Total liabilities and fund balances	\$ 3,392,248	\$ 704,402	\$ 224,928	\$ 2,345,164	\$ 18,305

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 133,713	\$ 752,395	\$ 413,470	\$ 8,938	\$ 1,491,932	\$ 973,181
938	9,551				6,381
	3,821	3,179		11,487	7,489
16,775	12,246				
			1,172,424		
<u>\$ 151,426</u>	<u>\$ 778,013</u>	<u>\$ 416,649</u>	<u>\$ 1,181,362</u>	<u>\$ 1,503,419</u>	<u>\$ 987,051</u>
	\$ 227				\$ 40,384 6,628
\$ 225		\$ 72,016			
1,673					
48,727	121		\$ 8,938	\$ 868	22,957
			1,172,424		
<u>50,625</u>	<u>348</u>	<u>72,016</u>	<u>1,181,362</u>	<u>868</u>	<u>69,969</u>
					165,150
				1,502,551	
	153,879	72,913			79,314
<u>100,801</u>	<u>623,786</u>	<u>271,720</u>			<u>672,618</u>
<u>100,801</u>	<u>777,665</u>	<u>344,633</u>		<u>1,502,551</u>	<u>917,082</u>
<u>\$ 151,426</u>	<u>\$ 778,013</u>	<u>\$ 416,649</u>	<u>\$ 1,181,362</u>	<u>\$ 1,503,419</u>	<u>\$ 987,051</u>

(continued)

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005**

ASSETS	Library Donations	Project Share	Police & Fire Donations	CDBG	Animal Shelter Donations
Cash and pooled cash investments	\$ 1,682,726	\$ 4,985	\$ 9,380		\$ 60,972
Taxes receivable					
Accounts receivable	3,549	685			2,582
Accrued interest receivable	12,926				471
Intergovernmental receivables				\$ 110,406	
Due from other funds	445				
Inventories					
Prepaid items	875				
Succeeding year taxes receivable					
Total assets	\$ 1,700,521	\$ 5,670	\$ 9,380	\$ 110,406	\$ 64,025
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash in bank overdraft				\$ 96,919	
Accounts payable	\$ 3,651			4,258	\$ 160
Retainage payable				4,250	
Due to other governments					
Compensation and payroll taxes				592	
Due to other funds				4,387	
Interest payable					
Unearned revenue					
Succeeding year unearned revenue					
Customer deposits					
Total liabilities	3,651			110,406	160
Fund balances:					
Reserved for:					
Encumbrances					
Inventories					
Prepaid items	875				
State statute restricted purposes		\$ 5,670			
Unreserved, designated for subsequent year's expenditures	280,590				
Unreserved, reported in nonmajor special revenue funds	1,415,405		\$ 9,380		63,865
Total fund balances	1,696,870	5,670	9,380		63,865
Total liabilities and fund balances	\$ 1,700,521	\$ 5,670	\$ 9,380	\$ 110,406	\$ 64,025

Public Art Donations	Developers' Projects	Economic Development & Loans	Total Nonmajor Special Revenue Funds
\$ 4,551	\$ 382,220	\$ 784,086	\$ 11,841,978
		883	8,938
35	722		57,052
			60,441
			1,498,545
			42,701
			77,512
			5,875
			<u>1,172,424</u>
<u>\$ 4,586</u>	<u>\$ 382,942</u>	<u>\$ 784,969</u>	<u>\$ 14,765,466</u>
		\$ 417	\$ 96,919
			229,981
			65,588
		61,212	268,708
			47,409
			776,598
			385
			235,227
			<u>1,172,424</u>
	\$ 84,643		84,643
	<u>84,643</u>	<u>61,629</u>	<u>2,977,882</u>
			1,056,681
			77,512
			5,875
			1,508,221
	20,500		860,719
<u>\$ 4,586</u>	<u>277,799</u>	<u>723,340</u>	<u>8,278,576</u>
<u>4,586</u>	<u>298,299</u>	<u>723,340</u>	<u>11,787,584</u>
<u>\$ 4,586</u>	<u>\$ 382,942</u>	<u>\$ 784,969</u>	<u>\$ 14,765,466</u>

(concluded)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Revenues:					
Taxes					
Intergovernmental	\$ 5,206,903	\$ 854,246	\$ 908,914	\$ 4,211,923	
Charges for services					
Donations	25,715				
Investment earnings	66,079		3,153		
Miscellaneous			11,506		
Total revenues	5,298,697	854,246	923,573	4,211,923	
Expenditures:					
Current:					
Public safety	64,056				
Public works	15,312			2,954,929	\$ 1,196
Health and social services	780,984				
Culture and recreation	111,006	5,000			
Community and economic development	77,935	648,791	904,274		
General government	31,642	1,500		77,691	
Capital projects	951,802			1,238,448	
Total expenditures	2,032,737	655,291	904,274	4,271,068	1,196
Excess (deficiency) of revenues over (under) expenditures	3,265,960	198,955	19,299	(59,145)	(1,196)
Other financing sources (uses):					
Transfers in	68,340				
Transfers out	(3,447,642)	(170,850)			
Total other financing sources (uses)	(3,379,302)	(170,850)			
Net change in fund balance	(113,342)	28,105	19,299	(59,145)	(1,196)
Fund balances at beginning of year	2,846,028	397,819	60,479	2,145,294	19,501
Fund balances at end of year	\$ 2,732,686	\$ 425,924	\$ 79,778	\$ 2,086,149	\$ 18,305

