

City of Ames, Iowa Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2007





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



Orange Dragon

By Dave Johnson, 1998

Southwest corner outside City Hall

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF AMES, IOWA

Year Ended June 30, 2007

**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, 2007**

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**INTRODUCTORY
SECTION**



December 6, 2007

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, 2007 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, 2007. 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 approximately 1.9% for the current fiscal year. This relatively small increase is due to a slowdown in the new and existing housing market, the continuation of the conversion of existing apartments taxed at commercial rates to condos/co-ops taxed at the lower residential rates, court ordered reductions in assessments on major commercial and industrial properties, and the continuing erosion of our tax base with a further decrease in the state mandated rollback percentage.

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 2006 study by *Expansion Management* magazine ranked Ames metro area public schools 12th nationally.

Ames continues to see expansion of animal science and bio-energy in the local economy. The Iowa Energy Center in Ames has expanded research for commercial bio-energy applications at

its Biomass Energy Conversion facility located in nearby Nevada, Iowa. The U.S. Department of Agriculture continued expansion of the National Animal Disease Center, National Veterinary Services Laboratories, and Center for Veterinary Biologics, all located in Ames. When completed, the Ames complex will be the USDA's flagship laboratory for large animal research and diagnosis. Iowa State University recently broke ground on the reconstruction and expansion of the Veterinary Diagnostic Laboratory and Veterinary Teaching Hospital.

International companies such as Syngenta and Sauer-Danfoss have chosen Ames as a location to expand operation. Already one of the largest employers in Ames, Sauer-Danfoss announced a plan to consolidate operations from other locations to Ames, adding over 200 employees. Syngenta added a new facility with over 40 employees.

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

The City Council is committed to making Ames a more environmentally sustainable community. They took the Cool City Pledge in June by authorizing the Mayor to sign the U.S. Mayor's Climate Protection Agreement.

Ames residents voted on Tuesday, July 24, 2007, to fund the Donald and Ruth Furman Outdoor Aquatic Center with \$8,488,000 of bonds to be issued during 2007 and 2008 as construction progresses.

AWARDS AND ACKNOWLEDGEMENTS

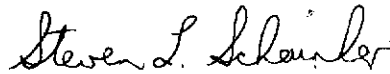
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ames, Iowa, for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the 28th consecutive 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, 2007. 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,

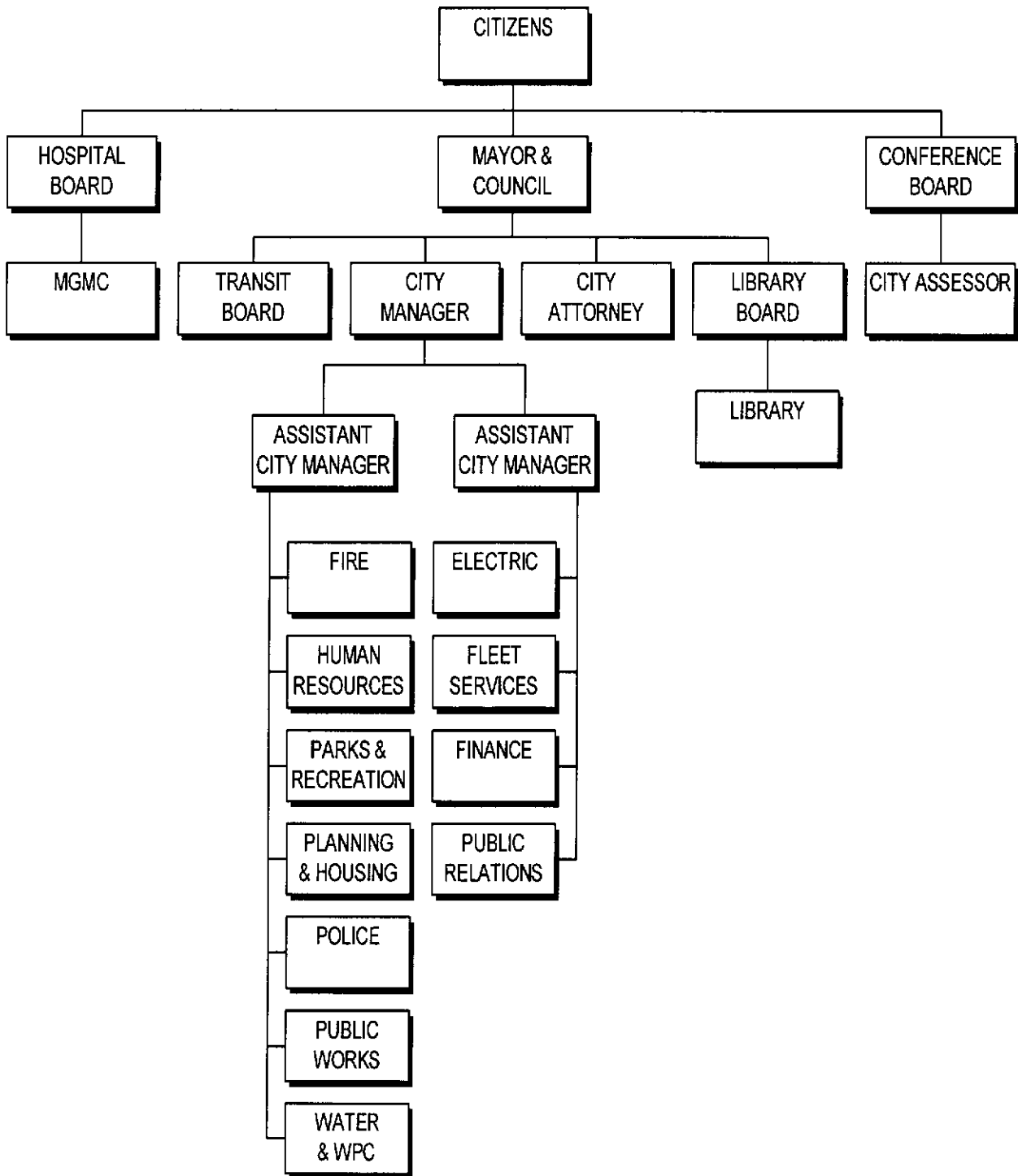


Steven L. Schainker
City Manager



Duane R. Pitcher, CPA, CPFO
Director of Finance

CITY OF AMES, IOWA ORGANIZATIONAL CHART



CITY OF AMES, IOWA

PRINCIPAL OFFICIALS

Elected Officials

Ann Campbell
Matthew Goodman
Jim Popken
Dan Rice
Jami Larson
Ryan Doll
Riad Mahayni

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

Council-Appointed Officials

Steven Schainker
Doug Marek

City Manager
City Attorney

Manager-Appointed Officials

Bob Kindred
Sheila Lundt
Don Kom
John Joiner
Duane Pitcher
Sheri Kyras
Clint Petersen
Chuck Cychosz
Julie Huisman
Steve Osguthorpe
Nancy Carroll
John Dunn
Paul Hinderaker
Art Weeks
Roger Wisecup II

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

Hospital Administration

Kimberly Russel
Brian Dieter

President/Chief Executive Officer
Vice President/Chief Financial Officer



A World To Teach

By Jane Dedecker, 1999

Outside Ames Public Library
Main Entrance, Douglas Avenue

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, 2006

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.



President

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, 2006. 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 28 consecutive years (fiscal years ended 1979-2006). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

FINANCIAL

SECTION



CPAs & BUSINESS ADVISORS

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, 2007, 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 the 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, 2007, and the respective changes in financial position, and, where applicable, cash flows 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 December 6, 2007, on our consideration of the City's internal control over financial reporting and on 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.

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

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 section 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 the U.S. Office of Management and Budget 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Eide Bailly LLP

Dubuque, Iowa
December 6, 2007

CITY OF AMES, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. 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 \$481,430,010 (net assets). This was an increase of \$35,939,471 over net assets at June 30, 2006. Unrestricted net assets at June 30, 2007 in the amount of \$158,519,520 may be used to meet the City's ongoing obligations to citizens and creditors.
- The revenues of the general fund exceeded expenses by \$726,443.
- The ending general fund balance of \$6,546,145 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 \$29,062,404. The City policy is to set rates that fund operational expenses of business-type activities and fund most capital improvements. The increase in net assets represents funds accumulated for planned future capital expenditures.
- For the year, the revenues of the City's governmental activities exceeded expenses by \$6,877,067 compared to \$7,187,134 in 2006.

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-one 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

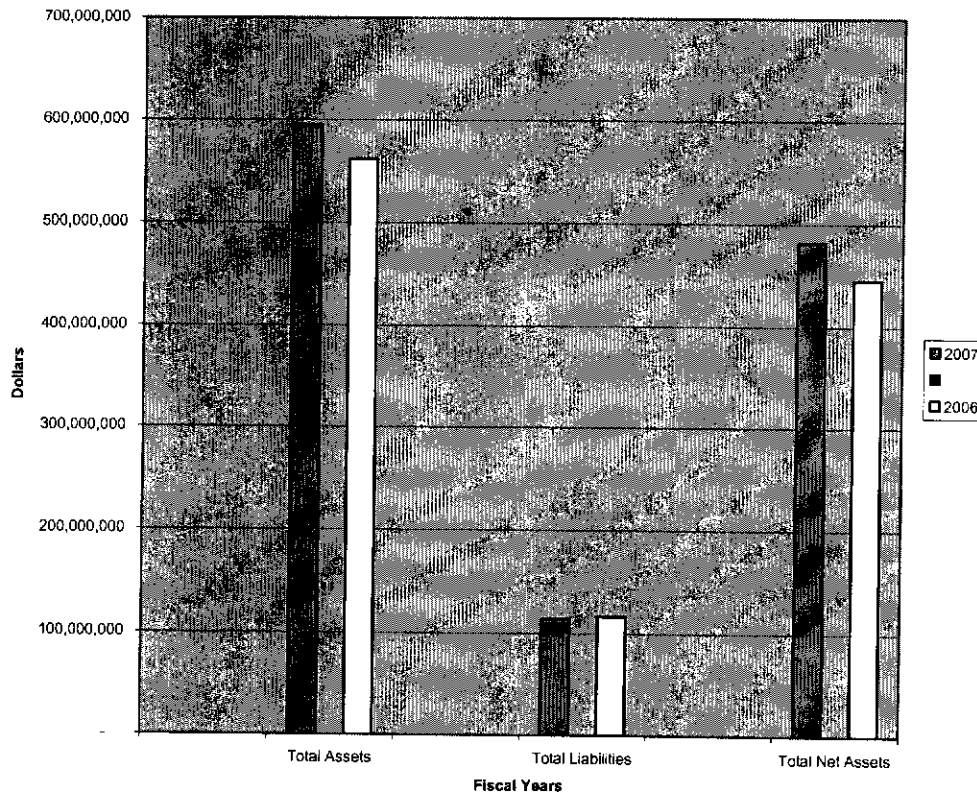
Net assets. As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$481,430,010 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (65.3%) 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	
	2007	2006	2007	2006	2007	2006
	Current and other assets	\$ 56,105,153	\$ 49,321,735	\$ 166,050,144	\$ 150,391,416	\$ 222,155,297
Capital assets, net of depreciation	123,581,784	122,963,001	249,463,269	239,112,828	373,045,053	362,075,829
Total assets	179,686,937	172,284,736	415,513,413	389,504,244	595,200,350	561,788,980
Long-term debt outstanding	30,950,000	31,345,000	23,415,000	24,995,000	54,365,000	56,340,000
Other liabilities	30,000,398	29,080,264	29,404,942	30,878,177	59,405,340	59,958,441
Total liabilities	60,950,398	60,425,264	52,819,942	55,873,177	113,770,340	116,298,441
Net assets						
Invested in capital assets, net of related debt	90,093,683	87,975,194	224,440,404	209,874,031	314,534,087	297,849,225
Restricted	6,680,663	5,767,706	1,695,740	1,840,838	8,376,403	7,608,544
Unrestricted	21,962,193	18,116,572	136,557,327	121,916,198	158,519,520	140,032,770
Total net assets	\$ 118,736,539	\$ 111,859,472	\$ 362,693,471	\$ 333,631,067	\$ 481,430,010	\$ 445,490,539

Net Assets



A portion of the City's net assets (1.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (\$158,519,520) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2007 and 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole and separate governmental and business-type activities.

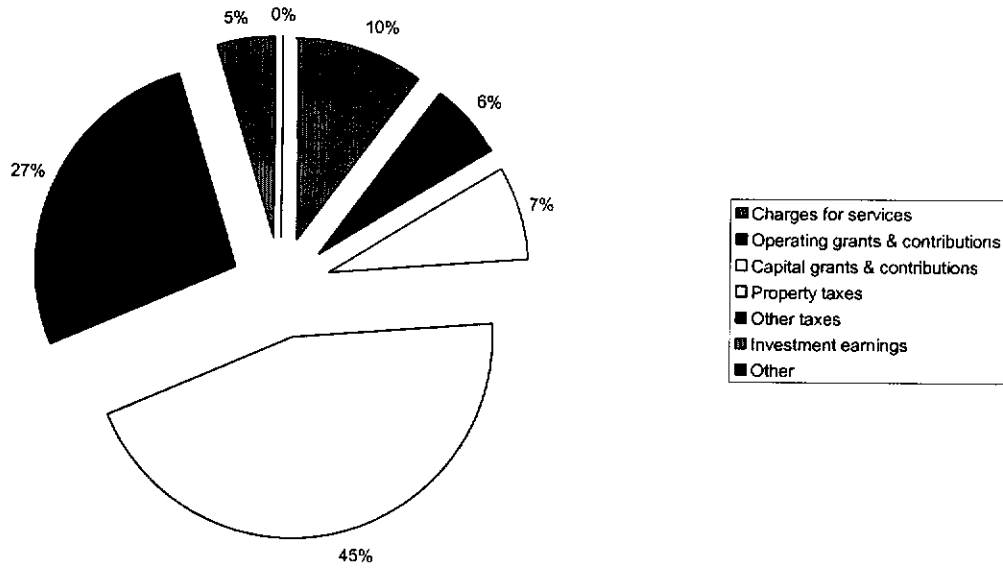
Governmental activities. Governmental activities increased the net assets of the City by \$6,877,067 or 19.1% of the total increase in net assets in 2007 and \$7,187,134 or 23.9% of the increase in 2006. Taxes are the largest source of governmental revenues with property taxes of \$19,313,838 in 2007 and other taxes (sales taxes and road use tax) of \$11,526,170. Capital grants and contributions for 2007 totaled \$3,231,618. The \$838,067 increase in property tax collections in 2007 over 2006 was due to increased valuations and a \$.08 increase in the overall tax rate. The increase in other taxes was due to increased local option tax and hotel/motel tax collections. Rising interest rates are reflected in the \$669,868 increase in investment revenue. Governmental expenses during 2007 increased \$1,364,783 over 2006 expenses or 3.9%.

City of Ames Changes in Net Assets

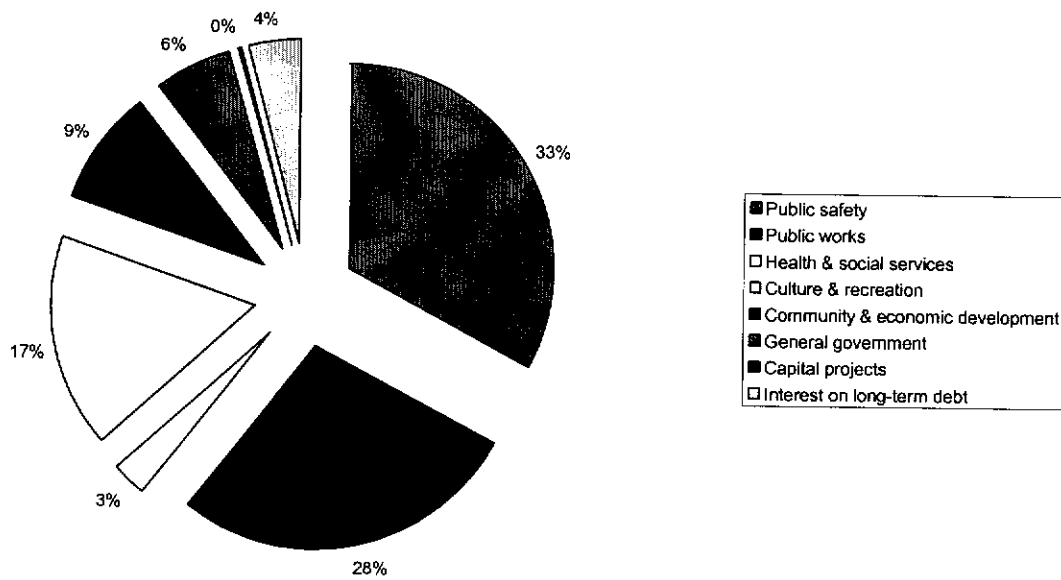
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 4,455,890	\$ 4,174,058	\$ 212,458,447	\$ 192,438,754	\$ 216,914,337	\$ 196,612,812
Operating grants & contributions	2,595,245	2,745,231	1,665,682	1,252,304	4,260,927	3,997,535
Capital grants & contributions	3,231,618	4,847,202	1,724,159	4,967,908	4,955,777	9,815,110
General revenues						
Property taxes	19,313,838	18,475,771			19,313,838	18,475,771
Other taxes	11,526,170	10,692,164			11,526,170	10,692,164
Unrestricted grants & contributions	15,573	14,945			15,573	14,945
Investment earnings	2,074,008	1,404,140	14,184,748	7,881,097	16,258,756	9,285,237
Other			119,501		119,501	-
Total revenues	43,212,342	42,353,511	230,152,537	206,540,063	273,364,879	248,893,574
Expenses						
Public safety	11,992,224	11,588,247			11,992,224	11,588,247
Public works	10,185,328	9,763,569			10,185,328	9,763,569
Health & social services	982,108	951,645			982,108	951,645
Culture & recreation	6,147,047	5,667,626			6,147,047	5,667,626
Community & economic development	3,404,127	2,743,874			3,404,127	2,743,874
General government	2,281,674	2,206,713			2,281,674	2,206,713
Capital projects	41,834	732,402			41,834	732,402
Interest on long-term debt	1,532,782	1,548,265			1,532,782	1,548,265
Mary Greeley Medical Center			135,819,426	122,828,311	135,819,426	122,828,311
Electric Utility			40,398,204	38,388,459	40,398,204	38,388,459
Sewer Utility			6,069,860	5,326,905	6,069,860	5,326,905
Water Utility			5,811,849	5,468,343	5,811,849	5,468,343
Storm Sewer Utility			474,425	473,286	474,425	473,286
Parking Lot			828,138	777,261	828,138	777,261
Resource Recovery			3,887,199	3,424,317	3,887,199	3,424,317
Transit			6,911,902	6,280,501	6,911,902	6,280,501
Ames/ISU Ice Arena			432,532	469,884	432,532	469,884
Homewood Golf Course			224,749	226,069	224,749	226,069
Total expenses	36,567,124	35,202,341	200,858,284	183,663,336	237,425,408	218,865,677
Excess before transfers	6,645,218	7,151,170	29,294,253	22,876,727	35,939,471	30,027,897
Transfers	231,849	35,964	(231,849)	(35,964)		
Increase in net assets	\$ 6,877,067	\$ 7,187,134	\$ 29,062,404	\$ 22,840,763	\$ 35,939,471	\$ 30,027,897

