

COUNCIL ACTION FORM

**SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR
ENDED JUNE 30, 2010**

BACKGROUND:

Eide Bailly LLP, Certified Public Accountants, have audited the financial statements of the City of Ames as of and for the year ended June 30, 2010, and expressed their opinion on these statements based on their audit.

The auditors' opinion is included in the Comprehensive Annual Financial Report (CAFR) of the City of Ames. The CAFR also contains the financial statements as prepared by City staff and management. In the auditors' opinion, the information, as presented, is accurate in all material respects and presents in a fair manner the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City.

Also included with the report is the management letter that further explains the audit process and provides management with information on pending accounting pronouncements.

ALTERNATIVES:

1. Accept the Comprehensive Annual Financial Report as presented.
2. Request further information.

MANAGER'S RECOMMENDED ACTION:

The City is required by state law to have an annual audit of its financial statements. The City Council needs to accept the audited financial statements so they can be submitted to the State and other users of the CAFR.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting the Comprehensive Annual Financial Report as presented.



CPAs & BUSINESS ADVISORS

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

In planning and performing our audit of 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, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the use of the Mayor, City Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP
CPAs & Business Advisors

Dubuque, Iowa
December 1, 2010

www.eidebailly.com



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, for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Ames, Iowa, are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of depreciable lives is based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the cost of contributed infrastructure from developers is based on estimated unit cost on City funded projects. We evaluated the key factors and assumptions used to develop the contributed infrastructure costs in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the landfill closure and postclosure care liability is based on third-party engineering cost studies and capacity estimates. We evaluated the key factors and assumptions used to develop the landfill closure and postclosure care liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of other postemployment benefits liability is based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred but not reported health, workers' compensation, liability, and long-term disability insurance liabilities are based on third-party administrator calculations and estimates. We evaluated the key factors and assumptions used to develop the incurred but not reported liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

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

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to the City of Ames, Iowa.

Sincerely,

EIDE BAILLY LLP
CPAs & Business Advisors

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
December 1, 2010