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 102,121		\$ 229,993	\$ 939,824		
	\$ 500				\$ 9,431
	84,879	9,150		\$ 33,813	265,951
19,380	34,794				21,243
<u>121,501</u>	<u>120,173</u>	<u>239,143</u>	<u>939,824</u>	<u>33,813</u>	<u>296,625</u>
117,260					
	19,808			9,902	
					89,532
<u>117,260</u>	<u>19,808</u>			<u>9,902</u>	<u>89,532</u>
4,241	100,365	239,143	939,824	23,911	207,093
		(76,684)	(939,824)		75,000
		(76,684)	(939,824)		75,000
4,241	100,365	162,459		23,911	282,093
<u>96,560</u>	<u>677,300</u>	<u>182,174</u>		<u>1,478,640</u>	<u>634,989</u>
<u>\$ 100,801</u>	<u>\$ 777,665</u>	<u>\$ 344,633</u>	<u>\$</u>	<u>\$ 1,502,551</u>	<u>\$ 917,082</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, 2005

	Library Donations	Project Share	Police & Fire Donations	CDBG
Revenues:				
Taxes				
Intergovernmental	\$ 14,625		\$ 8,736	\$ 188,506
Charges for services				
Donations	237,745	\$ 16,660	6,975	
Investment earnings	39,051			
Miscellaneous				
Total revenues	291,421	16,660	15,711	188,506
Expenditures:				
Current:				
Public safety			8,894	
Public works		16,688		
Health and social services				
Culture and recreation	90,927			
Community and economic development				188,506
General government				
Capital projects				
Total expenditures	90,927	16,688	8,894	188,506
Excess (deficiency) of revenues over (under) expenditures	200,494	(28)	6,817	
Other financing sources (uses):				
Transfers in				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	200,494	(28)	6,817	
Fund balances at beginning of year	1,496,376	5,698	2,563	
Fund balances at end of year	\$ 1,696,870	\$ 5,670	\$ 9,380	\$

Animal Shelter Donations	Public Art Donations	Developers' Projects	Economic Development & Loans	Total Nonmajor Special Revenue Funds
				\$ 1,169,817
				11,495,974
				9,431
\$ 28,430	\$ 400	\$ 18,335		600,711
1,488	225	2,445	\$ 84,112	345,638
				65,680
<u>29,918</u>	<u>625</u>	<u>20,780</u>	<u>84,112</u>	<u>13,687,251</u>
15,505				205,715
				2,988,125
	17,640			780,984
			75,000	224,573
				1,914,314
				120,735
		50,292		2,330,074
<u>15,505</u>	<u>17,640</u>	<u>50,292</u>	<u>75,000</u>	<u>8,564,520</u>
<u>14,413</u>	<u>(17,015)</u>	<u>(29,512)</u>	<u>9,112</u>	<u>5,122,731</u>
				143,340
		(741)		(4,635,741)
		(741)		(4,492,401)
14,413	(17,015)	(30,253)	9,112	630,330
<u>49,452</u>	<u>21,601</u>	<u>328,552</u>	<u>714,228</u>	<u>11,157,254</u>
<u>\$ 63,865</u>	<u>\$ 4,586</u>	<u>\$ 298,299</u>	<u>\$ 723,340</u>	<u>\$ 11,787,584</u>

(concluded)



CyRide has received several Federal Transit Administration grants for the multi-part expansion of the CyRide facility. These grants were obtained through the earmark process with the assistance of Congressman Latham, Senator Grassley, and Senator Harkin. A new bus service area and bus storage addition was completed in December 2003, and the 12-bus storage area was completed in December, 2005.

Funds have been received for a 5,000 square foot addition to the office area.

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.

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, 2005**

ASSETS	Storm Sewer Utility	Parking Lot	Resource Recovery
Current assets:			
Cash and pooled cash investments	\$ 183,997	\$ 209,342	\$ 1,187,446
Accounts receivable, net	57,765	137,540	260,375
Accrued interest receivable	1,414	2,033	9,031
Intergovernmental receivables	15	5,728	465,778
Due from other funds	896		46,174
Inventories		14,354	
Prepaid items		1,208	
Total current assets	244,087	370,205	1,968,804
Noncurrent assets:			
Deferred debt issuance costs, net			15,871
Capital assets:			
Land		910,547	274,903
Land improvements	526,378	647,228	58,492
Buildings			11,219,650
Equipment		56,130	3,812,299
Construction in progress			
Less accumulated depreciation	(93,339)	(476,448)	(8,278,681)
Capital assets, net	433,039	1,137,457	7,086,663
Total noncurrent assets	433,039	1,137,457	7,102,534
Total assets	677,126	1,507,662	9,071,338

	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 1,440,409	\$ 363,058	\$ 59,687	\$ 3,443,939
13,925	8,486	1,178	479,269
14,033	2,682	451	29,644
276,197	8,466		756,184
8,831			55,901
179,422	4,045	2,330	200,151
797			2,005
<u>1,933,614</u>	<u>386,737</u>	<u>63,646</u>	<u>4,967,093</u>
			15,871
41,500		193,250	1,420,200
149,806	63,578	127,581	1,573,063
6,521,225	1,688,110	87,003	19,515,988
7,773,931	31,384		11,673,744
484,892			484,892
<u>(6,572,389)</u>	<u>(293,243)</u>	<u>(68,214)</u>	<u>(15,782,314)</u>
<u>8,398,965</u>	<u>1,489,829</u>	<u>339,620</u>	<u>18,885,573</u>
<u>8,398,965</u>	<u>1,489,829</u>	<u>339,620</u>	<u>18,901,444</u>
<u>10,332,579</u>	<u>1,876,566</u>	<u>403,266</u>	<u>23,868,537</u>