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

Governmental Activities Revenues 2007



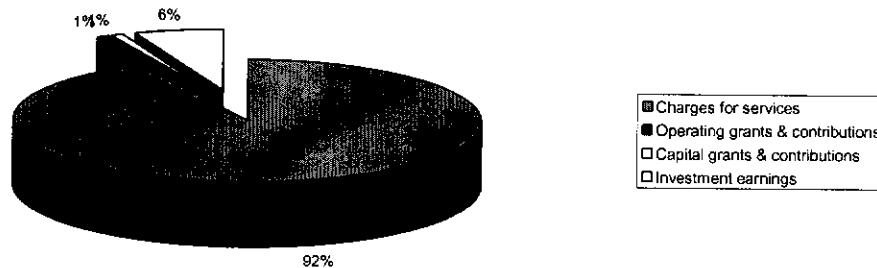
Governmental Activities Expenses 2007



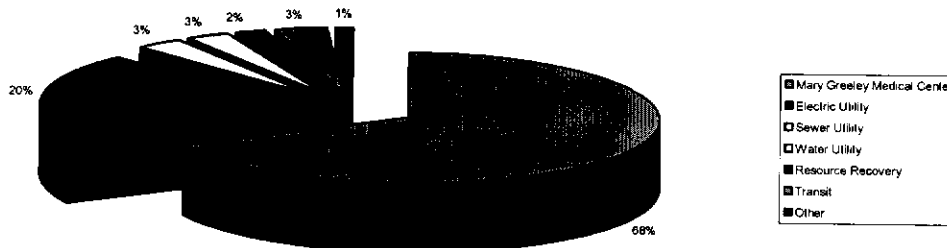
Business-type activities. Business-type activities increased net assets by \$29,062,404 accounting for 80.9% of the City of Ames growth in net assets at June 30, 2007. This was 27% more than the 2006 increase in net assets of \$22,840,763. Business-type charges for services increased \$20,019,693 during 2007 or 10.4% over 2006 totals. Investment earnings increased \$6,303,651 or 80.0% during 2007.

The expenses of the business-type activities increased \$17,194,948 or 9.4% over 2006 expenses. Expenses for Mary Greeley Medical Center were 75.5% of this total increase or \$12,991,115. Below are graphs showing the business-type activities revenue and expense comparisons.

Business-type Activities Revenues 2007



Business-type Activities Expenses 2007



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 \$27,805,261 at June 30, 2007. This was an increase of \$4,962,114 over the prior year. Approximately sixty-eight percent (\$18,891,803) constitutes unreserved fund balance, an increase of \$4,088,010 over the 2006 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 and grant restricted purposes.

The general fund's fund balance increased by \$726,443 or 12.5% leaving a fund balance in excess of 30.9% of current annual expenditures and exceeding the City's goal of 20% of expenditures.

The debt service fund utilized \$168,396 of its fund balance for principal and interest payments during 2007. 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 \$1,100,000.

The fund balance of the capital projects fund increased by \$2,881,743 to \$5,110,517 at June 30, 2007. Expenditures were \$4,825,240 or \$130,911 more than 2006 expenditures. Staff retirements and engineering vacancies limited the work that was completed. Bonds issued for capital projects in 2007 totaled \$5,285,000.

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, 2007 totaled \$357,167,776 of which 36.7% (\$131,038,467) is unrestricted. This is a \$29,078,623 or 8.9% increase over the 2006 net assets of \$328,089,153. The net assets of the internal service funds are \$15,680,992, a \$579,915 increase over the 2006 total net assets. The unrestricted net assets of the internal service funds are \$10,548,276 (67.3%).

The net assets of Mary Greeley Medical Center increased \$21,862,105 to \$171,409,879 or 14.6% over the 2006 net assets of \$149,547,774. The change in net assets includes an increase in investment earnings of approximately \$5,880,000.

The Electric Utility had a \$5,667,209 increase in net assets which is \$2,195,912 more than the 2006 increase in net assets of \$3,471,297. Costs of goods and services increased in 2007 by \$2,431,105 due to planned maintenance of generating equipment, additional unexpected repairs

discovered under planned maintenance, and increased costs for fuel and purchased power. Charges for services increased \$4,051,104 due partially to an increase in the electric rate of 3.5%. This was the first rate increase since 1979. Investment earnings increased \$143,876 due to higher interest rates.

The Sewer Utility had a decrease in net assets of \$939,115 due to a decrease in development activity and the amount of capital contributions from developers. Charges for services in 2007 increased \$152,392 over 2006 levels.

BUDGETARY HIGHLIGHTS

There were two amendments to the City's 2006-2007 budget. The first amendment was passed in March 2007 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 increased the general fund's budgeted expenditures \$245,747. Actual general fund expenses were \$648,234 (2.97%) less than the final budgeted amount of \$21,816,662.

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, 2007, amounts to \$373,045,053 (net of accumulated depreciation), an increase of \$10,969,224 or 3.0% above the 2006 investment of \$362,075,829. 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 65 and 66.

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:

Beach Avenue reconstruction \$1,199,400.
Mortensen Road bike path \$271,600.
WPC plant SCADA system \$293,000.
Resource Recovery air knife system \$1,153,200.
Play equipment, shelter & restroom renovation for parks \$71,400.
Duff Avenue/6th Street traffic signal \$132,900.
4 New CyRide buses \$1,111,500.
Auditorium lighting system \$12,600.
Electric 161 kv tie line (ongoing) \$6,165,200.
South Hazel water main \$195,700.

Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 10,863,779	\$ 10,397,984	\$ 10,019,218	\$ 9,882,675	\$ 20,882,997	\$ 20,280,659
Other nondepreciable assets	4,355,370	4,255,121			4,355,370	4,255,121
Depreciable assets	105,255,770	107,264,699	227,327,621	220,194,234	332,583,391	327,458,933
Construction in progress	<u>3,106,865</u>	<u>1,045,197</u>	<u>12,116,430</u>	<u>9,035,919</u>	<u>15,223,295</u>	<u>10,081,116</u>
Total	<u>\$ 123,581,784</u>	<u>\$ 122,963,001</u>	<u>\$ 249,463,269</u>	<u>\$ 239,112,828</u>	<u>\$ 373,045,053</u>	<u>\$ 362,075,829</u>

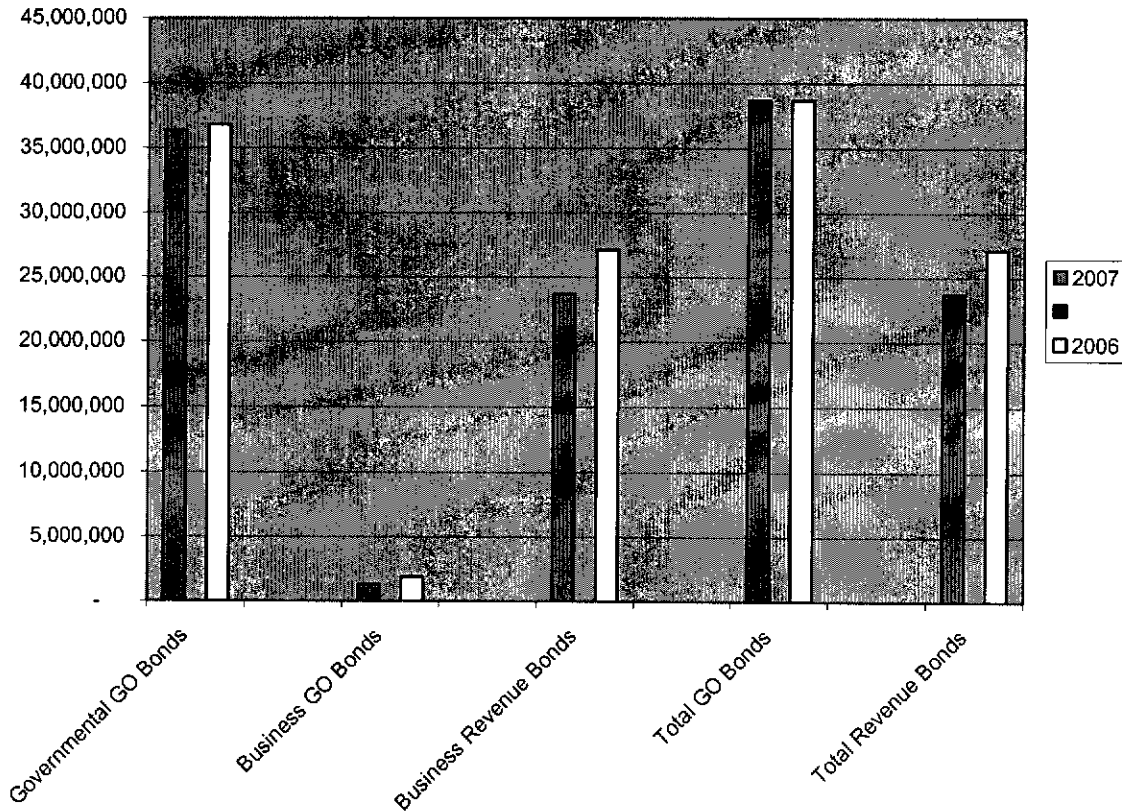
Long-term Debt. At the close of the fiscal year ended June 30, 2007, the City had bonds outstanding of \$61,350,000. General obligation debt was \$37,655,000 and revenue bonds outstanding totaled \$23,685,000. General obligation bonds of \$5,285,000 were issued for the cost of construction, reconstruction and repair of streets and storm sewers in the City.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 36,355,000	\$ 36,810,028	\$ 1,310,000	\$ 1,879,972	\$ 37,665,000	\$ 38,690,000
Revenue bonds			<u>23,685,000</u>	<u>27,075,000</u>	<u>23,685,000</u>	<u>27,075,000</u>
Total	<u>\$ 36,355,000</u>	<u>\$ 36,810,028</u>	<u>\$ 24,995,000</u>	<u>\$ 28,954,972</u>	<u>\$ 61,350,000</u>	<u>\$ 65,765,000</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, 2005 related to the 2006-2007 fiscal year. The current debt limitation for the City is \$150,197,523. 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 68 through 71.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's unemployment rate ended the fiscal year at 2.9%, moderately lower than the 3.2% rate for the prior year and under the State of Iowa rate of 3.1% and the 4.6% national rate.

City revenue sources affected by economic activity such as local option sales tax, building permit fees, and road use tax showed slight increases or decreases from the prior year. Building permit revenue is down in 2007 due to decreased single and multi-family home construction.

Selected Revenues

	2007	2006	Change
Local Option Tax	5,995,753	5,321,440	674,313
Hotel/Motel Tax	1,298,009	1,127,307	170,702
Road Use Tax	4,244,752	4,243,809	943
Building Permits	553,924	560,108	(6,184)

Property taxes.

The City continues to enjoy moderate growth in valuation of taxable property. The 2007-08 budget required a \$.18 (1.76%) increase in the property tax rate from \$10.25/\$1,000 of taxable valuation to \$10.43.

This moderate property tax increase is due in part to:

- Continued success in the area of health care cost containment.
- A larger than anticipated fund balance in the general fund has allowed financing of one-time capital items in 2006-2007 rather than raising taxes to support these expenditures.
- The larger than expected fund balance has also allowed utilizing general fund monies to offset the entire 2006-2007 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, sewer, and resource recovery utilities were not increased for FY 2007-2008. The storm sewer utility budgeted a \$.35 increase in their charge bringing the total monthly storm water fee to \$2.60 per customer.

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.



Ames Circle of Arts

By William C. Culbertson, 2002

Bandshell Park

**BASIC
FINANCIAL
STATEMENTS**

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current assets:				
Cash and pooled cash investments	\$ 35,309,972	\$ 21,571,516	\$ 56,881,488	\$ 550,417
Investments		16,477,185	16,477,185	10,092,055
Taxes receivable	334,083		334,083	
Special assessments receivable	179,584		179,584	
Accounts receivable, net	462,284	27,389,874	27,852,158	
Pledges receivable, net				297,991
Accrued interest receivable	295,238	293,570	588,808	
Intergovernmental receivables	2,834,393	1,759,150	4,593,543	
Internal balances	(4,493,821)	4,493,821		
Inventories	176,561	6,172,526	6,349,087	
Houses held for resale	333,072		333,072	
Prepaid items	91,244	1,866,974	1,958,218	
Total unrestricted current assets	<u>35,522,610</u>	<u>80,024,616</u>	<u>115,547,226</u>	<u>10,940,463</u>
Restricted current assets:				
Investments		2,914,003	2,914,003	
Accrued interest receivable		348,280	348,280	
Total restricted current assets		<u>3,262,283</u>	<u>3,262,283</u>	
Total current assets	<u>35,522,610</u>	<u>83,286,899</u>	<u>118,809,509</u>	<u>10,940,463</u>
Noncurrent assets:				
Long-term investments		1,765,196	1,765,196	
Succeeding year taxes receivable	20,115,841		20,115,841	
Long-term special assessments receivable	338,509		338,509	
Deferred debt issuance costs	128,193	581,697	709,890	
Capital assets:				
Land	10,863,779	10,019,218	20,882,997	
Other nondepreciable assets	4,355,370		4,355,370	
Depreciable assets	172,820,084	472,206,764	645,026,848	
Construction in progress	3,106,865	12,116,430	15,223,295	
Less accumulated depreciation	(67,564,314)	(244,879,143)	(312,443,457)	
Capital assets, net	<u>123,581,784</u>	<u>249,463,269</u>	<u>373,045,053</u>	
Total unrestricted noncurrent assets	<u>144,164,327</u>	<u>251,810,162</u>	<u>395,974,489</u>	
Restricted noncurrent assets:				
Long-term investments		80,416,352	80,416,352	
Total noncurrent assets	<u>144,164,327</u>	<u>332,226,514</u>	<u>476,390,841</u>	
Total assets	<u>179,686,937</u>	<u>415,513,413</u>	<u>595,200,350</u>	<u>10,940,463</u>

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current liabilities:				
Accounts payable	1,347,574	12,050,621	13,398,195	87,489
Retainage payable	137,705	822,862	960,567	
Due to other governments	102,420	465,092	567,512	
Compensation and payroll taxes	150,299	3,205,195	3,355,494	
Employee benefits	5,434	8,078,786	8,084,220	
Bonds payable	5,405,000	1,580,000	6,985,000	
Notes payable		27,865	27,865	
Interest payable	118,345	141,577	259,922	
Claims payable	450,000	220,994	670,994	
Unearned revenue	209,748	5,045	214,793	
Customer deposits	80,129	820,813	900,942	
Total current liabilities	<u>8,006,654</u>	<u>27,418,850</u>	<u>35,425,504</u>	<u>87,489</u>
Noncurrent liabilities:				
Employee benefits	1,633,209	1,086,676	2,719,885	
Bonds payable	30,950,000	23,415,000	54,365,000	
Unamortized premiums on bonds issued	244,694	766,469	1,011,163	
Deferred charges		(717,273)	(717,273)	
Notes payable				
Due to other governments				
Succeeding year unearned revenue	20,115,841		20,115,841	
Claims payable		298,335	298,335	
Landfill postclosure costs		551,885	551,885	
Total noncurrent liabilities	<u>52,943,744</u>	<u>25,401,092</u>	<u>78,344,836</u>	
Total liabilities	<u>60,950,398</u>	<u>52,819,942</u>	<u>113,770,340</u>	<u>87,489</u>
NET ASSETS				
Invested in capital assets, net of related debt	90,093,683	224,440,404	314,534,087	
Restricted:				
Expendable for:				
Debt service	1,107,194	1,695,740	2,802,934	
Capital improvements	2,866,899		2,866,899	
State and grant purposes	1,890,604		1,890,604	
Mary Greeley Medical Center				6,641,344
Nonexpendable for:				
Perpetual care	815,966		815,966	
Bliss Cancer Endowment Fund				242,758
Unrestricted	<u>21,962,193</u>	<u>136,557,327</u>	<u>158,519,520</u>	<u>3,968,872</u>
Total net assets	<u>\$ 118,736,539</u>	<u>\$ 362,693,471</u>	<u>\$ 481,430,010</u>	<u>\$ 10,852,974</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, 2007**

Functions	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	\$ 11,992,224	2,201,516	209,034
Public works	10,185,328	198,745	328,882
Health and social services	982,108		
Culture and recreation	6,147,047	1,020,870	363,416
Community and economic development	3,404,127	216,531	1,693,913
General government	2,281,674	816,844	
Capital projects	41,834	1,384	
Interest on long-term debt	1,532,782		
Total governmental activities	<u>36,567,124</u>	<u>4,455,890</u>	<u>2,595,245</u>
Business-type activities:			
Mary Greeley Medical Center	135,819,426	145,181,175	156,468
Electric Utility	40,398,204	46,307,158	
Sewer Utility	6,069,860	4,760,282	
Water Utility	5,811,849	6,394,051	
Storm Sewer Utility	474,425	676,692	
Parking Lot	828,138	685,500	
Resource Recovery	3,887,199	4,072,777	
Transit	6,911,902	3,793,525	1,509,214
Ames/ISU Ice Arena	432,532	389,163	
Homewood Golf Course	224,749	198,124	
Total business-type activities	<u>200,858,284</u>	<u>212,458,447</u>	<u>1,665,682</u>
Total primary government	<u>\$ 237,425,408</u>	<u>\$ 216,914,337</u>	<u>\$ 4,260,927</u>
Component unit:			
Mary Greeley Medical Center Foundation	<u>\$ 700,511</u>		<u>\$ 1,263,186</u>