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

LIABILITIES	Storm Sewer Utility	Parking Lot	Resource Recovery
Current liabilities:			
Accounts payable	4,167	2,465	86,019
Retainage payable			
Due to other governments	145	487	69,329
Compensation and payroll taxes	3,060	7,086	21,933
Employee benefits	352	984	2,115
Due to other funds	3,166	10,016	32,163
Bonds payable			512,080
Interest payable			6,762
Unearned revenue		6,015	
Total current liabilities	10,890	27,053	730,401
Noncurrent liabilities:			
Employee benefits	4,723	13,690	46,968
Bonds payable			1,806,181
Unamortized premiums on bonds issued			76,195
Deferred charges			(47,636)
Due to other governments			
Landfill postclosure costs			762,127
Total noncurrent liabilities	4,723	13,690	2,643,835
Total liabilities	15,613	40,743	3,374,236
NET ASSETS			
Invested in capital assets, net of related debt	433,039	1,137,457	4,768,402
Unrestricted	228,474	329,462	928,700
Total net assets	\$ 661,513	\$ 1,466,919	\$ 5,697,102

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
204,128	9,548	5,385	311,712
21,313			21,313
51,204	390	806	122,361
92,051	2,916	5,308	132,354
9,295	256	211	13,213
15,871	5,573	3,252	70,041
			512,080
			6,762
35	350		6,400
<u>393,897</u>	<u>19,033</u>	<u>14,962</u>	<u>1,196,236</u>
152,305	3,738	3,702	225,126
			1,806,181
			76,195
			(47,636)
100,000			100,000
			762,127
<u>252,305</u>	<u>3,738</u>	<u>3,702</u>	<u>2,921,993</u>
<u>646,202</u>	<u>22,771</u>	<u>18,664</u>	<u>4,118,229</u>
8,398,965	1,489,829	339,620	16,567,312
<u>1,287,412</u>	<u>363,966</u>	<u>44,982</u>	<u>3,182,996</u>
<u>\$ 9,686,377</u>	<u>\$ 1,853,795</u>	<u>\$ 384,602</u>	<u>\$ 19,750,308</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, 2005**

	Storm Sewer Utility	Parking Lot	Resource Recovery
Operating revenues:			
Charges for goods and services	\$ 433,885	\$ 715,634	\$ 3,310,493
Operating expenses:			
Cost of goods and services	364,119	772,154	2,783,431
Administration	933	24,743	146,657
Depreciation	10,527	13,783	329,343
Total operating expenses	<u>375,579</u>	<u>810,680</u>	<u>3,259,431</u>
Operating income (loss)	<u>58,306</u>	<u>(95,046)</u>	<u>51,062</u>
Nonoperating revenues (expenses):			
Investment earnings	4,293	6,492	24,956
Interest expense			(93,020)
Federal, state, and other operating grants			
Costs reimbursed by contract participants			614,954
Gain (loss) on disposal of capital assets			
Total nonoperating revenues (expenses)	<u>4,293</u>	<u>6,492</u>	<u>546,890</u>
Income (loss) before contributions and transfers	62,599	(88,554)	597,952
Capital contributions		9,880	
Transfers in			<u>135,235</u>
Change in net assets	62,599	(78,674)	733,187
Total net assets at beginning of year	<u>598,914</u>	<u>1,545,593</u>	<u>4,963,915</u>
Total net assets at end of year	<u>\$ 661,513</u>	<u>\$ 1,466,919</u>	<u>\$ 5,697,102</u>

	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$	<u>3,218,243</u>	\$ <u>379,783</u>	\$ <u>214,051</u>	\$ <u>8,272,089</u>
	4,579,566	396,594	193,890	9,089,754
	649,861			822,194
	<u>772,202</u>	<u>64,717</u>	<u>8,061</u>	<u>1,198,633</u>
	<u>6,001,629</u>	<u>461,311</u>	<u>201,951</u>	<u>11,110,581</u>
	<u>(2,783,386)</u>	<u>(81,528)</u>	<u>12,100</u>	<u>(2,838,492)</u>
	48,658	8,379	1,240	94,018
				(93,020)
	1,051,848			1,051,848
				614,954
	<u>(20,892)</u>			<u>(20,892)</u>
	<u>1,079,614</u>	<u>8,379</u>	<u>1,240</u>	<u>1,646,908</u>
	<u>(1,703,772)</u>	<u>(73,149)</u>	<u>13,340</u>	<u>(1,191,584)</u>
	456,319	26,142		492,341
	<u>928,604</u>	<u>20,000</u>		<u>1,083,839</u>
	<u>(318,849)</u>	<u>(27,007)</u>	<u>13,340</u>	<u>384,596</u>
	<u>10,005,226</u>	<u>1,880,802</u>	<u>371,262</u>	<u>19,365,712</u>
\$	<u><u>9,686,377</u></u>	\$ <u><u>1,853,795</u></u>	\$ <u><u>384,602</u></u>	\$ <u><u>19,750,308</u></u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Storm Sewer Utility	Parking Lot	Resource Recovery
Cash flows from operating activities:			
Receipts from customers	\$ 421,447	\$ 801,612	\$ 3,314,176
Payments to suppliers	(149,907)	(126,644)	(1,597,764)
Payments to employees	(207,108)	(498,175)	(857,636)
Payments for interfund services used	(51,078)	(174,572)	(441,236)
	<u>13,354</u>	<u>2,221</u>	<u>417,540</u>
Net cash provided by (used in) operating activities			
Cash flows from noncapital financing activities:			
Operating grants			
Costs reimbursed by contract participants			614,954
Transfers in			135,235
			<u>750,189</u>
Net cash provided by noncapital financing activities			
Cash flows from capital and related financing activities:			
Principal paid on general obligation bond maturities			(525,863)
Interest paid and other fiscal charges			(96,914)
Purchases of capital assets		(69,476)	(5,963)
Proceeds from sale of capital assets			
Capital contributions			
		<u>(69,476)</u>	<u>(628,740)</u>
Net cash provided by (used in) capital financing activities			
Cash flows from investing activities:			
Interest on investments and pooled cash	<u>3,230</u>	<u>4,997</u>	<u>17,102</u>
Net cash provided by investing activities			
	<u>3,230</u>	<u>4,997</u>	<u>17,102</u>

	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$	3,090,108	\$ 384,742	\$ 213,885	\$ 8,225,970
	(1,127,453)	(177,902)	(47,254)	(3,226,924)
	(3,759,484)	(170,044)	(123,248)	(5,615,695)
	(300,949)	(30,001)	(19,688)	(1,017,524)
	<u>(2,097,778)</u>	<u>6,795</u>	<u>23,695</u>	<u>(1,634,173)</u>
	1,051,848			1,051,848
	928,604	20,000		614,954
	<u>1,980,452</u>	<u>20,000</u>		<u>1,083,839</u>
				2,750,641
				(525,863)
				(96,914)
	(493,259)			(568,698)
	5,208			5,208
	456,319	26,142		482,461
	<u>(31,732)</u>	<u>26,142</u>		<u>(703,806)</u>
	38,651	6,307	789	71,076
	<u>38,651</u>	<u>6,307</u>	<u>789</u>	<u>71,076</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Storm Sewer Utility	Parking Lot	Resource Recovery
Net change in cash and pooled cash investments	16,584	(62,258)	556,091
Cash and pooled cash investments at beginning of year	<u>167,413</u>	<u>271,600</u>	<u>631,355</u>
Cash and pooled cash investments at end of year	<u>\$ 183,997</u>	<u>\$ 209,342</u>	<u>\$ 1,187,446</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 58,306	\$ (95,046)	\$ 51,062
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	10,527	13,783	329,343
Changes in:			
Accounts receivable, net	(12,497)	84,326	(22,608)
Intergovernmental receivables	60	1,507	34,256
Due from other funds	(1)		(7,965)
Inventories		(10,805)	
Prepaid items		275	19,680
Accounts payable	(36,238)	1,653	(40,070)
Due to other governments	(92)	(48)	69,320
Accrued expenses	(5,750)	5,230	3,346
Due to other funds	(961)	1,201	(4,633)
Unearned revenue		145	
Landfill postclosure costs			(14,191)
Net cash provided by (used in) operating activities	<u>\$ 13,354</u>	<u>\$ 2,221</u>	<u>\$ 417,540</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases (decreases) in the fair value of investments	<u>\$ (63)</u>	<u>\$ (226)</u>	<u>\$ (405)</u>
Noncash capital asset contributions	\$	<u>\$ 9,880</u>	

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
(110,407)	59,244	24,484	483,738
<u>1,550,816</u>	<u>303,814</u>	<u>35,203</u>	<u>2,960,201</u>
<u>\$ 1,440,409</u>	<u>\$ 363,058</u>	<u>\$ 59,687</u>	<u>\$ 3,443,939</u>

\$ (2,783,386) \$ (81,528) \$ 12,100 \$ (2,838,492)

772,202	64,717	8,061	1,198,633
(531)	1,500	(166)	50,024
(127,964)	13,022		(79,119)
325			(7,641)
(5,848)	(1,015)	(616)	(18,284)
(707)	13,617	250	33,115
87,195	2,543	4,328	19,411
(50,500)	259	(153)	18,786
15,182	1,781	(1,299)	18,490
(3,781)	1,462	1,190	(5,522)
35	(9,563)		(9,383)
			(14,191)
<u>\$ (2,097,778)</u>	<u>\$ 6,795</u>	<u>\$ 23,695</u>	<u>\$ (1,634,173)</u>

\$ (492) \$ (124) \$ (20) \$ (1,330)

\$ 9,880

(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, 2005**

ASSETS	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Current assets:					
Cash and pooled cash investments	\$ 5,089,041	\$ 1,479,562	\$ 1,029,649	\$ 1,358,502	\$ 8,956,754
Accounts receivable, net	33,589			946	34,535
Accrued interest receivable	39,074	11,498	8,585	9,878	69,035
Intergovernmental receivables	3,066	1,089	234		4,389
Interfund receivables	2,257				2,257
Due from other funds	189,664	150,081			339,745
Inventories	63,031				63,031
Prepaid items	5,453	27,202	79	565	33,299
Total current assets	<u>5,425,175</u>	<u>1,669,432</u>	<u>1,038,547</u>	<u>1,369,891</u>	<u>9,503,045</u>
Noncurrent assets:					
Advances to other funds	2,149				2,149
Capital assets:					
Land improvements		180,852			180,852
Buildings	551,493				551,493
Equipment	9,879,682	1,174,729			11,054,411
Less accumulated depreciation	<u>(5,125,605)</u>	<u>(973,780)</u>			<u>(6,099,385)</u>
Capital assets, net	<u>5,305,570</u>	<u>381,801</u>			<u>5,687,371</u>
Total noncurrent assets	<u>5,307,719</u>	<u>381,801</u>			<u>5,689,520</u>
Total assets	<u>10,732,894</u>	<u>2,051,233</u>	<u>1,038,547</u>	<u>1,369,891</u>	<u>15,192,565</u>
 LIABILITIES					
Current liabilities:					
Accounts payable	66,911	31,588	64,126	295,213	457,838
Due to other governments	22,448		379		22,827
Compensation and payroll taxes	10,587	956			11,543
Employee benefits	2,368	2,119	359	462	5,308
Due to other funds	18,763	3,741	199	287	22,990
Claims payable			334,727	340,000	674,727
Unearned revenue				4,009	4,009
Total current liabilities	<u>121,077</u>	<u>38,404</u>	<u>399,790</u>	<u>639,971</u>	<u>1,199,242</u>
Noncurrent liabilities:					
Employee benefits	59,391	36,887	7,128	8,503	111,909
Total liabilities	<u>180,468</u>	<u>75,291</u>	<u>406,918</u>	<u>648,474</u>	<u>1,311,151</u>
 NET ASSETS					
Invested in capital assets, net of related debt	5,305,570	381,801			5,687,371
Unrestricted	5,246,856	1,594,141	631,629	721,417	8,194,043
Total net assets	<u>\$ 10,552,426</u>	<u>\$ 1,975,942</u>	<u>\$ 631,629</u>	<u>\$ 721,417</u>	<u>\$ 13,881,414</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, 2005**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Operating revenues:					
Charges for goods and services	\$ 2,373,652	\$ 1,619,595	\$ 1,281,453	\$ 4,809,911	\$ 10,084,611
Operating expenses:					
Cost of goods and services	1,674,192	1,475,994	1,387,655	4,475,004	9,012,845
Depreciation	821,186	137,794			958,980
Total operating expenses	2,495,378	1,613,788	1,387,655	4,475,004	9,971,825
Operating income (loss)	(121,726)	5,807	(106,202)	334,907	112,786
Nonoperating revenues (expenses):					
Investment earnings	117,655	35,749	22,734	30,367	206,505
Loss on disposal of capital assets	(30,284)				(30,284)
Total nonoperating revenues	87,371	35,749	22,734	30,367	176,221
Income (loss) before contributions and transfers	(34,355)	41,556	(83,468)	365,274	289,007
Capital contributions	361,483				361,483
Transfers out	(26,760)				(26,760)
Change in net assets	300,368	41,556	(83,468)	365,274	623,730
Total net assets at beginning of year	10,252,058	1,934,386	715,097	356,143	13,257,684
Total net assets at end of year	\$ 10,552,426	\$ 1,975,942	\$ 631,629	\$ 721,417	\$ 13,881,414