General revenues:

Taxes:

 Property taxes

 Sales taxes

 Road use tax

 Grants and contributions not restricted to specific programs

 Investment earnings

 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.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
155,036	\$ (9,426,638)		\$ (9,426,638)	
825,878	(8,831,823)		(8,831,823)	
	(982,108)		(982,108)	
91,773	(4,670,988)		(4,670,988)	
	(1,493,683)		(1,493,683)	
	(1,464,830)		(1,464,830)	
2,158,931	2,118,481		2,118,481	
	(1,532,782)		(1,532,782)	
<u>3,231,618</u>	<u>(26,284,371)</u>		<u>(26,284,371)</u>	
		\$ 9,518,217	9,518,217	
		5,908,954	5,908,954	
114,352		(1,195,226)	(1,195,226)	
140,352		722,554	722,554	
		202,267	202,267	
		(142,638)	(142,638)	
		185,578	185,578	
1,449,455		(159,708)	(159,708)	
20,000		(23,369)	(23,369)	
		(26,625)	(26,625)	
<u>1,724,159</u>		<u>14,990,004</u>	<u>14,990,004</u>	
\$ <u>4,955,777</u>	<u>(26,284,371)</u>	<u>14,990,004</u>	<u>(11,294,367)</u>	
\$ <u>96,370</u>				\$ <u>659,045</u>
	19,313,838		19,313,838	
	7,281,418		7,281,418	
	4,244,752		4,244,752	
	15,573		15,573	
	2,074,008	14,184,748	16,258,756	1,412,064
		119,501	119,501	
	231,849	(231,849)		
	<u>33,161,438</u>	<u>14,072,400</u>	<u>47,233,838</u>	<u>1,412,064</u>
	6,877,067	29,062,404	35,939,471	2,071,109
	<u>111,859,472</u>	<u>333,631,067</u>	<u>445,490,539</u>	<u>8,781,865</u>
\$ <u>118,736,539</u>	\$ <u>362,693,471</u>	\$ <u>481,430,010</u>		\$ <u>10,852,974</u>

CITY OF AMES, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

ASSETS	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and pooled cash investments	\$ 5,121,004	\$ 983,707	\$ 4,874,996	\$ 14,138,110	\$ 25,117,817
Taxes receivable	196,805	115,871		21,407	334,083
Special assessments receivable			179,584		179,584
Accounts receivable	294,026			26,299	320,325
Accrued interest receivable	120,910	7,616	46,173	40,018	214,717
Intergovernmental receivables	138,301		821,423	1,866,169	2,825,893
Due from other funds	1,148,991		627,997	164,754	1,941,742
Inventories	30,724			83,964	114,688
Houses held for resale				333,072	333,072
Prepaid items	39,054			2,737	41,791
Succeeding year taxes receivable	11,717,141	7,104,001		1,294,699	20,115,841
Long-term special assessments receivable			338,509		338,509
Total assets	\$ 18,806,956	\$ 8,211,195	\$ 6,888,682	\$ 17,971,229	\$ 51,878,062
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 202,846		\$ 521,559	\$ 210,033	\$ 934,438
Retainage payable			123,267	14,438	137,705
Due to other governments	70,151			1,807	71,958
Compensation and payroll taxes	92,781		2,926	40,804	136,511
Due to other funds	171,246		791,904	1,003,457	1,966,607
Deferred revenue	6,646		338,509	284,457	629,612
Succeeding year deferred revenue	11,717,141	\$ 7,104,001		1,294,699	20,115,841
Customer deposits				80,129	80,129
Total liabilities	12,260,811	7,104,001	1,778,165	2,929,824	24,072,801
Fund balances:					
Reserved for:					
Encumbrances	187,168		2,999,835	388,518	3,575,521
Perpetual care				815,966	815,966
Inventories	30,724			83,964	114,688
Houses held for resale				333,072	333,072
Prepaid items	39,054			520	39,574
Debt service		1,107,194			1,107,194
State and grant restricted purpose				1,890,604	1,890,604
Unreserved:					
Designated for subsequent year's expenditures in capital projects fund			51,377		51,377
Designated for subsequent year's expenditures in nonmajor special revenue funds				985,462	985,462
Unreserved, reported in:					
General fund	6,289,199				6,289,199
Capital projects fund			2,059,305		2,059,305
Nonmajor special revenue funds				10,543,299	10,543,299
Total fund balances	6,546,145	1,107,194	5,110,517	15,041,405	27,805,261
Total liabilities and fund balances	\$ 18,806,956	\$ 8,211,195	\$ 6,888,682	\$ 17,971,229	\$ 51,878,062

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, 2007

Fund balances - total governmental funds	\$ 27,805,261
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	10,863,779
Other nondepreciable assets	4,355,370
Depreciable assets	160,875,223
Construction in progress	3,106,865
Less: accumulated depreciation	<u>(60,745,334)</u>
	118,455,903
Debt issuance costs are deferred and amortized over the life of the bonds	128,193
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; 28.6% is accrued for the government-wide	81,355
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.	338,509
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	10,886,685
Depreciable assets	11,944,861
Less: accumulated depreciation	(6,818,980)
Current liabilities	(983,735)
Long-term liabilities	<u>(123,269)</u>
	14,905,562
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	(118,345)
Long-term employee benefits payable	(1,509,940)
General obligation bonds payable	(36,355,000)
Unamortized premiums on bonds sold	<u>(244,694)</u>
	<u>(38,227,979)</u>
Internal balance due to integration of internal service funds	<u>(4,750,265)</u>
Net assets of governmental activities	\$ <u>118,736,539</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, 2007**

	General	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 11,125,698	\$ 6,898,663	
Special assessments			\$ 139,570
Licenses and permits	983,238		
Intergovernmental	281,061	42,498	2,138,226
Charges for services	3,018,030		
Fines and forfeits	191,626		
Donations	5,545		
Investment earnings	951,743	178,386	234,626
Miscellaneous	145,397		1,384
Total revenues	<u>16,702,338</u>	<u>7,119,547</u>	<u>2,513,806</u>
Expenditures:			
Current:			
Public safety	11,776,266		
Public works	1,183,882	315,000	
Health and social services	134,998		
Culture and recreation	5,435,394		
Community and economic development	600,254		
General government	2,037,634		
Capital projects			4,825,240
Debt service:			
Principal retirement		5,740,028	
Interest and fiscal charges		1,557,501	
Total expenditures	<u>21,168,428</u>	<u>7,612,529</u>	<u>4,825,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,466,090)</u>	<u>(492,982)</u>	<u>(2,311,434)</u>
Other financing sources (uses):			
Issuance of bonds			5,285,000
Premiums on debt issued		73,086	
Transfers in	6,453,433	251,500	197,815
Transfers out	(1,260,900)		(289,638)
Total other financing sources (uses)	<u>5,192,533</u>	<u>324,586</u>	<u>5,193,177</u>
Net change in fund balances	726,443	(168,396)	2,881,743
Fund balances at beginning of year	<u>5,819,702</u>	<u>1,275,590</u>	<u>2,228,774</u>
Fund balances at end of year	<u>\$ 6,546,145</u>	<u>\$ 1,107,194</u>	<u>\$ 5,110,517</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 1,289,477	\$ 19,313,838
	139,570
	983,238
13,547,717	16,009,502
189,108	3,207,138
	191,626
212,488	218,033
360,688	1,725,443
56,213	202,994
<u>15,655,691</u>	<u>41,991,382</u>

120,698	11,896,964
3,257,949	4,756,831
847,065	982,063
465,256	5,900,650
2,803,967	3,404,221
108,349	2,145,983
1,440,242	6,265,482

	5,740,028
	1,557,501
<u>9,043,526</u>	<u>42,649,723</u>

<u>6,612,165</u>	<u>(658,341)</u>
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	5,285,000
	73,086
174,246	7,076,994
<u>(5,264,087)</u>	<u>(6,814,625)</u>
<u>(5,089,841)</u>	<u>5,620,455</u>

1,522,324	4,962,114
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<u>13,519,081</u>	<u>22,843,147</u>
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<u>\$ 15,041,405</u>	<u>\$ 27,805,261</u>
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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, 2007**

Net change in fund balances - total governmental funds	\$ 4,962,114
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	7,482,086
Current deletion of capital assets	(813,721)
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	(6,003,921)
Current elimination of depreciation on deleted assets	444,185
Debt issuance costs do not require the use of current financial resources; they are amortized over the life of the debt.	
	17,407
Current year amortization of debt issuance costs is not shown as an expenditure in governmental funds.	
	(22,931)
Hotel/Motel taxes collected after year-end are shown as deferred revenue in the funds and revenue in the government-wide statements.	
	81,355
Prior year accrued Hotel/Motel taxes are shown as revenue in the funds and not in the government-wide statements.	
	(93,699)
The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government-wide statements.	
	(118,865)
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.	
	(73,086)
Current year amortization of premiums is not shown as a revenue. It is used to reduce current year interest expense.	
	30,541
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.	
	(65,262)
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	(5,285,000)
Payments on long-term debt	5,740,028
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	118,047
Interest payable on general obligation bonds at year-end	(118,345)
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	596,134
Change in net assets of governmental activities	<u>\$ 6,877,067</u>

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



Bouquet

By V. Skip Willets, 2007

Brookside Park Near Tennis Courts

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

ASSETS	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Current assets:			
Cash and pooled cash investments	\$ 5,823,646	\$ 1,541,740	\$ 4,649,124
Investments		16,477,185	
Accounts receivable, net	20,281,159	5,382,390	490,438
Accrued interest receivable		174,293	37,421
Intergovernmental receivables		1,039,652	10,724
Due from other funds		166,143	17,832
Inventories	2,370,820	3,434,233	
Prepaid items	1,043,883	8,590	54
Total unrestricted current assets	<u>29,519,508</u>	<u>28,224,226</u>	<u>5,205,593</u>
Restricted current assets:			
Investments	2,709,503	204,500	
Accrued interest receivable	348,280		
Total restricted current assets	<u>3,057,783</u>	<u>204,500</u>	
Total current assets	<u>32,577,291</u>	<u>28,428,726</u>	<u>5,205,593</u>
Noncurrent assets:			
Long-term investments		1,765,196	
Accounts receivable			
Deferred debt issuance costs, net	563,404	8,878	
Capital assets:			
Land	4,774,987	1,332,396	1,910,222
Land improvements	960,371		
Plant and distribution systems		147,081,273	68,250,602
Buildings	95,207,982		
Equipment	75,666,643		
Construction in progress	1,768,432	9,388,342	382,578
Less accumulated depreciation	(79,041,701)	(100,453,761)	(31,638,635)
Capital assets, net	<u>99,336,714</u>	<u>57,348,250</u>	<u>38,904,767</u>
Total unrestricted noncurrent assets	<u>99,900,118</u>	<u>59,122,324</u>	<u>38,904,767</u>
Restricted noncurrent assets:			
Long-term investments	<u>80,416,352</u>		
Total noncurrent assets	<u>180,316,470</u>	<u>59,122,324</u>	<u>38,904,767</u>
Total assets	<u>212,893,761</u>	<u>87,551,050</u>	<u>44,110,360</u>

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

Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
\$ 5,609,290	\$ 3,725,214	\$ 21,349,014	\$ 10,414,657
		16,477,185	
718,494	517,393	27,389,874	141,959
44,322	31,541	287,577	86,514
370	708,404	1,759,150	8,500
16,156	55,738	255,869	333,822
165,952	201,521	6,172,526	61,873
364	1,237	1,054,128	862,299
<u>6,554,948</u>	<u>5,241,048</u>	<u>74,745,323</u>	<u>11,909,624</u>
		2,914,003	
		348,280	
		<u>3,262,283</u>	
<u>6,554,948</u>	<u>5,241,048</u>	<u>78,007,606</u>	<u>11,909,624</u>
		1,765,196	
	9,415	581,697	
581,413	1,420,200	10,019,218	
	1,573,063	2,533,434	180,852
47,660,272		262,992,147	
	20,853,205	116,061,187	551,493
	14,939,683	90,606,326	11,226,186
185,442	391,636	12,116,430	
(15,750,038)	(17,988,173)	(244,872,308)	(6,825,815)
<u>32,677,089</u>	<u>21,189,614</u>	<u>249,456,434</u>	<u>5,132,716</u>
<u>32,677,089</u>	<u>21,199,029</u>	<u>251,803,327</u>	<u>5,132,716</u>
		80,416,352	
<u>32,677,089</u>	<u>21,199,029</u>	<u>332,219,679</u>	<u>5,132,716</u>
<u>39,232,037</u>	<u>26,440,077</u>	<u>410,227,285</u>	<u>17,042,340</u>

(continued)

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007**

LIABILITIES	Business-type Activities - Enterprise Funds		
	Mary Greeley	Electric	Sewer
	Medical Center	Utility	Utility
Current liabilities:			
Accounts payable	6,060,493	5,061,101	133,436
Retainage payable	444,813	246,128	27,146
Due to other governments		336,919	7,845
Compensation and payroll taxes	2,927,196	118,391	5,992
Employee benefits	8,017,164	28,884	6,752
Due to other funds		266,562	86,446
Bonds payable	1,030,000	100,000	
Notes payable	27,865		
Interest payable	88,026	49,730	
Claims payable			
Unearned revenue			
Customer deposits		820,813	
Total current liabilities	<u>18,595,557</u>	<u>7,028,528</u>	<u>267,617</u>
Noncurrent liabilities:			
Employee benefits		511,825	134,756
Bonds payable	22,555,000		
Unamortized premiums on bonds issued	712,981	8,288	
Deferred charges	(677,991)	(11,023)	
Claims payable	298,335		
Landfill postclosure costs			
Total noncurrent liabilities	<u>22,888,325</u>	<u>509,090</u>	<u>134,756</u>
Total liabilities	<u>41,483,882</u>	<u>7,537,618</u>	<u>402,373</u>
NET ASSETS			
Invested in capital assets, net of related debt	75,723,849	57,248,250	38,904,767
Restricted for debt service		103,000	
Unrestricted	<u>95,686,030</u>	<u>22,662,182</u>	<u>4,803,220</u>
Total net assets	<u>\$ 171,409,879</u>	<u>\$ 80,013,432</u>	<u>\$ 43,707,987</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
271,065	446,132	11,972,227	491,530
95,667	9,108	822,862	
21,973	98,355	465,092	30,462
20,948	131,415	3,203,942	15,041
8,462	17,125	8,078,387	5,833
105,529	90,385	548,922	15,904
	450,000	1,580,000	
		27,865	
	3,821	141,577	
			670,994
	5,045	5,045	
		820,813	
<u>523,644</u>	<u>1,251,386</u>	<u>27,666,732</u>	<u>1,229,764</u>
161,744	270,036	1,078,361	131,584
	860,000	23,415,000	
	45,200	766,469	
	(28,259)	(717,273)	
		298,335	
	551,885	551,885	
<u>161,744</u>	<u>1,698,862</u>	<u>25,392,777</u>	<u>131,584</u>
<u>685,388</u>	<u>2,950,248</u>	<u>53,059,509</u>	<u>1,361,348</u>
32,677,089	19,879,614	224,433,569	5,132,716
		1,695,740	
<u>5,869,560</u>	<u>3,610,215</u>	<u>131,038,467</u>	<u>10,548,276</u>
<u>\$ 38,546,649</u>	<u>\$ 23,489,829</u>	<u>\$ 357,167,776</u>	<u>\$ 15,680,992</u>
		<u>5,525,695</u>	
		<u>\$ 362,693,471</u>	

(concluded)

CITY OF AMES, IOWA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Operating revenues:			
Charges for goods and services	\$ 145,181,175	\$ 46,307,158	\$ 4,760,282
Operating expenses:			
Cost of goods and services	106,256,012	35,773,387	3,664,745
Administration	18,183,089	798,470	506,215
Depreciation	10,238,740	3,737,249	1,895,237
Total operating expenses	<u>134,677,841</u>	<u>40,309,106</u>	<u>6,066,197</u>
Operating income (loss)	<u>10,503,334</u>	<u>5,998,052</u>	<u>(1,305,915)</u>
Nonoperating revenues (expenses):			
Investment earnings	12,224,387	1,179,135	252,448
Interest expense	(1,141,585)	(85,363)	
Restricted donations	10,190		
Federal, state, and other operating grants	146,278		
Costs reimbursed by contract participants			
Gain (loss) on disposal of capital assets	119,501		
Total nonoperating revenues	<u>11,358,771</u>	<u>1,093,772</u>	<u>252,448</u>
Income (loss) before contributions and transfers	21,862,105	7,091,824	(1,053,467)
Capital contributions			114,352
Transfers in		30,520	
Transfers out		(1,455,135)	
Change in net assets	21,862,105	5,667,209	(939,115)
Total net assets at beginning of year	<u>149,547,774</u>	<u>74,346,223</u>	<u>44,647,102</u>
Total net assets at end of year	<u>\$ 171,409,879</u>	<u>\$ 80,013,432</u>	<u>\$ 43,707,987</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
\$ 6,394,051	\$ 9,200,827	\$ 211,843,493	\$ 10,774,624
4,519,890	10,313,467	160,527,501	9,807,107
249,823	994,873	20,732,470	
1,037,701	1,385,005	18,293,932	955,920
<u>5,807,414</u>	<u>12,693,345</u>	<u>199,553,903</u>	<u>10,763,027</u>
586,637	(3,492,518)	12,289,590	11,597
306,818	221,960	14,184,748	557,609
(2,025)	(59,189)	(1,288,162)	
		10,190	
	1,509,214	1,655,492	
	614,954	614,954	
		119,501	41,229
<u>304,793</u>	<u>2,286,939</u>	<u>15,296,723</u>	<u>598,838</u>
891,430	(1,205,579)	27,586,313	610,435
140,352	1,469,455	1,724,159	
	1,192,766	1,223,286	
		(1,455,135)	(30,520)
1,031,782	1,456,642	29,078,623	579,915
<u>37,514,867</u>	<u>22,033,187</u>	<u>328,089,153</u>	<u>15,101,077</u>
<u>\$ 38,546,649</u>	<u>\$ 23,489,829</u>	<u>\$ 357,167,776</u>	<u>\$ 15,680,992</u>
		\$ 29,078,623	
		<u>(16,219)</u>	
		<u>\$ 29,062,404</u>	