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 2,361,963	\$ 1,571,114	\$ 1,281,701	\$ 4,886,618	\$ 10,101,396
Payments to suppliers	(1,170,122)	(628,498)	(909,856)	(4,285,773)	(6,994,249)
Payments to employees	(620,178)	(650,688)	(56,341)	(107,062)	(1,434,269)
Payments for interfund services used	(192,442)	(166,843)	(4,470)	(22,180)	(385,935)
Net cash provided by operating activities	<u>379,221</u>	<u>125,085</u>	<u>311,034</u>	<u>471,603</u>	<u>1,286,943</u>
Cash flows from noncapital financing activities:					
Principal received on advances to other funds	2,168				2,168
Principal paid on advances from other funds					0
Interest received on advances to other funds	223				223
Interest paid on advances from other funds					0
Transfers out	(26,760)				(26,760)
Net cash used in noncapital financing activities	<u>(24,369)</u>				<u>(24,369)</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(737,850)	(152,127)			(889,977)
Proceeds from sale of capital assets	107,965				107,965
Net cash used in capital and related financing activities	<u>(629,885)</u>	<u>(152,127)</u>			<u>(782,012)</u>
Cash flows from investing activities:					
Interest on investments and pooled cash	90,083	27,486	16,448	22,324	156,341
Net cash provided by investing activities	<u>90,083</u>	<u>27,486</u>	<u>16,448</u>	<u>22,324</u>	<u>156,341</u>
Net change in cash and pooled cash investments	(184,950)	444	327,482	493,927	636,903
Cash and pooled cash investments at beginning of year	<u>5,273,991</u>	<u>1,479,118</u>	<u>702,167</u>	<u>864,575</u>	<u>8,319,851</u>
Cash and pooled cash investments at end of year	<u>\$ 5,089,041</u>	<u>\$ 1,479,562</u>	<u>\$ 1,029,649</u>	<u>\$ 1,358,502</u>	<u>\$ 8,956,754</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	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)	\$ (121,726)	\$ 5,807	\$ (106,202)	\$ 334,907	\$ 112,786
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	821,186	137,794			958,980
Changes in:					
Accounts receivable, net	(16,371)		174	62,404	46,207
Intergovernmental receivables	(1,583)	(469)	74	4,186	2,208
Due from other funds	6,265	(48,012)		10,475	(31,272)
Inventories	(12,537)				(12,537)
Prepaid items	5,657	(503)	396,743	(565)	401,332
Accounts payable	(318,096)	21,901	46,509	56,510	(193,176)
Due to other governments	13,891		379		14,270
Accrued expenses	3,056	10,092	(1,144)	3,909	15,913
Due to other funds	(521)	(1,525)	(282)	135	(2,193)
Claims payable			(25,217)		(25,217)
Unearned revenue				(358)	(358)
Net cash provided operating activities	<u>\$ 379,221</u>	<u>\$ 125,085</u>	<u>\$ 311,034</u>	<u>\$ 471,603</u>	<u>\$ 1,286,943</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized decreases in the fair value of investments	<u>\$ (1,738)</u>	<u>\$ (505)</u>	<u>\$ (351)</u>	<u>\$ (464)</u>	<u>\$ (3,058)</u>
Noncash capital asset contributions	<u>\$ 361,483</u>				<u>\$ 361,483</u>
Capital asset trade-ins	<u>\$ 65,410</u>				<u>\$ 65,410</u>

(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.

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, 2005**

ASSETS	Agency Funds		
	Payroll Clearing	Flex Benefits	Total
Cash and pooled cash investments	\$ 289,088	\$ 54,551	\$ 343,639
Due from other governments	<u>682</u>	<u> </u>	<u>682</u>
TOTAL ASSETS	<u>\$ 289,770</u>	<u>\$ 54,551</u>	<u>\$ 344,321</u>
 LIABILITIES			
Accounts payable		\$ 54,551	\$ 54,551
Due to other governments	<u>\$ 289,770</u>	<u> </u>	<u>289,770</u>
TOTAL LIABILITIES	<u>\$ 289,770</u>	<u>\$ 54,551</u>	<u>\$ 344,321</u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

PAYROLL CLEARING FUND

ASSETS	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Cash and pooled cash investments	\$ 264,174	\$ 18,588,501	\$ 18,563,587	\$ 289,088
Accounts receivable	18	216	234	
Due from other governments	<u>682</u>			<u>682</u>
TOTAL ASSETS	\$ 264,874	\$ 18,588,717	\$ 18,563,821	\$ 289,770
 LIABILITIES				
Accounts payable		\$ 9,259,840	\$ 9,259,840	
Due to other governments	<u>264,874</u>	<u>10,347,613</u>	<u>10,322,717</u>	<u>289,770</u>
TOTAL LIABILITIES	\$ 264,874	\$ 19,607,453	\$ 19,582,557	\$ 289,770

FLEX BENEFITS FUND

ASSETS	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Cash and pooled cash investments	\$ 41,360	\$ 1,625,244	\$ 1,612,053	\$ 54,551
 LIABILITIES				
Accounts payable	<u>41,360</u>	<u>676,645</u>	<u>663,454</u>	<u>54,551</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

TOTALS

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ASSETS				
Cash and pooled cash investments	\$ 305,534	\$ 20,213,745	\$ 20,175,640	\$ 343,639
Accounts receivable	18	216	234	
Due from other governments	682			682
	<u>306,234</u>	<u>20,213,961</u>	<u>20,175,874</u>	<u>344,321</u>
TOTAL ASSETS	\$ 306,234	\$ 20,213,961	\$ 20,175,874	\$ 344,321
LIABILITIES				
Accounts payable	\$ 41,360	\$ 9,936,485	\$ 9,923,294	\$ 54,551
Due to other governments	264,874	10,347,613	10,322,717	289,770
	<u>306,234</u>	<u>20,284,098</u>	<u>20,246,011</u>	<u>344,321</u>
TOTAL LIABILITIES	\$ 306,234	\$ 20,284,098	\$ 20,246,011	\$ 344,321

(concluded)

**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
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
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
2004-05	10,803,854	4,418,888	909,947	5,248,496	2,437,266

	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
2004-05	1,960,966	2,330,074	6,922,171	35,031,662	5,672,820	40,704,482

* 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
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
2004-05	17,728,215	1,162,071	11,823,125	2,850,317	165,243

Year	Use of Money and Property	Miscellaneous	Transfers In	Total
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
2004-05	838,783	850,491	6,080,627	41,498,872

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
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
2004-05	17,725,429	17,676,376	15,622	33,431

**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
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
2004-05	17,401,486	17,672,862	101.56	52,567	17,725,429	101.86

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
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
2004-05	1,727,974,728	2,598,608,773	16,598,600	18,214,771
				Ratio of Total Assessed Value to Total Estimated
Collection Year	Total		Actual Value	
	Assessed Value	Estimated Actual Value		
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	
2004-05	1,744,573,328	2,616,823,544	66.7	

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
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
2004-05	9.94868	13.80403	6.25618	0.59856	30.60745

TAX LEVIES

Year	City	School District	County Consolidated	Area Vocational	Total
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
2004-05	17,401,486	24,082,143	10,914,365	1,044,232	53,442,226

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*
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
2004-05	50,731	1,744,573,328	38,598,133

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
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
2004-05	1,439,613	37,158,520	.0213 to 1	732.46

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, 2005**

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)	\$37,158,520	100.00 %	\$37,158,520
Overlapping Debt:			
Ames Community School District	9,005,000	97.98	8,823,099
Gilbert Community School District	10,100,000	38.21	3,859,210
Des Moines Area Community College (2)	11,105,000	6.73	747,367
Nevada Community Schools	1,185,000	0.17	2,015
Story County	8,485,000	62.95	5,341,308
Total Overlapping Debt	<u>39,880,000</u>		<u>18,772,999</u>
Total Direct and Overlapping Debt	<u>\$77,038,520</u>		<u>\$55,931,519</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 \$42,940,000 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, 2005**

Estimated actual valuations as of January 1, 2003 (100% basis)(1):	
Real estate	\$2,598,608,773
Utilities	<u>18,214,771</u>
Total actual valuation	<u>\$2,616,823,544</u>
Debt limit - 5% of actual valuation	<u>\$ 130,841,177</u>
Amount of debt applicable to debt limit:	
Total general bonded debt	38,598,133
Other	<u>32,846,867</u>
	<u>71,445,000</u>
Less revenue bonds	<u>30,380,000</u>
Total amount of debt applicable to debt limit	<u>41,065,000</u>
Legal debt margin	<u>\$ 89,776,177</u>

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
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
2004-05	203,065	190,339	94 to 100	236,278

**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
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
2004-05	5,307,272	1,614,899	6,922,171	35,031,662	19.8

CITY OF AMES, IOWA

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

Year	Gross Revenue	Expenses (1)	Available for Debt Service
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
2004-05	125,887,097	101,474,465	24,412,632

Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
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
2004-05	1,435,000	1,212,363	2,647,363	9.22

(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
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
2004-05	37,433,752	30,987,158	6,446,594

Year	Debt Service Requirements			Coverage
	Principal	Interest	Total	
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
2004-05	1,780,000	144,275	1,924,275	3.35

(1) Total operating expenses less depreciation.