CITY OF AMES, IOWA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Cash flows from operating activities:			
Receipts from customers	\$ 133,243,876	\$ 46,071,433	\$ 4,792,111
Payments to suppliers	(60,459,758)	(28,545,918)	(1,404,916)
Payments to employees	(63,003,536)	(7,115,114)	(1,883,396)
Payments for interfund services used		(1,400,834)	(794,500)
Other receipts	11,609,903		
Net cash provided by (used in) operating activities	<u>21,390,485</u>	<u>9,009,567</u>	<u>709,299</u>
Cash flows from noncapital financing activities:			
Principal received on advances to other funds			
Interest received on advances to other funds			
Operating grants	146,278		
Costs reimbursed by contract participants			
Transfers in		30,520	
Transfers out		(1,455,135)	
Net cash provided by (used in) noncapital financing activities	<u>146,278</u>	<u>(1,424,615)</u>	
Cash flows from capital and related financing activities:			
Principal paid on revenue bond maturities	(1,530,000)	(1,860,000)	
Principal paid on general obligation bond maturities		(80,067)	
Interest paid and other fiscal charges	(1,124,501)		
Purchases of capital assets	(15,643,873)	(9,112,440)	(700,940)
Principal paid on notes payable	(255,960)		
Proceeds from sale of capital assets	1,542,983		
Restricted donations	10,190		
Capital contributions			
Net cash used in capital and related financing activities	<u>(17,001,161)</u>	<u>(11,052,507)</u>	<u>(700,940)</u>
Cash flows from investing activities:			
Purchase of investments	(55,750,174)	(50,182,130)	
Proceeds from sales and maturities of investments	47,276,578	50,688,158	
Interest on investments and pooled cash	2,170,916	1,161,124	250,885
Net cash provided by (used in) investing activities	<u>(6,302,680)</u>	<u>1,667,152</u>	<u>250,885</u>

Business-type Activities - Enterprise Funds (continued)				Internal Service Funds
Water Utility	Other Enterprise Funds	Totals		
\$ 6,456,832	\$ 9,141,206	\$ 199,705,458	\$	10,642,694
(1,281,892)	(4,005,735)	(95,698,219)		(7,560,493)
(2,092,178)	(6,001,829)	(80,096,053)		(1,546,172)
(1,109,386)	(1,069,014)	(4,373,734)		(517,407)
		11,609,903		
<u>1,973,376</u>	<u>(1,935,372)</u>	<u>31,147,355</u>		<u>1,018,622</u>
				2,149
				43
	1,509,214	1,655,492		
	614,954	614,954		
	1,192,766	1,223,286		
		(1,455,135)		(30,520)
	<u>3,316,934</u>	<u>2,038,597</u>		<u>(28,328)</u>
(73,790)		(3,463,790)		
(2,580)	(496,181)	(578,828)		
	(63,217)	(1,187,718)		
(1,685,195)	(2,808,029)	(29,950,477)		(762,004)
		(255,960)		
		1,542,983		341,717
		10,190		
	<u>1,469,455</u>	<u>1,469,455</u>		
<u>(1,761,565)</u>	<u>(1,897,972)</u>	<u>(32,414,145)</u>		<u>(420,287)</u>
		(105,932,304)		
		97,964,736		
<u>303,957</u>	<u>226,008</u>	<u>4,112,890</u>		<u>550,996</u>
<u>303,957</u>	<u>226,008</u>	<u>(3,854,678)</u>		<u>550,996</u>

(continued)

CITY OF AMES, IOWA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Net change in cash and pooled cash investments	(1,767,078)	(1,800,403)	259,244
Cash and pooled cash investments at beginning of year	<u>7,590,724</u>	<u>3,342,143</u>	<u>4,389,880</u>
Cash and pooled cash investments at end of year	<u>\$ 5,823,646</u>	<u>\$ 1,541,740</u>	<u>\$ 4,649,124</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 10,503,334	\$ 5,998,052	\$ (1,305,915)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	10,238,740	3,737,249	1,895,237
Changes in:			
Accounts receivable, net	(170,194)	(269,004)	40,551
Intergovernmental receivables		45,007	(9,013)
Due from other funds		(88,081)	291
Inventories	63,583	(314,110)	
Prepaid items	(282,145)	(2,501)	(26)
Accounts payable	180,436	(489,041)	77,076
Due to other governments		239,689	4,671
Accrued expenses	856,731	28,582	(1,749)
Due to other funds		47,372	8,176
Claims payable			
Unearned revenue			
Customer deposits		76,353	
Landfill postclosure costs			
Net cash provided by (used in) operating activities	<u>\$ 21,390,485</u>	<u>\$ 9,009,567</u>	<u>\$ 709,299</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases (decreases) in the fair value of investments	<u>\$ 6,844,543</u>	<u>\$ 93,944</u>	<u>\$ 30,167</u>
Noncash capital asset contributions			<u>\$ 114,352</u>
Outstanding note obligations on assets acquired	<u>\$ 27,865</u>		
Capital asset trade-ins			

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

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

<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
515,768	(290,402)	(3,082,871)	1,121,003
<u>5,093,522</u>	<u>4,015,616</u>	<u>24,431,885</u>	<u>9,293,654</u>
\$ <u>5,609,290</u>	\$ <u>3,725,214</u>	\$ <u>21,349,014</u>	\$ <u>10,414,657</u>
\$ 586,637	\$ (3,492,518)	\$ 12,289,590	\$ 11,597
1,037,701	1,385,005	18,293,932	955,920
67,156	(23,470)	(354,961)	(121,386)
(130)	(50,542)	(14,678)	14,792
(4,245)	14,591	(77,444)	(25,336)
38,293	(4,777)	(217,011)	(1,212)
(364)	9,800	(275,236)	(38,701)
218,541	289,379	276,391	279,145
5,399	(71,962)	177,797	(1,622)
15,880	9,477	908,921	13,570
8,508	15,714	79,770	539
			(68,684)
	(200)	(200)	
		76,353	
	<u>(15,869)</u>	<u>(15,869)</u>	
\$ <u>1,973,376</u>	\$ <u>(1,935,372)</u>	\$ <u>31,147,355</u>	\$ <u>1,018,622</u>
\$ <u>36,394</u>	\$ <u>25,225</u>	\$ <u>7,030,273</u>	\$ <u>67,587</u>
\$ <u>140,352</u>		\$ <u>254,704</u>	
		\$ <u>27,865</u>	
			\$ <u>39,950</u>

(concluded)

CITY OF AMES, IOWA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007**

ASSETS	Agency Funds
Cash and pooled cash investments	\$ <u>190,621</u>
 LIABILITIES	
Accounts payable	\$ 21,742
Due to other governments	<u>168,879</u>
Total liabilities	\$ <u>190,621</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, 2007

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. The Foundation's financial statements are available from Mary Greeley Medical Center.

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. 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). Houses held for resale are priced at cost.

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 all major general infrastructure assets at June 30, 2006.

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, 2007 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, 2007, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity
Iowa Public Agency Investment Trust	\$ 16,663	N/A
Federal Agency Coupon Securities	21,412,762	Various 1/28/2008 thru 2/16/2043
Federal Agency Discount Securities	7,420,587	Various 7/13/2007 thru 3/14/2008
Federal Agency Pass Through Securities	5,825,787	Various 12/1/2007 thru 11/1/2010
U.S. Treasury Notes	5,034,268	Various 5/15/2018 thru 8/15/2023
Mutual Funds	47,976,288	N/A
Corporate Debt Securities	<u>20,258,823</u>	Various 9/14/2007 thru 7/10/2039
Total:	<u>\$107,945,178</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	Fair Value	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	\$ 16,663	\$ 16,663			
Federal Agency Coupon Securities	21,412,762	6,946,182	\$ 3,860,046	\$ 3,396,321	\$ 7,210,213
Federal Agency Discount Securities	7,420,587	7,420,587			
Federal Agency Pass Through Securities	5,825,787	3,369,535	1,633,834	822,418	
U.S. Treasury Notes	5,034,268				5,034,268
Mutual Funds	47,976,288	47,976,288			
Corporate Debt Securities	20,258,823	5,846,826	346,973	2,342,240	11,722,784
Total	\$ 107,945,178	\$ 71,576,081	\$ 5,840,853	\$ 6,560,979	\$ 23,967,265

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.	\$ 5,825,787

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>Fair Value</u>	<u>Ratings as of Year End</u>
Iowa Public Agency Investment Trust	\$ 16,663	N/A
Federal Agency Coupon Securities	21,412,762	AAA
Federal Agency Discount Securities	7,420,587	AAA
Federal Agency Pass Through Securities	5,825,787	AAA
U.S. Treasury Notes	5,034,268	N/A
Mutual Funds	47,976,288	N/A
Corporate Debt Securities	20,258,823	<Baa-AAA
Total	\$ 107,945,178	

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	\$ 5,559,864	5.15%
Federal National Mortgage Association	Federal Agency Securities	14,801,034	13.71%
Federal Home Loan Mortgage Co.	Federal Agency Securities	12,630,477	11.70%

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, 2007, 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	\$ 5,559,864
Federal National Mortgage Association	Federal Agency Securities	14,801,034
Federal Home Loan Mortgage Co.	Federal Agency Securities	12,630,477

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, 2007, 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, 2007 are summarized as follows:

Equity mutual funds	\$ 3,742,094
Bond mutual funds	830,848
U.S. Treasury notes	93,933
Government agencies	279,668
Corporate debt securities	4,475,314
Certificates of deposit	670,198
Total investments	<u>\$ 10,092,055</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,397,984	\$ 465,795		\$ 10,863,779
Land improvements	1,384,118			1,384,118
Construction in progress	1,045,197	2,737,426	\$ 675,758	3,106,865
Public art collection	339,553	104,866		444,419
Library collection	2,537,393	358,976	369,536	2,526,833
Total capital assets not being depreciated	<u>15,704,245</u>	<u>3,667,063</u>	<u>1,045,294</u>	<u>18,326,014</u>
Capital assets being depreciated:				
Buildings	13,395,258	117,595		13,512,853
Equipment	13,350,009	930,441	999,099	13,281,351
Infrastructure	142,146,232	4,244,699	365,051	146,025,880
Total capital assets being depreciated	<u>168,891,499</u>	<u>5,292,735</u>	<u>1,364,150</u>	<u>172,820,084</u>
Less accumulated depreciation for:				
Buildings	6,124,872	331,878		6,456,750
Equipment	7,216,768	1,026,277	658,662	7,584,383
Infrastructure	48,291,103	5,597,129	365,051	53,523,181
Total accumulated depreciation	<u>61,632,743</u>	<u>6,955,284</u>	<u>1,023,713</u>	<u>67,564,314</u>
Total capital assets being depreciated, net	<u>107,258,756</u>	<u>(1,662,549)</u>	<u>340,437</u>	<u>105,255,770</u>
Governmental activities capital assets, net	<u>\$ 122,963,001</u>	<u>\$ 2,004,514</u>	<u>\$ 1,385,731</u>	<u>\$ 123,581,784</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,882,675	\$ 136,543		\$ 10,019,218
Construction in progress	9,035,919	8,907,326	\$ 5,826,815	12,116,430
Total capital assets not being depreciated	<u>18,918,594</u>	<u>9,043,869</u>	<u>5,826,815</u>	<u>22,135,648</u>
Capital assets being depreciated:				
Plant and distribution systems	253,430,619	9,576,039	14,511	262,992,147
Buildings	111,106,306	5,430,544	475,663	116,061,187
Improvements other than buildings	2,480,589	53,565	720	2,533,434
Equipment	83,877,195	11,795,210	5,052,409	90,619,996
Total capital assets being depreciated	<u>450,894,709</u>	<u>26,855,358</u>	<u>5,543,303</u>	<u>472,206,764</u>
Less accumulated depreciation for:				
Plant and distribution systems	141,186,758	6,670,188	14,511	147,842,435
Buildings	35,879,505	3,937,055	188,810	39,627,750
Improvements other than buildings	1,219,949	91,968	720	1,311,197
Equipment	52,414,264	7,599,278	3,915,781	56,097,661
Total accumulated depreciation	<u>230,700,476</u>	<u>18,298,489</u>	<u>4,119,822</u>	<u>244,879,143</u>
Total capital assets being depreciated, net	<u>220,194,233</u>	<u>8,556,869</u>	<u>1,423,481</u>	<u>227,327,621</u>
Business-type activities capital assets, net	<u>\$ 239,112,827</u>	<u>\$ 17,600,738</u>	<u>\$ 7,250,296</u>	<u>\$ 249,463,269</u>

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

Governmental activities:	
Public safety	\$ 422,161
Public works	5,867,969
Culture and recreation	453,797
Community and economic development	2,377
General government	<u>208,980</u>
Total depreciation expense governmental activities	<u>\$ 6,955,284</u>
Business-type activities:	
Mary Greeley Medical Center	\$ 10,238,740
Electric utility	3,740,097
Sewer utility	1,895,684
Water utility	1,038,120
Storm sewer utility	10,537
Parking lot	15,124
Resource Recovery	357,484
Transit	931,720
Ames/ISU Ice Arena	62,913
Homewood golf course	<u>8,070</u>
Total depreciation expense business-type activities	<u>\$ 18,298,489</u>

The City had active construction projects at June 30, 2007. The commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Street projects	\$ 2,789,751	\$ 4,056,311
Sewer projects	613,923	216,373
Transit garage expansion	148,323	2,441,202
Water projects	1,817,666	1,735,742
Electric projects	6,678,941	2,031,962
Total	<u>\$ 12,048,604</u>	<u>\$ 10,481,590</u>

C. Interfund Receivables, Payables, and Transfers

Individual interfund balances at June 30, 2007 were as follows:

	Due From									
	General fund	Capital Projects	Electric fund	Sewer fund	Water fund	Nonmajor special revenue	Nonmajor enterprise	Internal Service	Permanent fund	
Total										
Due To:										
Major Funds:										
General fund	\$ 1,148,991	\$ 161,123	\$ 139,626	\$ 22,483	\$ 27,403	\$ 733,992	\$ 44,704	\$ 13,846	\$ 5,814	
Debt service										
Capital projects	627,997	627,997								
Electric fund	166,143			41,648	45,577	78,918				
Sewer fund	17,832	\$ 462	9,143		8,227					
Water fund	16,156	126	16,030							
Nonmajor Funds:										
Nonmajor special revenue	162,588	10,754		5,986	5,985	133,878	5,985			
Nonmajor enterprise	55,738	9,584	1,472	44,609			60	13		
Internal service	333,822	148,280	1,186	57,154	16,329	50,855	39,636	2,045		
Permanent fund	2,166	2,166								
Totals	\$ 2,531,433	\$ 171,246	\$ 791,904	\$ 266,562	\$ 86,446	\$ 105,529	\$ 997,643	\$ 90,385	\$ 15,904	\$ 5,814

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

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, 2007:

	Transfers From				
	General fund	Capital projects	Electric fund	Nonmajor special revenue	Internal service
Total					
Transfer To:					
Major Funds:					
General fund	\$ 6,453,433		\$ 1,455,135	\$ 4,998,298	
Debt service	251,500	\$ 179,957		71,543	
Capital projects	197,815	\$ 88,134	109,681		
Electric	30,520				\$ 30,520
Nonmajor Funds:					
Nonmajor special revenue funds	174,246			174,246	
Nonmajor enterprise funds	1,192,766	1,172,766		20,000	
Totals	\$ 8,300,280	\$ 1,260,900	\$ 289,638	\$ 5,264,087	\$ 30,520

D. Leases and Notes Payable

The City had various leases with third parties for equipment and rental agreements. During the year ended June 30, 2007, \$584,136 was paid. Future minimum payment requirements are as follows:

Year ending June 30,	
2008	\$ 14,490
2009	14,490
2010	14,490
2011	14,490
2012	<u>12,075</u>
	<u>\$ 70,035</u>

Mary Greeley Medical Center has one five-year note payable secured by major moveable equipment. This note payable carries an interest rate of 4.3% and matures in fiscal year 2008, requiring payments of approximately \$14,000 per month.

At June 30, 2007, future minimum notes payable obligations included \$28,015 consisting of \$27,865 current notes payable and \$150 representing interest due in the year ending June 30, 2008.

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, 2007, Mary Greeley Medical Center paid \$2,647,513 in principal and interest on revenue bonds and the Electric Utility Fund paid \$1,914,150 in revenue bond principal and interest.

Details of bonds payable at June 30, 2007 are as follows:

	Date of Issue	Interest Rates	Amount Originally Issued	Maturity Date	Outstanding June 30, 2007
General obligation bonds:					
Corporate purpose	6/1998	4.13 - 4.25%	5,130,000	6/2010	1,275,000
Corporate purpose	6/1999	3.60 - 4.45%	4,045,000	6/2011	1,555,000
Corporate & Ice Arena	7/2000	4.75 - 5.15%	5,870,000	6/2012	2,870,000
Corporate purpose	8/2001	4.00 - 4.70%	10,080,000	6/2013	5,330,000
GO refunding	12/2001	2.50 - 3.60%	2,692,520	6/2008	340,000
Fire station	12/2001	2.50 - 4.10%	1,310,000	6/2013	695,000
Ames Quarry	5/2002	4.00 - 5.13%	3,475,000	6/2021	2,805,000
Corporate purpose 2002B	10/2002	2.25 - 3.60%	5,885,000	6/2014	3,640,000
Resource Recovery GO refunding 2002C	10/2002	2.50 - 3.50%	3,976,194	6/2010	1,310,000
Corp & Ada Hayden Park	09/2003	1.10 - 3.70%	6,555,000	6/2015	4,360,000
Corp, Fire & Ada Hayden	10/2004	2.75 - 3.25%	6,030,000	6/2014	4,350,000
Corp, Fire & GO refunding	09/2005	3.50 - 3.65%	5,495,000	6/2017	4,125,000
Corporate purpose 2006	10/2006	4.00%	5,285,000	6/2018	5,010,000
Total general obligation bonds					<u>37,665,000</u> (a)
Revenue bonds:					
Mary Greeley Medical Center:					
2003 Refunding	6/2003	3.00 - 5.00%	29,385,000	6/2022	<u>23,585,000</u>
Total Mary Greeley Medical Center revenue bonds					<u>23,585,000</u>
Electric:					
2002D Refunding	10/2002	2.50 - 3.00	7,525,000	1/2008	<u>100,000</u>
Total Electric revenue bonds					<u>100,000</u>
Total revenue bonds					<u>23,685,000</u> (b)
Total all bonds					<u>\$ 61,350,000</u>

(a) Excludes unamortized premiums of \$45,200 and unamortized charges arising from refunding of \$28,259.