CITY OF AMES, IOWA

**TABLE XIV
SALARIES OF PRINCIPAL OFFICIALS
JUNE 30, 2005**

		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	142,677
John Klaus	City Attorney	132,501
Manager-appointed officials:		
Merlin Hove	Director of Electric Utility	106,834
John Joiner	Director of Public Works	78,602
Duane Pitcher	Director of Finance	97,464
Tracy Phares	Municipal Engineer	62,667
Robert Bourne	Director of Transportation	101,637
Bob Kindred	Assistant City Manager	102,445
Clint Petersen	Fire Chief	92,959
Loras Jaeger	Police Chief	102,445
Julie Huisman	Director of Human Resources	91,487
Matthew Flynn	Director of Planning & Housing	80,208
Nancy Carroll	Director of Parks & Recreation	102,445
Tom Neumann	Director of Water & Pollution Control	102,445
Gina Millsap	Library Director	85,883
Paul Hinderaker	Director of Fleet Services	91,487
Roger Wisecup	City Treasurer	51,333
Diane Voss	City Clerk	54,438
Hospital administration:		
Kimberly Russel	President/CEO	272,626
Brian Dieter	Vice President/CFO	192,587
Neal Loes	Vice President	155,189
Lynn Whisler	Vice President	143,125
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:	24.13 square miles	
Miles of streets:		
Paved		239.17
Unpaved		4.40
		<u>243.57</u>
Miles of sewers		
Storm		231.95
Sanitary		193.43
		<u>425.38</u>
Building permits - 2004-05		
Permits issued		796
Estimated cost		\$ 127,075,147
Fire protection:		
Number of stations		3
Number of employees		54
Police protection:		
Number of stations		1
Number of employees		70
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	193,153
Number of street lights	6,043
Employees as of June 30, 2005:	
Civil service - permanent	435
Noncivil service - permanent	1,460
Elections (1):	
Last general election	November 2004
Registered voters	68,899
Number of votes cast	44,748
Percentage of registered voters voting	64.95 %
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)
1996 (1995 special census)	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
2005	50,731	18,881	15.7	4,366	3.6

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, 2005**

Insurance Company	Policy Number	Coverage	Amount of Coverage	Policy Period*	
				From	To
Iowa Community Assurance Pool	535	General Liability Commercial Auto Transit Excess (1) Law Enforcement Public Official Liquor Liability	\$ 1,000,000 6,000,000 1,000,000 1,000,000	July 1, 2005	June 30, 2006
FM Global	FR231	Commercial Property & Boiler and Machinery Terroism-TRIA	290,000,000	July 1, 2005	June 30, 2006
AIG Aviation	AP3381582-06	Airport Liability	3,000,000	March 25, 2005	March 25, 2006

(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
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
2004	182	50,661,757	603	72,454,118

Year	Bank Deposits	Property Value (2)		
		Commercial	Residential	Other
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	608,487,336	858,404,884	1,476,338,700	95,033,887
2004 (1)	637,391,000	839,709,083	1,676,897,552	100,216,909

(1) Combined deposits in Ames Community Bank, Exchange State 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	\$26,133,872	1.53 %
Barilla America Inc.	Food manufacturing	22,823,900	1.33
Clinic Building Co., Inc.	Medical complex	15,862,261	0.93
SUH Iowa State LLC	Apartments	13,568,432	0.79
Midwest Centers	Shopping mall	12,192,730	0.71
Iowa State University Research	University	11,356,659	0.66
Bell Avenue Investors LLC	Industrial manufacturing	8,784,200	0.51
Dayton Hudson Corporation	Retail Store	8,623,448	0.50
MHE Assoc. LLC/ KAE Ames LLC	Shopping Center	8,588,708	0.50
Susa Holding of Story County Inc.	Industrial manufacturing	8,180,000	0.48

* Assessed value fiscal year 2004-05 includes real property, manufacturing equipment, and computer equipment. Personal property is excluded.

Source: Story County - Office of Auditor

**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, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2005
DIRECT:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation	14.856	IA05-K089-001	<u>\$75,416</u>
Section 8 Housing Choice Vouchers	14.871	IA089-VO-001,002,003, 005,006	<u>828,217</u>
Community Development Block Grants/ Entitlement Grants	14.218	B-04-MC-19-0010	<u>188,506</u>
DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		<u>5,523</u>
DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program	20.106	3-19-0004-14-2004	1,194,356
Airport Improvement Program	20.106	3-19-0004-14-2005	<u>31,765</u>
			<u>1,226,121</u>
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-02	366,521
Federal Transit-Formula Grants	20.507*	IA-90-X285-00	79,784
Federal Transit-Formula Grants	20.507*	IA-90-X287	<u>562,246</u>
			<u>1,008,551</u>
DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-14321	<u>8,736</u>
TOTAL DIRECT			<u>3,341,070</u>
INDIRECT:			
DEPARTMENT OF JUSTICE			
Iowa Department of Human Services Enforcing Underage Drinking Laws Program	16.727	CJJP-04-A5-005	<u>2,694</u>
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-0155(644)--70-85	291,118
Highway Planning and Construction	20.205	STP-U-0155(649)--70-85	<u>269,172</u>
			<u>560,290</u>

(continued)

CITY OF AMES, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2005
INDIRECT: (continued)			
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation			
Federal Transit-Capital Investment Grants	20.500	03-0103-015-04	<u>\$27,063</u>
State Planning and Research	20.515	04MPO-AAMPO	143,925
State Planning and Research	20.515	05MPO-AAMPO	<u>30,117</u>
			<u>174,042</u>
Iowa Department of Public Safety			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601*	PAP 04-410, Task 02	2,413
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601*	PAP 05-410, Task 02	14,597
Safety Incentive to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605*	PAP 04-163, Task 02	3,309
Safety Incentive to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605*	PAP 05-163, Task 01	<u>5,597</u>
			<u>25,916</u>
DEPARTMENT OF HOMELAND SECURITY			
Iowa Department of Public Defense			
State Domestic Preparedness Equipment Support Program	97.004	ODP-2003-MU-TE-0056	<u>130,000</u>
TOTAL INDIRECT			<u>920,005</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$4,261,075</u></u>

(concluded)

*Clustered programs under OMB Circular A-133

See notes to Schedule of Expenditures of Federal Awards.

CITY OF AMES, IOWA

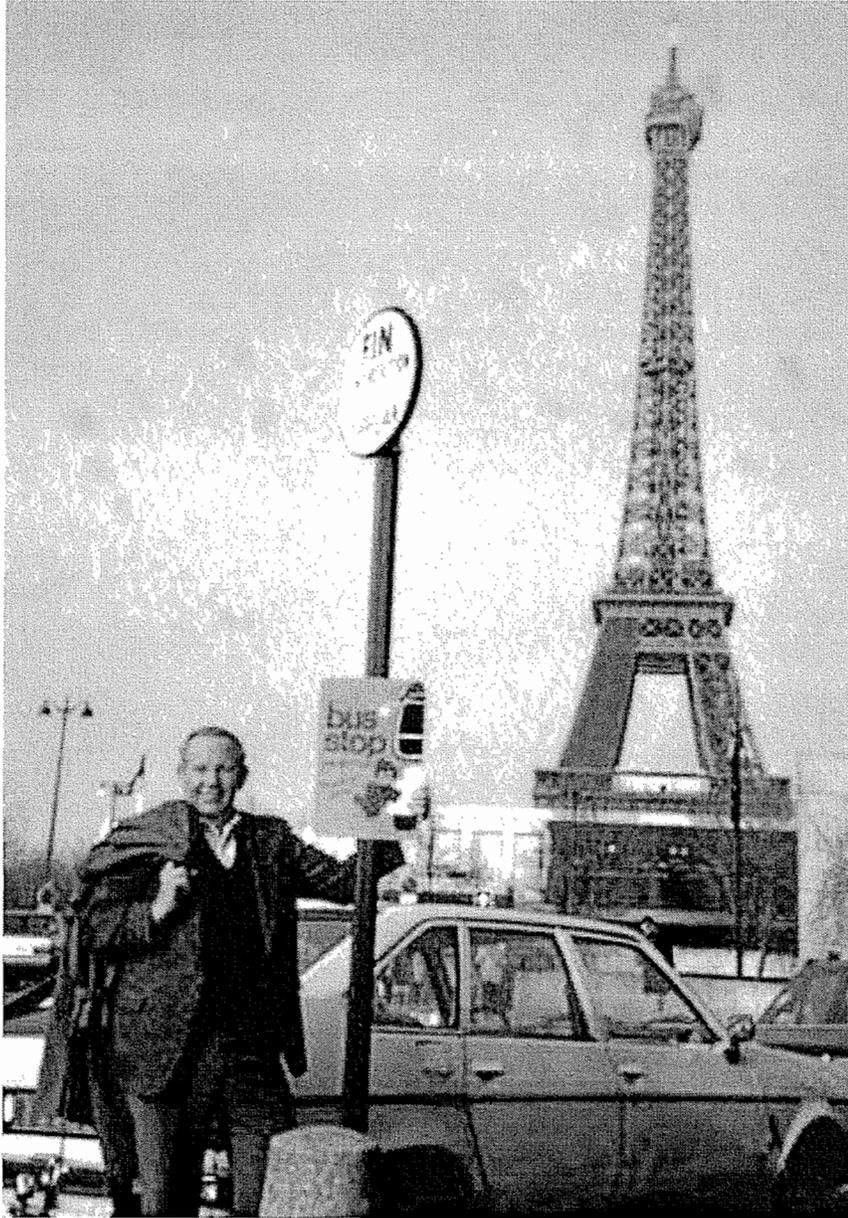
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

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.



Ames resident, Bill Thies, next to the "CyRide bus stop" in Paris, France.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

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*.

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Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part III 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.

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.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed address and date.

Dubuque, Iowa
October 26, 2005



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH 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 each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are 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 each of its major federal programs 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; 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 OMB Circular A-133 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 each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item II-A-05.

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 grant agreements 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.

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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 grant agreements 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.

A handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed address and date.

Dubuque, Iowa
October 26, 2005

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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 programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants
 - CFDA Number 20.106 – Airport Improvement Program
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.004 – State Domestic Preparedness Equipment Support Program
- (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: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NONCOMPLIANCE

CFDA Number 14.218: Community Development Block Grants/Entitlement Grants
Grant Number: B-04-MC-19-0010
Department of Housing and Urban Development

II-A-05 Reporting – The Federal Cash Transactions Report (Form SF272), which is required to be filed quarterly, has not been completed for any quarter for the year ended June 30, 2005.

Recommendation – We understand that the City has contacted the Department of Housing and Urban Development to determine what steps should be taken to come into compliance with the reporting requirements of the grant. We recommend that the City monitor reporting dates closely and file all future reports on a timely basis.

Response – The City filed the Federal Cash Transactions Reports for the fiscal year ended June 30, 2005, on October 11, 2005, after discussing the missed filing deadlines with representatives from HUD. The report for the quarter ended September 30, 2005, was also filed on October 11, 2005. Future reporting dates are being closely monitored by City planning and finance department personnel.

Conclusion – Response accepted.

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Other Findings Related to Statutory Reporting:

- III-A-05 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, 2005.
- III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted.
- III-C-05 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.
- III-D-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-E-05 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	\$ 406
Jan Heuss, library employee, husband is owner of Heuss Printing, Inc.	Printing services	\$ 26,624
Suzanne Thompson, City Clerk, husband is owner of Thompson Electric	Repairs	\$ 400
Patty Sprong, electric administration employee, husband is part owner of R&C Landscaping	Repairs	\$ 1,104

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the utility accounts supervisor, the City clerk, and electric administration employee do not appear to represent conflicts of interest since they were less than \$1,500 during the fiscal year. The transaction with the library employee does not represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

- III-F-05 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 the coverage is adequate for current operations.
- III-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

- III-H-05 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.
- III-I-05 Revenue Bonds – We noted no instances of non-compliance with the provisions of the City’s revenue bond resolutions.