(b) Excludes unamortized premiums of \$721,269 and unamortized charges arising from refunding of \$689,014.

As of June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows:

Year ending June 30	General Obligation Bonds	
	Principal	Interest
2008	5,405,000	1,420,135
2009	5,200,000	1,218,403
2010	4,870,000	1,020,362
2011	4,605,000	827,890
2012	4,300,000	645,150
2013-2017	10,425,000	1,304,906
2018-2021	1,550,000	151,240
Total requirements	<u>\$ 36,355,000</u>	<u>\$ 6,588,086</u>

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

As of June 30, 2007, 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
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			1,340,000	954,862	1,340,000	954,862
2012			1,375,000	912,988	1,375,000	912,988
2013-2017			7,810,000	3,597,000	7,810,000	3,597,000
2018-2022			9,880,000	1,458,675	9,880,000	1,458,675
Total requirements	<u>\$ 1,310,000</u>	<u>\$ 90,825</u>	<u>\$ 23,685,000</u>	<u>\$ 10,001,863</u>	<u>\$ 24,995,000</u>	<u>\$ 10,092,688</u>

The following is a summary of long-term liability activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 36,810,028	\$ 5,285,000	\$ (5,740,028)	\$ 36,355,000	\$ 5,405,000
Employee benefits	1,564,860	333,473	(259,689)	1,638,644	5,434
Total Governmental Activities	<u>\$ 38,374,888</u>	<u>\$ 5,618,473</u>	<u>\$ (5,999,717)</u>	<u>\$ 37,993,644</u>	<u>\$ 5,410,434</u>
Business-Type Activities:					
Revenue bonds	\$ 27,075,000		\$ (3,390,000)	\$ 23,685,000	\$ 1,130,000
General obligation bonds	1,879,972		(569,972)	1,310,000	450,000
Employee benefits	8,579,142	8,734,980	(8,148,660)	9,165,462	8,078,786
Notes payable	283,825		(255,960)	27,865	27,865
Landfill postclosure costs	567,754		(15,869)	551,885	
Total Business-Type Activities	<u>\$ 38,385,693</u>	<u>\$ 8,734,980</u>	<u>\$ (12,380,461)</u>	<u>\$ 34,740,212</u>	<u>\$ 9,686,651</u>

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

On September 12, 2006, the City issued \$5,285,000 of general obligation corporate purpose bonds dated October 1, 2006. The proceeds are to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City.

The true interest cost on the bonds is 3.815026% and the maturity dates on the bonds range from June 1, 2007 through June 1, 2018. Debt service payments are scheduled semiannually at amounts that range from \$415,933 to \$582,400. The bonds maturing in the year June 1, 2015 and thereafter are subject to prior redemption on June 1, 2014 and any date thereafter at a price of par plus accrued interest to the date of redemption.

The City had three outstanding contracts between the Iowa Department of Economic Development (IDED) and city business entities for Community Economic Betterment Account (CEBA) loans at June 30, 2007. Although the notes bear the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loans are not reported as 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	\$ 1,592,740
Electric Utility	103,000
Total restricted for debt service	<u>\$ 1,695,740</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, 2007 were \$384,677.00.

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, 2007, 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, 2007 and 2006 were as follows:

	2007	2006
Balance at July 1	\$ 289,678	\$ 334,727
Current year claims and changes in estimates	657,867	320,500
Claim payments	<u>(726,551)</u>	<u>(365,549)</u>
Balance at June 30	<u>\$ 220,994</u>	<u>\$ 289,678</u>

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:

	2007	2006
Balance at July 1	\$ 450,000	\$ 340,000
Current year claims and changes in estimates	4,370,013	3,629,329
Claim payments	<u>(4,370,013)</u>	<u>(3,519,329)</u>
Balance at June 30	<u>\$ 450,000</u>	<u>\$ 450,000</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 \$253,372 for professional liability claims that are incurred but not reported as of June 30, 2007.

The Medical Center is self-insured for health care coverage of employees and carries stop-loss insurance coverage for claims in excess of \$175,000 with a maximum aggregate limit of \$1,000,000. Accrued costs related to health care coverage amounted to \$803,300 at June 30, 2007.

As of April 1, 2007 Mary Greeley Medical Center became self-insured for workers' compensation coverage. Stop-loss insurance for claims in excess of \$300,000 per individual claim with a maximum aggregated limit of \$1,000,000 is carried by the medical center.

Changes in the balance of accrued claims for professional liabilities and health care coverage for the years ended June 30, 2007 and 2006, and changes in the balance of accrued claims for workers' compensation coverage from April 1, 2007 through June 30, 2007 for Mary Greeley Medical Center were as follows:

	Professional Liabilities		Health Care		Workers' Compensation	
	2007	2006	2007	2006	2007	2006
Balance at July 1	\$ 288,173	\$ 250,000	\$ 853,700	\$ 654,600	\$ -	\$ -
Current year claims and changes in estimates	(27,487)	45,097	5,481,624	5,421,333	31,229	-
Claim payments	<u>(7,314)</u>	<u>(6,924)</u>	<u>(5,532,024)</u>	<u>(5,222,233)</u>	<u>(5,587)</u>	<u>-</u>
Balance at June 30	<u>\$ 253,372</u>	<u>\$ 288,173</u>	<u>\$ 803,300</u>	<u>\$ 853,700</u>	<u>\$ 25,642</u>	<u>\$ -</u>

B. Subsequent Events

On November 1, 2007, the City issued \$9,630,000 of general obligation corporate purpose bonds. Proceeds to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City total \$5,920,000; \$500,000 will be used for water projects and abated by the water fund; the balance of \$3,210,000 is to be used for construction of an outdoor aquatic center approved by a vote of the citizens.

The true interest cost on the bonds is 3.671% and the maturity dates on the bonds range from June 1, 2008 through June 1, 2019. Debt service payments are scheduled semiannually at amounts that range from \$455,656 to \$1,094,563. The bonds maturing in the year June 1, 2016 and thereafter are subject to prior redemption on June 1, 2015 and any date thereafter at a price of par plus accrued interest to the date of redemption.

C. Contingent Liabilities

The City legal department reported to management that, as of June 30, 2007, 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 was adjusted in 2006 to a new estimate of future costs using current inflation figures and has a balance of \$551,885 at June 30, 2007.

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 95 percent of gross patient charges determined at established rates for the year ended June 30, 2007 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:

	2007
Gross patient service revenue, at established rates	\$ 288,558,885
Deductions:	
Medicare program	(92,924,044)
Medicaid program	(9,436,841)
Blue Cross	(34,795,022)
Other payors	(11,087,529)
Bad debt expense	(4,648,638)
Net patient service revenue	<u>\$ 135,666,811</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

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, 2007, State statute required contributions of 3.70 percent by the employee and 5.75 percent by the employer. Contributions increased to 3.9% for employees and 6.05% for employers effective July 1, 2007. Additional combined increases of .50% per year will occur through July 1, 2010 when the required contribution rates will be 4.5% for employees and 6.95% for employers.

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
2005	\$3,236,750	100%
2006	3,445,078	100%
2007	3,680,401	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, 2007, 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, 2006 the City mandated minimum contribution increased to 27.75%. A scheduled decrease will occur on July 1, 2007 to 25.48% and will be further reduced to 18.75% effective July 1, 2008.

For the year ended June 30, 2007, the City’s contribution was 27.75 percent of the earnable compensation of each member.

Schedule of Employer Contributions

Year Ended June 30	Amount Required	Percentage Contributed
2005	\$1,228,717	100%
2006	1,452,990	100%
2007	1,467,354	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 152 active and fully vested participants, 82 terminated participants, 4 retired participants, and 5 other participants in the plan at June 30, 2007.

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, 2007 was \$26,914,732. Employee contributions to the plan for the fiscal year ended June 30, 2007 totaled \$439,410 and employer contributions were \$645,279.

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. Financial statements of the joint venture are available at Mary Greeley Medical Center.

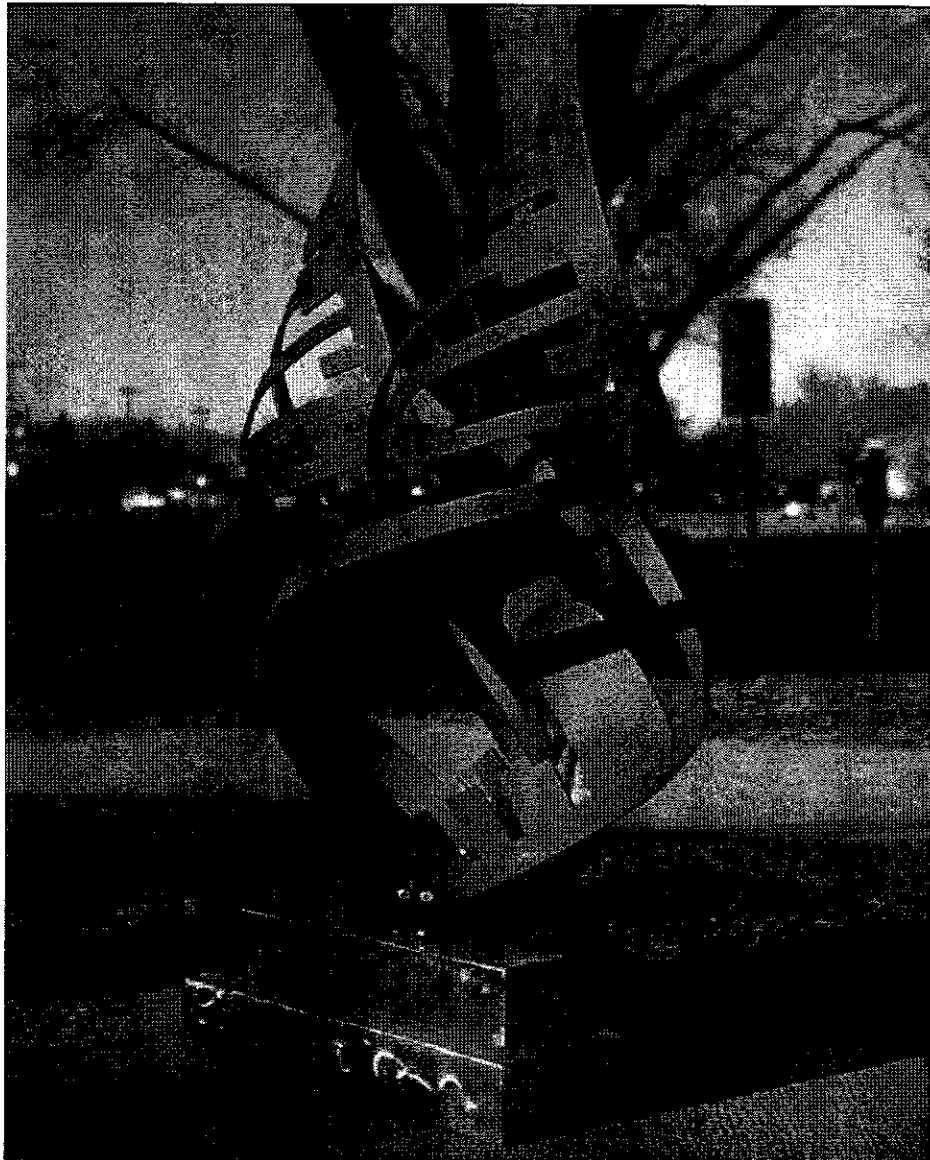
Included in the MGMC fund financial statements is approximately \$127,000 due to the joint venture at June 30, 2007. Included in the revenues of MGMC is approximately \$5,433,000 in supplies and services sold to the joint venture and operating expenses of approximately \$10,356,000 in purchased services received from the joint venture as of June 30, 2007.

J. New Accounting Pronouncements

The City implemented GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, and GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets during the current fiscal year ended June 30, 2007.

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 is currently working to determine the effect implementation of this statement will have on their financial statements. The City will implement this statement in their fiscal year ending June 30, 2008.

In May of 2007, GASB issued Statement No. 50, Pension Disclosures, amending note disclosure and RSI requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers to conform with the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The City will implement this statement along with Statement No. 45 in the fiscal year ending June 30, 2008.



Dance On The Prairie Dawn

By Maureen A. Seamonds, 2000

Westbend Circle

**REQUIRED
SUPPLEMENTARY
INFORMATION**



Pilots Of The Waterway

By V. Skip Willets, 2005

East edge of pond north of Burnham Drive

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, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Final to Actual Variance
Revenues & other financing sources:						
Taxes levied on property	\$ 19,210,793		\$ 19,210,793	\$ 19,381,759	\$ 19,381,759	\$ (170,966)
Other City taxes	7,396,808		7,396,808	6,807,632	7,366,910	29,898
Licenses & permits	983,238		983,238	992,733	969,359	13,879
Use of money and property	1,798,511	\$ 15,188,610	16,987,121	6,700,232	8,653,143	8,333,978
Intergovernmental	8,682,040	6,199,346	14,881,386	15,185,552	17,794,490	(2,913,104)
Charges for services	2,970,720	207,374,731	210,345,451	193,165,519	199,558,179	10,787,272
Special assessments	149,545		149,545	185,000	185,000	(35,455)
Miscellaneous	878,407	1,267,976	2,146,383	1,297,285	1,811,506	334,877
Other financing sources	13,931,333	2,152,392	16,083,725	15,201,694	15,924,779	158,946
Total revenues and other sources	<u>56,001,395</u>	<u>232,183,055</u>	<u>288,184,450</u>	<u>258,917,406</u>	<u>271,645,125</u>	<u>16,539,325</u>
Expenditures & other financing uses:						
Public safety	11,929,500		11,929,500	12,204,399	12,242,424	312,924
Public works	4,414,508		4,414,508	4,422,498	4,651,943	237,435
Health and social services	982,065		982,065	999,786	993,032	10,967
Culture and recreation	6,047,988		6,047,988	5,802,097	6,177,769	129,781
Community and economic development	3,384,533		3,384,533	3,438,671	4,346,883	962,350
General government	2,198,046		2,198,046	2,202,181	2,378,952	180,906
Debt service	7,933,303		7,933,303	8,088,772	7,933,303	-
Capital projects	6,094,829		6,094,829	10,139,563	13,283,751	7,188,922
Total government activities expenditures	<u>42,984,772</u>		<u>42,984,772</u>	<u>47,297,967</u>	<u>52,008,057</u>	<u>9,023,285</u>
Business type/enterprises		200,014,165	200,014,165	195,610,687	216,570,193	16,556,028
Total government activities & business expenditures	42,984,772	200,014,165	242,998,937	242,908,654	268,578,250	25,579,313
Transfers out	8,063,193	2,274,314	10,337,507	9,762,214	10,246,569	(90,938)
Total expenditures/transfers out	<u>51,047,965</u>	<u>202,288,479</u>	<u>253,336,444</u>	<u>252,670,868</u>	<u>278,824,819</u>	<u>25,488,375</u>
Excess revenues & other sources over (under) expenditures/transfers out	4,953,430	29,894,576	34,848,006	6,246,538	(7,179,694)	42,027,700
Beginning fund balance July 1	<u>27,551,810</u>	<u>268,024,383</u>	<u>295,576,193</u>	<u>295,576,193</u>	<u>295,576,193</u>	
Ending fund balance June 30	<u>\$ 32,505,240</u>	<u>\$ 297,918,959</u>	<u>\$ 330,424,199</u>	<u>\$ 301,822,731</u>	<u>\$ 288,396,499</u>	<u>\$ 42,027,700</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, 2007**

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	Modified Accrual Basis	Budget Basis	Adjustments	Accrual Basis
Revenues & other financing sources	\$ 56,001,395	\$ (1,574,933)	\$ 54,426,462	\$ 232,183,055	\$ (807,232)	\$ 231,375,823
Expenditures & other financing uses	<u>51,047,965</u>	<u>(1,583,617)</u>	<u>49,464,348</u>	<u>202,288,479</u>	<u>8,721</u>	<u>202,297,200</u>
Excess revenues & other sources over (under) expenditures & other uses	4,953,430	8,684	4,962,114	29,894,576	(815,953)	29,078,623
Beginning fund balances	<u>27,551,810</u>	<u>(4,708,663)</u>	<u>22,843,147</u>	<u>268,024,383</u>	<u>60,064,770</u>	<u>328,089,153</u>
Ending fund balances	<u>\$ 32,505,240</u>	<u>\$ (4,699,979)</u>	<u>\$ 27,805,261</u>	<u>\$ 297,918,959</u>	<u>\$ 59,248,817</u>	<u>\$ 357,167,776</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, 2007

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 \$25,669,596. 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, 2007**

ASSETS	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Cash and pooled cash investments	\$ 13,316,786	\$ 821,324	\$ 14,138,110
Taxes receivable	21,407		21,407
Accounts receivable	25,944	355	26,299
Accrued interest receivable	40,018		40,018
Intergovernmental receivables	1,866,169		1,866,169
Due from other funds	162,588	2,166	164,754
Inventories	83,964		83,964
Houses held for resale	333,072		333,072
Prepaid items	2,737		2,737
Succeeding year taxes receivable	1,294,699		1,294,699
Total assets	\$ 17,147,384	\$ 823,845	\$ 17,971,229
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 207,968	2,065	\$ 210,033
Retainage payable	14,438		14,438
Due to other governments	1,807		1,807
Compensation and payroll taxes	40,804		40,804
Due to other funds	997,643	\$ 5,814	1,003,457
Deferred revenue	284,457		284,457
Succeeding year unearned revenue	1,294,699		1,294,699
Customer deposits	80,129		80,129
Total liabilities	2,921,945	7,879	2,929,824
Fund balances:			
Reserved for:			
Encumbrances	388,518		388,518
Perpetual care		815,966	815,966
Inventories	83,964		83,964
Houses held for resale	333,072		333,072
Prepaid items	520		520
State and grant restricted purpose	1,890,604		1,890,604
Unreserved:			
Unreserved, designated for subsequent year's expenditures	985,462		985,462
Unreserved, reported in nonmajor special revenue funds	10,543,299		10,543,299
Total fund balances	14,225,439	815,966	15,041,405
Total liabilities and fund balances	\$ 17,147,384	\$ 823,845	\$ 17,971,229

CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 1,289,477		\$ 1,289,477
Intergovernmental	13,547,717		13,547,717
Charges for services	175,389	\$ 13,719	189,108
Donations	212,488		212,488
Investment earnings	360,688		360,688
Miscellaneous	56,213		56,213
	<u>15,641,972</u>	<u>13,719</u>	<u>15,655,691</u>
Total revenues			
Expenditures:			
Current:			
Public safety	120,698		120,698
Public works	3,257,949		3,257,949
Health and social services	847,065		847,065
Culture and recreation	462,271	2,985	465,256
Community and economic development	2,803,967		2,803,967
General government	108,349		108,349
Capital projects	1,440,242		1,440,242
	<u>9,040,541</u>	<u>2,985</u>	<u>9,043,526</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>6,601,431</u>	<u>10,734</u>	<u>6,612,165</u>
Other financing sources (uses):			
Transfers in	174,246		174,246
Transfers out	(5,264,087)		(5,264,087)
Total other financing sources (uses)	<u>(5,089,841)</u>		<u>(5,089,841)</u>
Net change in fund balance	1,511,590	10,734	1,522,324
Fund balances at beginning of year	<u>12,713,849</u>	<u>805,232</u>	<u>13,519,081</u>
Fund balances at end of year	<u>\$ 14,225,439</u>	<u>\$ 815,966</u>	<u>\$ 15,041,405</u>

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007**

ASSETS	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Cash and pooled cash investments	\$ 3,201,802	\$ 532,552	\$ 245,237	\$ 2,863,305	\$ 18,305
Taxes receivable			8,863		
Accounts receivable			46		
Accrued interest receivable					
Intergovernmental receivables	916,663	284,457	290	347,781	
Due from other funds	8,064	189		134,888	
Inventories				83,964	
Houses held for resale					
Prepaid items			2,217	220	
Succeeding year taxes receivable					
Total assets	\$ 4,126,529	\$ 817,198	\$ 256,653	\$ 3,430,158	\$ 18,305
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 64,638	\$ 68,722	\$ 155	\$ 49,459	
Retainage payable	1,471			12,967	
Due to other governments	849			474	
Compensation and payroll taxes	3,089		699	32,624	
Due to other funds	553,857	1,081	1,478	128,599	
Deferred revenue		284,457			
Succeeding year unearned revenue					
Customer deposits					
Total liabilities	623,904	354,260	2,332	224,123	
Fund balances:					
Reserved for:					
Encumbrances	132,543	24,520		190,296	
Inventories				83,964	
Houses held for resale					
Prepaid items				220	
State and grant restricted purposes			254,321		
Unreserved, designated for subsequent year's expenditures	468,538	25,034		64,067	
Unreserved, reported in nonmajor special revenue funds	2,901,544	413,384		2,867,488	\$ 18,305
Total fund balances	3,502,625	462,938	254,321	3,206,035	18,305
Total liabilities and fund balances	\$ 4,126,529	\$ 817,198	\$ 256,653	\$ 3,430,158	\$ 18,305

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 127,884	\$ 784,405	\$ 220,115	\$ 21,407	\$ 1,609,603	\$ 1,008,452
	7,494				
	4,173	1,732		12,663	7,916
10,056	2,911				
57					
			1,294,699		
<u>\$ 137,997</u>	<u>\$ 798,983</u>	<u>\$ 221,847</u>	<u>\$ 1,316,106</u>	<u>\$ 1,622,266</u>	<u>\$ 1,016,368</u>
	\$ 1				\$ 23
\$ 270					
2,695	62		\$ 21,407	\$ 912	
	62				
			1,294,699		
<u>2,965</u>	<u>125</u>		<u>1,316,106</u>	<u>912</u>	<u>23</u>
				1,621,354	
	97,875	64,972			232,500
<u>135,032</u>	<u>700,983</u>	<u>156,875</u>			<u>783,845</u>
<u>135,032</u>	<u>798,858</u>	<u>221,847</u>		<u>1,621,354</u>	<u>1,016,345</u>
<u>\$ 137,997</u>	<u>\$ 798,983</u>	<u>\$ 221,847</u>	<u>\$ 1,316,106</u>	<u>\$ 1,622,266</u>	<u>\$ 1,016,368</u>

(continued)

CITY OF AMES, IOWA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007**

ASSETS	Library Donations	Project Share	Police & Fire Donations	CDBG	Animal Shelter Donations
Cash and pooled cash investments	\$ 1,500,317	\$ 5,442	\$ 5,812	\$	98,949
Taxes receivable	1,042	725			1,900
Accounts receivable	11,858				783
Accrued interest receivable	1,460		\$	29,592	
Intergovernmental receivables				45	
Due from other funds				333,072	
Inventories	300				
Houses held for resale					
Prepaid items					
Succeeding year taxes receivable					
Total assets	\$ 1,514,977	\$ 6,167	\$ 5,812	\$ 362,709	\$ 101,632
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,793	\$	28	\$ 16,968	\$ 262
Retainage payable					
Due to other governments					214
Compensation and payroll taxes	1,090			545	
Due to other funds	2,934		53	3,718	
Deferred revenue					
Succeeding year unearned revenue					
Customer deposits				692	
Total liabilities	10,817		81	21,923	476
Fund balances:					
Reserved for:					
Encumbrances	35,159			6,000	
Inventories					
Houses held for resale				333,072	
Prepaid items	300				
State statute restricted purposes		\$ 6,167			
Unreserved, designated for subsequent year's expenditures	19,500				12,976
Unreserved, reported in nonmajor special revenue funds	1,449,201		5,731	1,714	88,180
Total fund balances	1,504,160	6,167	5,731	340,786	101,156
Total liabilities and fund balances	\$ 1,514,977	\$ 6,167	\$ 5,812	\$ 362,709	\$ 101,632

Public Art Donations	Developers' Projects	Economic Development & Loans	FEMA	Total Nonmajor Special Revenue Funds
\$ 4,983	\$ 387,010	\$ 702,613		\$ 13,316,786
		5,920		21,407
39	808			25,944
			\$ 275,870	40,018
			16,434	1,866,169
				162,588
				83,964
				333,072
				2,737
				<u>1,294,699</u>
<u>\$ 5,022</u>	<u>\$ 387,818</u>	<u>\$ 708,533</u>	<u>\$ 292,304</u>	<u>\$ 17,147,384</u>
		\$ 919		207,968
				14,438
				1,807
				40,804
			\$ 283,542	997,643
				284,457
				1,294,699
	\$ 79,437			80,129
	<u>79,437</u>	<u>919</u>	<u>283,542</u>	<u>2,921,945</u>
				388,518
				83,964
				333,072
				520
			8,762	1,890,604
				985,462
\$ 5,022	308,381	707,614		10,543,299
5,022	308,381	707,614	8,762	14,225,439
<u>\$ 5,022</u>	<u>\$ 387,818</u>	<u>\$ 708,533</u>	<u>\$ 292,304</u>	<u>\$ 17,147,384</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, 2007

	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Revenues:					
Taxes					
Intergovernmental	\$ 6,034,519	\$ 1,298,009	\$ 1,010,116	\$ 4,244,752	
Charges for services			10,170		
Donations	19,900				
Investment earnings	10,299		13,907		
Miscellaneous					
Total revenues	<u>6,064,718</u>	<u>1,298,009</u>	<u>1,034,193</u>	<u>4,244,752</u>	
Expenditures:					
Current:					
Public safety					
Public works	48,262			2,923,888	
Health and social services	847,065				
Culture and recreation	235,199	24,284			
Community and economic development		1,047,526	1,089,165		
General government	19,951	1,337		76,253	
Capital projects	731,420	29,371		415,207	
Total expenditures	<u>1,881,897</u>	<u>1,102,518</u>	<u>1,089,165</u>	<u>3,415,348</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>4,182,821</u>	<u>195,491</u>	<u>(54,972)</u>	<u>829,404</u>	
Other financing sources (uses):					
Transfers in	74,246				
Transfers out	(3,717,452)	(185,615)			
Total other financing sources (uses)	<u>(3,643,206)</u>	<u>(185,615)</u>			
Net change in fund balance	539,615	9,876	(54,972)	829,404	
Fund balances at beginning of year	<u>2,963,010</u>	<u>453,062</u>	<u>309,293</u>	<u>2,376,631</u>	<u>\$ 18,305</u>
Fund balances at end of year	<u>\$ 3,502,625</u>	<u>\$ 462,938</u>	<u>\$ 254,321</u>	<u>\$ 3,206,035</u>	<u>\$ 18,305</u>

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
			\$ 1,289,477		
\$ 118,787	\$ 21,182				\$ 3,050
	62,042	\$ 12,278		\$ 82,984	91,773
15,091	41,122				48,803
<u>133,878</u>	<u>124,346</u>	<u>12,278</u>	<u>1,289,477</u>	<u>82,984</u>	<u>143,626</u>
109,100					
	42,290				629
				10,808	42,774
<u>109,100</u>	<u>42,290</u>			<u>10,808</u>	<u>43,403</u>
<u>24,778</u>	<u>82,056</u>	<u>12,278</u>	<u>1,289,477</u>	<u>72,176</u>	<u>100,223</u>
					100,000
		(71,543)	(1,289,477)		
		(71,543)	(1,289,477)		100,000
24,778	82,056	(59,265)		72,176	200,223
<u>110,254</u>	<u>716,802</u>	<u>281,112</u>		<u>1,549,178</u>	<u>816,122</u>
<u>\$ 135,032</u>	<u>\$ 798,858</u>	<u>\$ 221,847</u>	<u>\$</u>	<u>\$ 1,621,354</u>	<u>\$ 1,016,345</u>

(continued)

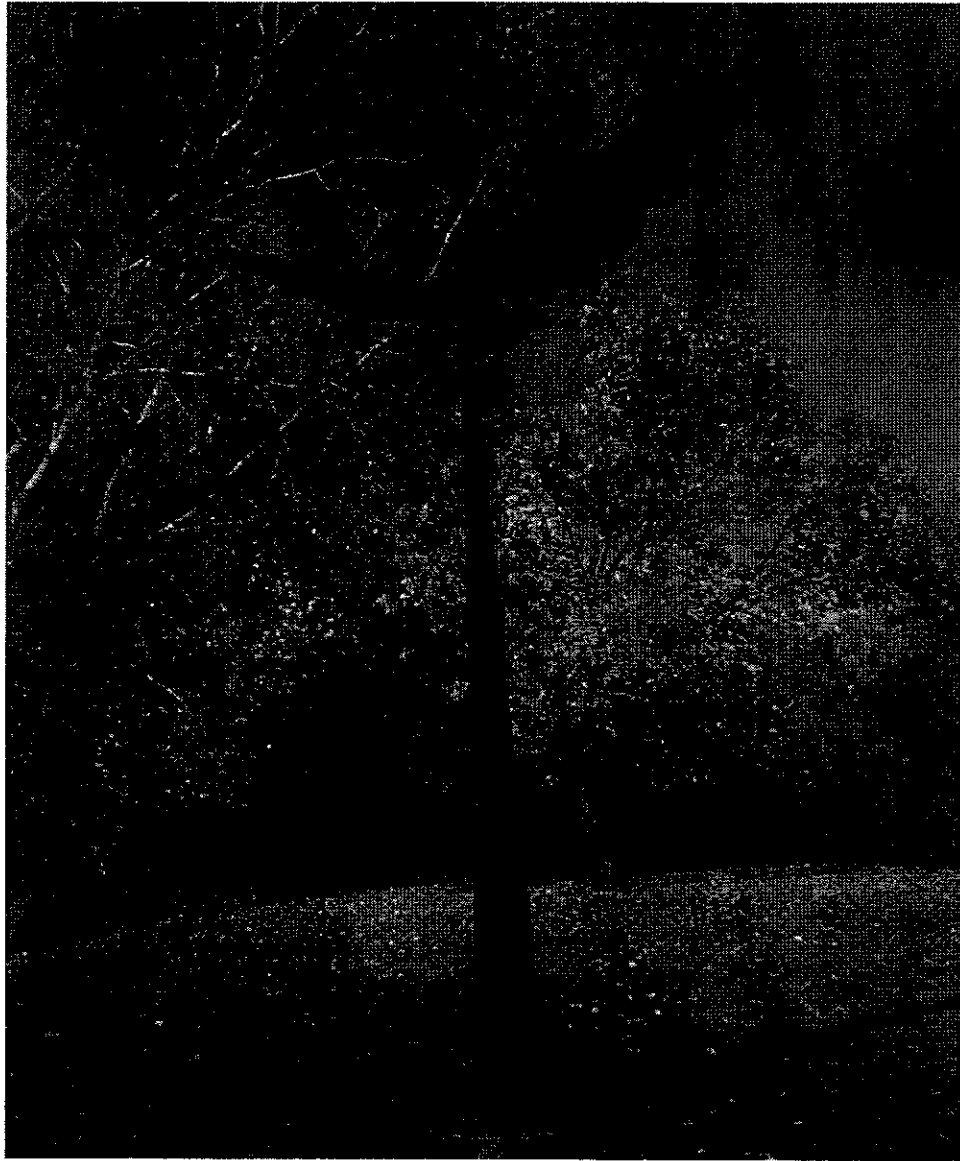
CITY OF AMES, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Library Donations	Project Share	Police & Fire Donations	CDBG
Revenues:				
Taxes				
Intergovernmental	\$ 54,682		\$ 155,036	\$ 334,764
Charges for services				162,169
Donations	68,068	\$ 18,666		
Investment earnings	80,592			10,919
Miscellaneous				
Total revenues	<u>203,342</u>	<u>18,666</u>	<u>155,036</u>	<u>507,852</u>
Expenditures:				
Current:				
Public safety			1,692	
Public works		18,691		
Health and social services				
Culture and recreation	202,159			
Community and economic development				494,986
General government				
Capital projects	66,480		154,990	
Total expenditures	<u>268,639</u>	<u>18,691</u>	<u>156,682</u>	<u>494,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,297)</u>	<u>(25)</u>	<u>(1,646)</u>	<u>12,866</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	<u>(65,297)</u>	<u>(25)</u>	<u>(1,646)</u>	<u>12,866</u>
Fund balances at beginning of year	<u>1,569,457</u>	<u>6,192</u>	<u>7,377</u>	<u>327,920</u>
Fund balances at end of year	<u>\$ 1,504,160</u>	<u>\$ 6,167</u>	<u>\$ 5,731</u>	<u>\$ 340,786</u>

Animal Shelter Donations	Public Art Donations	Developers' Projects	Economic Development & Loans	FEMA	Total Nonmajor Special Revenue Funds
				\$ 275,870	\$ 1,289,477
\$ 14,081					13,547,717
5,167	\$ 260	\$ 5,377	\$ 28,060		175,389
					212,488
					360,688
					56,213
<u>19,248</u>	<u>260</u>	<u>5,377</u>	<u>28,060</u>	<u>275,870</u>	<u>15,641,972</u>
9,906					120,698
				267,108	3,257,949
					847,065
			130,000		462,271
					2,803,967
					108,349
					1,440,242
<u>9,906</u>			<u>130,000</u>	<u>267,108</u>	<u>9,040,541</u>
9,342	260	5,377	(101,940)	8,762	6,601,431
					174,246
					(5,264,087)
					(5,089,841)
9,342	260	5,377	(101,940)	8,762	1,511,590
<u>91,814</u>	<u>4,762</u>	<u>303,004</u>	<u>809,554</u>		<u>12,713,849</u>
<u>\$ 101,156</u>	<u>\$ 5,022</u>	<u>\$ 308,381</u>	<u>\$ 707,614</u>	<u>\$ 8,762</u>	<u>\$ 14,225,439</u>

(concluded)



Eagle

By Bruce Mainquist, 1997

Stuart Smith Park

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, 2007**

ASSETS	Storm Sewer Utility	Parking Lot	Resource Recovery
Current assets:			
Cash and pooled cash investments	\$ 605,267	\$ 168,315	\$ 786,325
Accounts receivable, net	83,366	72,256	319,528
Accrued interest receivable	4,483	1,749	6,088
Intergovernmental receivables	31	5,286	441,803
Due from other funds	2,988		43,093
Inventories		20,954	
Prepaid items		1,207	
Total current assets	<u>696,135</u>	<u>269,767</u>	<u>1,596,837</u>
Noncurrent assets:			
Deferred debt issuance costs, net			9,415
Capital assets:			
Land		910,547	274,903
Land improvements	526,378	647,228	58,492
Buildings			11,219,650
Equipment		56,130	5,025,221
Construction in progress			
Less accumulated depreciation	(114,395)	(506,659)	(8,964,354)
Capital assets, net	<u>411,983</u>	<u>1,107,246</u>	<u>7,613,912</u>
Total noncurrent assets	<u>411,983</u>	<u>1,107,246</u>	<u>7,623,327</u>
Total assets	<u>1,108,118</u>	<u>1,377,013</u>	<u>9,220,164</u>

	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 1,668,303	\$ 462,250	\$ 34,754	\$ 3,725,214
29,208	8,868	4,167	517,393
15,143	3,852	226	31,541
253,412	7,872		708,404
9,597		60	55,738
174,199	4,465	1,903	201,521
		30	1,237
<u>2,149,862</u>	<u>487,307</u>	<u>41,140</u>	<u>5,241,048</u>
			9,415
41,500		193,250	1,420,200
149,806	63,578	127,581	1,573,063
7,858,442	1,688,110	87,003	20,853,205
9,826,948	31,384		14,939,683
391,636			391,636
<u>(7,898,531)</u>	<u>(419,897)</u>	<u>(84,337)</u>	<u>(17,988,173)</u>
<u>10,369,801</u>	<u>1,363,175</u>	<u>323,497</u>	<u>21,189,614</u>
<u>10,369,801</u>	<u>1,363,175</u>	<u>323,497</u>	<u>21,199,029</u>
<u>12,519,663</u>	<u>1,850,482</u>	<u>364,637</u>	<u>26,440,077</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2007**

LIABILITIES	Storm Sewer Utility	Parking Lot	Resource Recovery
Current liabilities:			
Accounts payable	12,616	1,532	155,180
Retainage payable	1,302		
Due to other governments	226		46,571
Compensation and payroll taxes	5,094	6,865	23,061
Employee benefits	400	1,345	2,897
Due to other funds	4,757	10,770	51,375
Bonds payable			450,000
Interest payable			3,821
Unearned revenue		5,045	
Total current liabilities	24,395	25,557	732,905
Noncurrent liabilities:			
Employee benefits	7,433	16,406	62,349
Bonds payable			860,000
Unamortized premiums on bonds issued			45,200
Deferred charges			(28,259)
Landfill postclosure costs			551,885
Total noncurrent liabilities	7,433	16,406	1,491,175
Total liabilities	31,828	41,963	2,224,080
NET ASSETS			
Invested in capital assets, net of related debt	411,983	1,107,246	6,303,912
Unrestricted	664,307	227,804	692,172
Total net assets	\$ 1,076,290	\$ 1,335,050	\$ 6,996,084

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
260,505	12,176	4,123	446,132
7,806			9,108
50,619	70	869	98,355
88,767	2,959	4,669	131,415
11,842	231	410	17,125
20,015	1,235	2,233	90,385
			450,000
			3,821
			5,045
<hr/> 439,554	<hr/> 16,671	<hr/> 12,304	<hr/> 1,251,386
173,760	3,810	6,278	270,036
			860,000
			45,200
			(28,259)
			551,885
<hr/> 173,760	<hr/> 3,810	<hr/> 6,278	<hr/> 1,698,862
<hr/> 613,314	<hr/> 20,481	<hr/> 18,582	<hr/> 2,950,248
10,369,801	1,363,175	323,497	19,879,614
1,536,548	466,826	22,558	3,610,215
<hr/> \$ 11,906,349	<hr/> \$ 1,830,001	<hr/> \$ 346,055	<hr/> \$ 23,489,829

(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, 2007**

	Storm Sewer Utility	Parking Lot	Resource Recovery
Operating revenues:			
Charges for goods and services	\$ 676,692	\$ 685,500	\$ 3,457,823
Operating expenses:			
Cost of goods and services	462,324	786,554	3,312,169
Administration	1,476	27,694	156,620
Depreciation	10,528	15,106	357,352
Total operating expenses	<u>474,328</u>	<u>829,354</u>	<u>3,826,141</u>
Operating income (loss)	<u>202,364</u>	<u>(143,854)</u>	<u>(368,318)</u>
Nonoperating revenues (expenses):			
Investment earnings	27,655	11,134	55,460
Interest expense			(59,189)
Federal, state, and other operating grants			
Costs reimbursed by contract participants			614,954
Total nonoperating revenues (expenses)	<u>27,655</u>	<u>11,134</u>	<u>611,225</u>
Income (loss) before contributions and transfers	230,019	(132,720)	242,907
Capital contributions			
Transfers in			<u>108,475</u>
Change in net assets	230,019	(132,720)	351,382
Total net assets at beginning of year	<u>846,271</u>	<u>1,467,770</u>	<u>6,644,702</u>
Total net assets at end of year	<u>\$ 1,076,290</u>	<u>\$ 1,335,050</u>	<u>\$ 6,996,084</u>

	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ <u>3,793,525</u>	\$ <u>389,163</u>	\$ <u>198,124</u>	\$ <u>9,200,827</u>
5,166,252	369,482	216,686	10,313,467
809,083			994,873
931,095	62,863	8,061	1,385,005
<u>6,906,430</u>	<u>432,345</u>	<u>224,747</u>	<u>12,693,345</u>
<u>(3,112,905)</u>	<u>(43,182)</u>	<u>(26,623)</u>	<u>(3,492,518)</u>
103,068	23,366	1,277	221,960
			(59,189)
1,509,214			1,509,214
			614,954
<u>1,612,282</u>	<u>23,366</u>	<u>1,277</u>	<u>2,286,939</u>
<u>(1,500,623)</u>	<u>(19,816)</u>	<u>(25,346)</u>	<u>(1,205,579)</u>
1,449,455	20,000		1,469,455
<u>1,064,291</u>	<u>20,000</u>		<u>1,192,766</u>
1,013,123	20,184	(25,346)	1,456,642
<u>10,893,226</u>	<u>1,809,817</u>	<u>371,401</u>	<u>22,033,187</u>
\$ <u><u>11,906,349</u></u>	\$ <u><u>1,830,001</u></u>	\$ <u><u>346,055</u></u>	\$ <u><u>23,489,829</u></u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Storm Sewer Utility	Parking Lot	Resource Recovery
Cash flows from operating activities:			
Receipts from customers	\$ 660,556	\$ 762,024	\$ 3,417,523
Payments to suppliers	(215,576)	(143,108)	(1,938,184)
Payments to employees	(195,152)	(496,561)	(1,005,194)
Payments for interfund services used	(60,939)	(185,965)	(464,551)
Net cash provided by (used in) operating activities	188,889	(63,610)	9,594
Cash flows from noncapital financing activities:			
Operating grants			
Costs reimbursed by contract participants			614,954
Transfers in			108,475
Net cash provided by noncapital financing activities			723,429
Cash flows from capital and related financing activities:			
Principal paid on general obligation bond maturities			(496,181)
Interest paid and other fiscal charges			(63,217)
Purchases of capital assets			(1,182,815)
Proceeds from sale of capital assets			
Capital contributions			
Net cash provided by (used in) capital financing activities			(1,742,213)
Cash flows from investing activities:			
Interest on investments and pooled cash	26,386	11,334	63,579
Net cash provided by investing activities	26,386	11,334	63,579

	Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$	3,725,311	\$ 379,398	\$ 196,394	\$ 9,141,206
	(1,481,768)	(176,522)	(50,577)	(4,005,735)
	(4,029,406)	(139,789)	(135,727)	(6,001,829)
	<u>(291,246)</u>	<u>(38,717)</u>	<u>(27,596)</u>	<u>(1,069,014)</u>
	<u>(2,077,109)</u>	<u>24,370</u>	<u>(17,506)</u>	<u>(1,935,372)</u>
	1,509,214			1,509,214
				614,954
	<u>1,064,291</u>	<u>20,000</u>		<u>1,192,766</u>
	<u>2,573,505</u>	<u>20,000</u>		<u>3,316,934</u>
				(496,181)
				(63,217)
	(1,625,214)			(2,808,029)
	<u>1,449,455</u>	<u>20,000</u>		<u>1,469,455</u>
	<u>(175,759)</u>	<u>20,000</u>		<u>(1,897,972)</u>
	<u>100,444</u>	<u>22,797</u>	<u>1,468</u>	<u>226,008</u>
	<u>100,444</u>	<u>22,797</u>	<u>1,468</u>	<u>226,008</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Storm Sewer Utility	Parking Lot	Resource Recovery
Net change in cash and pooled cash investments	215,275	(52,276)	(945,611)
Cash and pooled cash investments at beginning of year	<u>389,992</u>	<u>220,591</u>	<u>1,731,936</u>
Cash and pooled cash investments at end of year	<u>\$ 605,267</u>	<u>\$ 168,315</u>	<u>\$ 786,325</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 202,364	\$ (143,854)	\$ (368,318)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	10,528	15,106	357,352
Changes in:			
Accounts receivable, net	(14,291)	67,767	(61,164)
Intergovernmental receivables	(31)	8,941	24,978
Due from other funds	(1,814)	16	(4,114)
Inventories		(7,095)	
Prepaid items		1	275
Accounts payable	(2,962)	(6,688)	78,821
Due to other governments	2	(213)	(21,013)
Accrued expenses	(3,209)	1,453	5,230
Due to other funds	(1,698)	1,156	13,416
Unearned revenue		(200)	
Landfill postclosure costs			(15,869)
Net cash provided by (used in) operating activities	<u>\$ 188,889</u>	<u>\$ (63,610)</u>	<u>\$ 9,594</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases in the fair value of investments	<u>\$ 3,922</u>	<u>\$ 1,095</u>	<u>\$ 5,117</u>
---	-----------------	-----------------	-----------------

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
421,081	87,167	(16,038)	(290,402)
<u>1,247,222</u>	<u>375,083</u>	<u>50,792</u>	<u>4,015,616</u>
<u>\$ 1,668,303</u>	<u>\$ 462,250</u>	<u>\$ 34,754</u>	<u>\$ 3,725,214</u>
\$ (3,112,905)	\$ (43,182)	\$ (26,623)	\$ (3,492,518)
931,095	62,863	8,061	1,385,005
(11,571)	(2,535)	(1,676)	(23,470)
(77,193)	(7,237)		(50,542)
20,550	7	(54)	14,591
2,227	(169)	260	(4,777)
410	9,144	(30)	9,800
216,107	4,308	(207)	289,379
(50,752)	(28)	42	(71,962)
2,834	702	2,467	9,477
2,089	497	254	15,714
			(200)
			<u>(15,869)</u>
<u>\$ (2,077,109)</u>	<u>\$ 24,370</u>	<u>\$ (17,506)</u>	<u>\$ (1,935,372)</u>
<u>\$ 10,822</u>	<u>\$ 2,992</u>	<u>\$ 1,277</u>	<u>\$ 25,225</u>

(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, 2007**

ASSETS	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Current assets:					
Cash and pooled cash investments	\$ 6,190,415	\$ 1,896,906	\$ 222,502	\$ 2,104,834	\$ 10,414,657
Accounts receivable, net	13,675			128,284	141,959
Accrued interest receivable	48,535	15,195	5,993	16,791	86,514
Intergovernmental receivables	1,654	6,846			8,500
Due from other funds	244,730	88,974	48	70	333,822
Inventories	61,873				61,873
Prepaid items	5,940	42,053	812,846	1,460	862,299
Total current assets	<u>6,566,822</u>	<u>2,049,974</u>	<u>1,041,389</u>	<u>2,251,439</u>	<u>11,909,624</u>
Noncurrent assets:					
Capital assets:					
Land improvements		180,852			180,852
Buildings	551,493				551,493
Equipment	9,950,342	1,262,174	13,670		11,226,186
Less accumulated depreciation	<u>(5,662,158)</u>	<u>(1,156,822)</u>	<u>(6,835)</u>		<u>(6,825,815)</u>
Capital assets, net	<u>4,839,677</u>	<u>286,204</u>	<u>6,835</u>		<u>5,132,716</u>
Total noncurrent assets	<u>4,839,677</u>	<u>286,204</u>	<u>6,835</u>		<u>5,132,716</u>
Total assets	<u>11,406,499</u>	<u>2,336,178</u>	<u>1,048,224</u>	<u>2,251,439</u>	<u>17,042,340</u>
LIABILITIES					
Current liabilities:					
Accounts payable	39,804	23,467	78,394	349,865	491,530
Due to other governments	30,462				30,462
Compensation and payroll taxes	11,019	1,267	1,253	1,502	15,041
Employee benefits	2,732	2,153	399	549	5,833
Due to other funds	9,043	2,965	251	3,645	15,904
Claims payable			220,994	450,000	670,994
Total current liabilities	<u>93,060</u>	<u>29,852</u>	<u>301,291</u>	<u>805,561</u>	<u>1,229,764</u>
Noncurrent liabilities:					
Employee benefits	<u>70,913</u>	<u>42,274</u>	<u>8,315</u>	<u>10,082</u>	<u>131,584</u>
Total liabilities	<u>163,973</u>	<u>72,126</u>	<u>309,606</u>	<u>815,643</u>	<u>1,361,348</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,839,677	286,204	6,835		5,132,716
Unrestricted	<u>6,402,849</u>	<u>1,977,848</u>	<u>731,783</u>	<u>1,435,796</u>	<u>10,548,276</u>
Total net assets	<u>\$ 11,242,526</u>	<u>\$ 2,264,052</u>	<u>\$ 738,618</u>	<u>\$ 1,435,796</u>	<u>\$ 15,680,992</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, 2007**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Operating revenues:					
Charges for goods and services	\$ 2,723,424	\$ 1,817,431	\$ 1,324,040	\$ 4,909,729	\$ 10,774,624
Operating expenses:					
Cost of goods and services	1,896,877	1,591,126	1,372,514	4,946,590	9,807,107
Depreciation	832,588	118,775	4,557		955,920
Total operating expenses	2,729,465	1,709,901	1,377,071	4,946,590	10,763,027
Operating income (loss)	(6,041)	107,530	(53,031)	(36,861)	11,597
Nonoperating revenues (expenses):					
Investment earnings	319,359	96,608	32,632	109,010	557,609
Gain on disposal of capital assets	41,229				41,229
Total nonoperating revenues	360,588	96,608	32,632	109,010	598,838
Income before contributions and transfers	354,547	204,138	(20,399)	72,149	610,435
Transfers out		(30,520)			(30,520)
Change in net assets	354,547	173,618	(20,399)	72,149	579,915
Total net assets at beginning of year	10,887,979	2,090,434	759,017	1,363,647	15,101,077
Total net assets at end of year	\$ 11,242,526	\$ 2,264,052	\$ 738,618	\$ 1,435,796	\$ 15,680,992

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 2,713,168	\$ 1,822,937	\$ 1,323,994	\$ 4,782,595	\$ 10,642,694
Payments to suppliers	(1,014,418)	(630,393)	(1,353,664)	(4,562,018)	(7,560,493)
Payments to employees	(671,583)	(695,017)	(56,434)	(123,138)	(1,546,172)
Payments for interfund services used	<u>(204,635)</u>	<u>(282,608)</u>	<u>(4,116)</u>	<u>(26,048)</u>	<u>(517,407)</u>
Net cash provided by (used in) operating activities	<u>822,532</u>	<u>214,919</u>	<u>(90,220)</u>	<u>71,391</u>	<u>1,018,622</u>
Cash flows from noncapital financing activities:					
Principal received on advances to other funds	2,149				2,149
Interest received on advances to other funds	43				43
Transfers out		<u>(30,520)</u>			<u>(30,520)</u>
Net cash provided by (used in) noncapital financing activities	<u>2,192</u>	<u>(30,520)</u>			<u>(28,328)</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(688,437)	(73,567)			(762,004)
Proceeds from sale of capital assets	<u>341,717</u>				<u>341,717</u>
Net cash used in capital and related financing activities	<u>(346,720)</u>	<u>(73,567)</u>			<u>(420,287)</u>
Cash flows from investing activities:					
Interest on investments and pooled cash	<u>315,485</u>	<u>94,967</u>	<u>33,282</u>	<u>107,262</u>	<u>550,996</u>
Net cash provided by investing activities	<u>315,485</u>	<u>94,967</u>	<u>33,282</u>	<u>107,262</u>	<u>550,996</u>
Net change in cash and pooled cash investments	793,489	205,799	(56,938)	178,653	1,121,003
Cash and pooled cash investments at beginning of year	<u>5,396,926</u>	<u>1,691,107</u>	<u>279,440</u>	<u>1,926,181</u>	<u>9,293,654</u>
Cash and pooled cash investments at end of year	<u>\$ 6,190,415</u>	<u>\$ 1,896,906</u>	<u>\$ 222,502</u>	<u>\$ 2,104,834</u>	<u>\$ 10,414,657</u>

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	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)	\$ (6,041)	\$ 107,530	\$ (53,031)	\$ (36,861)	\$ 11,597
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	832,588	118,775	4,557		955,920
Changes in:					
Accounts receivable, net	6,737	161		(128,284)	(121,386)
Intergovernmental receivables	2,800	10,772		1,220	14,792
Due from other funds	(19,793)	(5,427)	(46)	(70)	(25,336)
Inventories	(1,212)				(1,212)
Prepaid items	8,109	(3,177)	(42,173)	(1,460)	(38,701)
Accounts payable	(994)	(19,877)	66,110	233,906	279,145
Due to other governments	(1,452)	(170)			(1,622)
Accrued expenses	1,551	5,357	3,075	3,587	13,570
Due to other funds	239	975	(28)	(647)	539
Claims payable			(68,684)		(68,684)
Net cash provided by (used in) operating activities	\$ <u>822,532</u>	\$ <u>214,919</u>	\$ <u>(90,220)</u>	\$ <u>71,391</u>	\$ <u>1,018,622</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases in the fair value of investments	\$ <u>40,173</u>	\$ <u>12,309</u>	\$ <u>1,453</u>	\$ <u>13,652</u>	\$ <u>67,587</u>
Capital asset trade-ins	\$ <u>39,950</u>				\$ <u>39,950</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, 2007**

ASSETS	Agency Funds		
	Payroll Clearing	Flex Benefits	Total
Cash and pooled cash investments	\$ <u>175,996</u>	\$ <u>14,625</u>	\$ <u>190,621</u>
LIABILITIES			
Accounts payable	\$ 7,117	\$ 14,625	\$ 21,742
Due to other governments	<u>168,879</u>	<u> </u>	<u>168,879</u>
TOTAL LIABILITIES	\$ <u>175,996</u>	\$ <u>14,625</u>	\$ <u>190,621</u>

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

PAYROLL CLEARING FUND

ASSETS	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Cash and pooled cash investments	\$ 327,532	\$ 19,970,213	\$ 20,121,749	\$ 175,996
Accounts receivable	<u>3</u>	<u>252</u>	<u>255</u>	<u> </u>
TOTAL ASSETS	<u>\$ 327,535</u>	<u>\$ 19,970,465</u>	<u>\$ 20,122,004</u>	<u>\$ 175,996</u>
 LIABILITIES				
Accounts payable	\$ 5,878	\$ 9,376,382	\$ 9,375,143	7,117
Due to other governments	<u>321,657</u>	<u>11,358,371</u>	<u>11,511,149</u>	<u>\$ 168,879</u>
TOTAL LIABILITIES	<u>\$ 327,535</u>	<u>\$ 20,734,753</u>	<u>\$ 20,886,292</u>	<u>\$ 175,996</u>

FLEX BENEFITS FUND

ASSETS	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Cash and pooled cash investments	\$ <u>15,450</u>	\$ <u>1,683,445</u>	\$ <u>1,684,270</u>	\$ <u>14,625</u>
 LIABILITIES				
Accounts payable	\$ <u>15,450</u>	\$ <u>707,180</u>	\$ <u>708,005</u>	\$ <u>14,625</u>

(continued)

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

TOTALS

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Cash and pooled cash investments	\$ 342,982	\$ 21,653,658	\$ 21,806,019	\$ 190,621
Accounts receivable	<u>3</u>	<u>252</u>	<u>255</u>	<u> </u>
TOTAL ASSETS	<u>\$ 342,985</u>	<u>\$ 21,653,910</u>	<u>\$ 21,806,274</u>	<u>\$ 190,621</u>
LIABILITIES				
Accounts payable	\$ 21,328	\$ 10,083,562	\$ 10,083,148	\$ 21,742
Due to other governments	<u>321,657</u>	<u>11,358,371</u>	<u>11,511,149</u>	<u>168,879</u>
TOTAL LIABILITIES	<u>\$ 342,985</u>	<u>\$ 21,441,933</u>	<u>\$ 21,594,297</u>	<u>\$ 190,621</u>

(concluded)

STATISTICAL SECTION

This part of the City of Ames's comprehensive annual financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	123
Revenue Capacity These schedules contain information to help the reader assess the city's most significant revenue source, property tax.	129
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	133
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	138
Operating Information These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	140

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2002 ; schedules presenting government-wide information include information beginning in that year.

Schedule 1
City of Ames
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 59,164,746	\$ 67,107,350	\$ 72,431,317	\$ 77,768,887	\$ 87,975,194	\$ 90,093,683
Restricted	7,147,552	5,907,080	5,392,715	6,091,644	5,767,706	6,680,663
Unrestricted	13,844,366	14,113,598	15,729,109	15,250,250	18,116,572	21,962,193
Total governmental activities net assets	<u>\$ 80,156,664</u>	<u>\$ 87,128,028</u>	<u>\$ 93,553,141</u>	<u>\$ 99,110,781</u>	<u>\$ 111,859,472</u>	<u>\$ 118,736,539</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 162,875,819	\$ 170,584,026	\$ 177,602,171	\$ 194,461,923	\$ 209,874,031	\$ 224,440,404
Restricted	6,915,337	3,227,265	2,021,178	1,903,958	1,840,838	1,695,740
Unrestricted	95,915,917	103,208,153	113,464,680	114,424,423	121,916,198	136,557,327
Total business-type activities net assets	<u>\$ 265,707,073</u>	<u>\$ 277,019,444</u>	<u>\$ 293,088,029</u>	<u>\$ 310,790,304</u>	<u>\$ 333,631,067</u>	<u>\$ 362,693,471</u>
Primary government						
Invested in capital assets, net of related debt	\$ 222,040,565	\$ 237,691,376	\$ 250,033,488	\$ 272,230,810	\$ 297,849,225	\$ 314,534,087
Restricted	14,062,889	9,134,345	7,413,893	7,995,602	7,608,544	8,376,403
Unrestricted	109,760,283	117,321,751	129,193,789	129,674,673	140,032,770	158,519,520
Total primary government assets	<u>\$ 345,863,737</u>	<u>\$ 364,147,472</u>	<u>\$ 386,641,170</u>	<u>\$ 409,901,085</u>	<u>\$ 445,490,539</u>	<u>\$ 481,430,010</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Schedule 2
City of Ames
Changes in Net Assets, Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
Public safety	\$ 10,420,335	\$ 10,267,584	\$ 10,160,215	\$ 10,857,504	\$ 11,588,247	\$ 11,992,224
Public works		8,187,203	8,968,386	9,348,746	9,763,569	10,185,328
Health & social services		959,605	917,209	909,454	951,645	982,108
Culture & recreation		5,158,304	5,268,507	5,435,218	5,667,626	6,147,047
Community & economic development		2,989,990	2,612,198	2,447,892	2,743,874	3,404,127
General government	4,088,047	3,046,760	2,853,720	2,485,193	2,206,713	2,281,674
Capital projects		220,248	364,871	1,788,341	732,402	41,834
Transportation	6,509,949					
Community enrichment	8,442,957					
Utilities/physical environment	787,651					
Interest on long-term debt	1,539,352	1,674,910	1,635,493	1,589,465	1,548,265	1,532,782
Total governmental activities expense	<u>31,788,291</u>	<u>32,504,604</u>	<u>32,780,599</u>	<u>34,861,813</u>	<u>35,202,341</u>	<u>36,567,124</u>
Business-type activities:						
Mary Greeley Medical Center	91,207,246	95,183,668	97,429,390	111,220,658	122,828,311	135,819,426
Electric Utility	27,725,323	30,586,148	32,052,383	35,167,126	38,388,459	40,398,204
Sewer Utility	5,042,511	4,969,771	5,103,253	5,387,364	5,326,905	6,069,860
Water Utility	4,588,786	4,765,393	5,097,617	5,088,878	5,468,343	5,811,849
Storm Sewer Utility	376,363	422,673	385,303	375,498	473,286	474,425
Parking Lot	621,816	626,843	799,523	808,289	777,261	828,138
Resource Recovery	2,877,425	3,157,863	3,215,617	3,353,518	3,424,317	3,887,199
Transit	4,882,522	5,400,212	5,885,535	5,983,230	6,280,501	6,911,902
Ames/ISU Ice Arena	482,729	482,014	471,392	460,759	469,884	432,532
Homewood Golf Course	205,312	222,710	205,478	202,407	226,069	224,749
Total business-type activities expense	<u>138,010,033</u>	<u>145,817,295</u>	<u>150,645,491</u>	<u>168,047,727</u>	<u>183,663,336</u>	<u>200,858,284</u>
Total primary government expenses	<u>\$ 169,798,324</u>	<u>\$ 178,321,899</u>	<u>\$ 183,426,090</u>	<u>\$ 202,909,540</u>	<u>\$ 218,865,677</u>	<u>\$ 237,425,408</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Public Safety	\$ 1,717,128	\$ 1,976,775	\$ 2,149,361	\$ 2,233,090	\$ 2,156,638	\$ 2,201,516
Culture and recreation		1,065,611	1,122,537	1,042,181	1,027,906	1,020,870
Community enrichment	1,160,147					
General government	1,335,520	1,513,615	1,480,807	1,131,802	717,309	816,844
Other activities	605,165	240,330	150,663	230,627	272,205	416,660
Operating grants & contributions	1,601,742	2,277,904	2,568,666	2,150,390	2,745,231	2,595,245
Capital grants & contributions	6,546,355	5,125,235	3,340,218	4,672,565	4,847,202	3,231,618
Total governmental activities program revenues	<u>\$ 12,966,057</u>	<u>\$ 12,199,470</u>	<u>\$ 10,812,252</u>	<u>\$ 11,460,655</u>	<u>\$ 11,766,491</u>	<u>\$ 10,282,753</u>

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Business-type activities:						
Charges for services						
Mary Greeley Medical Center	95,183,606	99,086,747	104,597,269	122,552,271	129,658,158	145,181,175
Electric Utility	31,761,537	32,506,192	34,729,308	36,677,050	42,256,054	46,307,158
Sewer Utility	4,229,249	4,244,668	4,276,063	4,190,238	4,607,890	4,760,282
Water Utility	5,936,702	6,139,049	6,123,857	5,885,844	6,260,700	6,394,051
Storm Sewer Utility	395,207	400,162	415,082	433,885	647,138	676,692
Parking Lot	712,771	716,025	835,781	715,634	776,341	685,500
Resource Recovery	2,736,075	3,047,135	3,124,654	3,925,447	4,191,902	4,072,777
Transit	2,674,966	2,988,830	3,172,940	2,745,924	3,454,757	3,793,525
Ames/ISU Ice Arena	380,498	454,414	398,281	379,783	373,698	389,163
Homewood Golf Course	212,069	196,159	208,336	214,051	212,116	198,124
Operating grants & contributions	1,704,841	1,763,879	1,771,872	508,639	1,252,304	1,665,682
Capital grants & contributions	925,080	3,297,323	2,332,603	3,040,686	4,967,908	1,724,159
Total business-type activities program revenues	<u>146,852,601</u>	<u>154,840,583</u>	<u>161,986,046</u>	<u>181,269,452</u>	<u>198,658,966</u>	<u>215,848,288</u>
Total primary government program revenues	<u>\$ 159,818,658</u>	<u>\$ 167,040,053</u>	<u>\$ 172,798,298</u>	<u>\$ 192,730,107</u>	<u>\$ 210,425,457</u>	<u>\$ 226,131,041</u>

Net (Expense)/Revenue						
Governmental activities	\$ (18,822,234)	\$ (20,305,134)	\$ (21,968,347)	\$ (23,401,158)	\$ (23,435,850)	\$ (26,284,371)
Business-type activities	8,842,568	9,023,288	11,340,555	13,221,725	14,995,630	14,990,004
Total primary governmental net expense	<u>\$ (9,979,666)</u>	<u>\$ (11,281,846)</u>	<u>\$ (10,627,792)</u>	<u>\$ (10,179,433)</u>	<u>\$ (8,440,220)</u>	<u>\$ (11,294,367)</u>

General Revenues and Other Changes in Net Assets

Governmental activities:						
Taxes						
Property taxes	\$ 14,247,692	\$ 16,122,084	\$ 17,062,313	\$ 17,728,215	\$ 18,475,771	\$ 19,313,838
Sales taxes	5,232,195	5,596,362	6,003,674	6,075,491	6,448,355	7,281,418
Road use taxes	4,105,886	4,095,978	4,255,230	4,211,923	4,243,809	4,244,752
Unrestricted grants & contributions	691,747	668,704	48,413	31,045	14,945	15,573
Investment earnings	963,586	747,546	489,786	828,277	1,404,140	2,074,008
Transfers	167,478	320,785	225,888	83,144	35,964	231,849
Other	84,738	(274,961)	308,156	703	-	-
Total governmental activities	<u>25,493,322</u>	<u>27,276,498</u>	<u>28,393,460</u>	<u>28,958,798</u>	<u>30,622,984</u>	<u>33,161,438</u>

Business-type activities:						
Investment earnings	1,833,523	2,606,764	5,200,766	4,363,765	7,881,097	14,184,748
Transfers	(167,478)	(320,785)	(225,888)	(83,144)	(35,964)	(231,849)
Other	(131,859)	3,104	(246,848)	199,929	-	119,501
Total business-type activities program	<u>1,534,186</u>	<u>2,289,083</u>	<u>4,728,030</u>	<u>4,480,550</u>	<u>7,845,133</u>	<u>14,072,400</u>
Total primary governmental	<u>\$ 27,027,508</u>	<u>\$ 29,565,581</u>	<u>\$ 33,121,490</u>	<u>\$ 33,439,348</u>	<u>\$ 38,468,117</u>	<u>\$ 47,233,838</u>

Change in Net Assets						
Governmental activities	\$ 6,671,088	\$ 6,971,364	\$ 6,425,113	\$ 5,557,640	\$ 7,187,134	\$ 6,877,067
Business-type activities	10,376,754	11,312,371	16,068,585	17,702,275	22,840,763	29,062,404
Total primary governmental	<u>\$ 17,047,842</u>	<u>\$ 18,283,735</u>	<u>\$ 22,493,698</u>	<u>\$ 23,259,915</u>	<u>\$ 30,027,897</u>	<u>\$ 35,939,471</u>

Notes: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. The State of Iowa changed reporting functions to meet the requirements of GASB 34 effective with fiscal year 2003.

Schedule 3
City of Ames
Fund Balances, Governmental Funds,
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund						
Reserved	\$ 297,331	\$ 134,833	\$ 119,344	\$ 189,955	\$ 173,039	\$ 256,946
Unreserved	3,856,268	4,595,140	4,987,655	5,417,003	5,646,663	6,289,199
Total General Fund	\$ 4,153,599	\$ 4,729,973	\$ 5,106,999	\$ 5,606,958	\$ 5,819,702	\$ 6,546,145
All Other Governmental Funds						
Reserved	\$ 8,168,864	\$ 6,684,379	\$ 6,934,080	\$ 6,758,486	\$ 7,175,778	\$ 7,619,673
Unreserved, reported in:	633,570					
Other governmental funds						2,110,682
Capital projects fund	5,943,244	8,083,479	8,360,430	9,139,295	9,847,667	11,528,761
Nonmajor special revenue funds						
Total all other governmental funds	\$ 14,745,678	\$ 14,767,858	\$ 15,294,510	\$ 15,897,781	\$ 17,023,445	\$ 21,259,116

Schedule 4
City of Ames
Changes in Fund Balances, Governmental Funds,
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues						
Taxes	\$ 14,247,692	\$ 16,122,084	\$ 17,062,313	\$ 17,728,215	\$ 18,475,771	\$ 19,313,838
Special assessments	310,611	327,594	309,133	253,868	321,523	139,570
Licenses and permits	861,827	928,479	1,123,645	1,162,071	973,003	983,238
Intergovernmental	17,451,315	16,668,700	12,723,046	13,886,584	14,283,772	16,009,502
Charges for services	2,579,068	2,911,671	2,802,740	2,861,229	2,913,616	3,207,138
Fines and forfeits	169,299	147,339	149,005	165,243	180,453	191,626
Donations	190,495	313,106	868,637	613,644	240,719	218,033
Investment earnings	1,139,022	997,741	667,644	884,551	1,360,294	1,725,443
Miscellaneous	570,384	383,966	425,741	240,037	186,167	202,994
Total revenues	<u>37,519,713</u>	<u>38,800,680</u>	<u>36,131,904</u>	<u>37,795,442</u>	<u>38,935,318</u>	<u>41,991,382</u>
Expenditures						
Public safety	9,932,025	10,073,803	10,147,229	10,803,854	11,669,410	11,896,964
Public works		3,892,858	4,390,191	4,418,888	4,504,535	4,756,831
Health and social services		958,521	918,839	909,947	953,620	982,063
Culture and recreation		5,270,329	5,191,331	5,254,306	5,487,868	5,900,650
Community and economic development		2,961,538	2,600,483	2,437,266	2,748,939	3,404,221
General government	3,173,219	1,962,223	2,049,786	1,960,966	2,168,130	2,145,983
Capital projects	20,131,685	12,003,536	9,561,512	10,184,911	6,602,090	6,265,482
Transportation	2,961,999					
Community enrichment	8,155,022					
Utilities/physical environment	700,387					
Debt service						
Principal retirement	4,363,748	5,043,788	5,483,308	5,307,272	7,283,105	5,740,028
Interest and fiscal charges	1,518,648	1,709,232	1,632,709	1,614,899	1,581,581	1,557,501
Debt issuance costs	12,348	30,679				
Total expenditures	<u>50,949,081</u>	<u>43,906,507</u>	<u>41,975,388</u>	<u>42,892,309</u>	<u>42,999,278</u>	<u>42,649,723</u>
Excess of revenues over (under) expenditures	(13,429,368)	(5,105,827)	(5,843,484)	(5,096,867)	(4,063,960)	(658,341)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Other Financing Sources (Uses)						
Issuance of bonds	\$ 14,865,000	\$ 5,885,000	\$ 6,555,000	\$ 6,030,000	\$ 5,495,000	\$ 5,285,000
Issuance of refunding bonds	2,692,520	3,212,820				
Premiums of debt issued	24,247	117,670	42,916	60,193	33,665	73,086
Payments of refunded bonds	(2,640,000)	(3,170,822)				
Capital transfers out	(251,840)	(743,588)			(162,957)	-
Transfers in	5,565,732	5,906,633	6,699,116	6,080,627	6,514,877	7,076,994
Transfers out	(5,230,254)	(5,568,666)	(6,549,870)	(5,970,723)	(6,478,217)	(6,814,625)
Total other financing sources (uses)	15,025,405	5,639,047	6,747,162	6,200,097	5,402,368	5,620,455
Net change in fund balances	\$ 1,596,037	\$ 533,220	\$ 903,678	\$ 1,103,230	\$ 1,338,408	\$ 4,962,114
Debt service as a percentage of noncapital expenditures	19.1%	21.3%	22.0%	21.2%	24.4%	20.1%

Note: The State of Iowa changed reporting functions to meet the requirements of GASB 34 effective with fiscal year 2003.

Schedule 5
 City of Ames
 Assessed Taxable Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Taxable Value Residential Property		Taxable Value Commercial Property		Taxable Value Industrial Property		Taxable Value Utilities		Taxable Value Industrial M&E/Computers		Less: Military Tax Exemption	Total Taxable Assessed Value		Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1998	\$ 566,294,489	\$ 468,032,836	\$ 26,664,730	\$ 13,971,660	\$ 24,678,981	\$ 3,314,154	\$ 1,096,378,542	\$ 10,19221	\$ 1,496,019,217	73.3%						
1999	593,517,352	516,287,865	32,434,540	15,464,173	22,726,817	3,241,926	1,177,188,821	9,75731	1,682,010,762	70.0						
2000	630,397,039	574,735,293	37,881,967	16,260,972	19,713,440	3,178,958	1,275,809,753	9,76244	1,761,576,644	72.4						
2001	666,008,427	641,513,433	52,712,806	15,103,991	14,866,842	3,154,882	1,387,050,617	9,60628	1,943,321,639	71.4						
2002	714,329,984	685,342,960	61,850,141	15,713,751	7,460,535	3,096,544	1,481,600,827	9,35614	2,036,850,033	72.7						
2003	740,806,402	807,747,474	77,126,240	17,306,739	3,140,447	3,120,620	1,643,006,652	9,63962	2,354,597,383	69.8						
2004	758,652,072	858,404,884	79,460,930	18,617,645		3,044,688	1,712,090,843	9,67627	2,429,777,471	70.5						
2005	812,554,188	833,418,402	84,967,190	16,598,600		2,965,052	1,744,573,328	9,94868	2,616,823,544	66.7						
2006	865,439,973	835,027,560	91,023,260	15,430,574		2,894,676	1,804,026,691	10,16610	2,746,981,177	65.7						
2007	932,834,583	842,294,846	108,536,430	15,836,321		2,912,270	1,896,589,910	10,25190	3,003,950,459	63.1						

Source: Story County Auditor

Schedule 6
City of Ames
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(tax rates per \$1,000 of assessed valuation)

Fiscal Year	City Direct Rates					Overlapping Rates (1)				Total Direct & Overlapping Rates
	General Rate (2)	Public Transit Rate	Employee Benefits		Debt Service Rate	Total Direct Tax Rate (3)	Ames School District (4)	County Consolidated (5)	Area Vocational (6)	
			Rate	Rate						
1998	6.17736	0.51250	0.20053	3.30182	10.19221	13.46356	6.04529	0.47230	30.17336	
1999	5.69217	0.52362	0.23572	3.30580	9.75731	13.66582	6.11277	0.50551	30.04141	
2000	5.46015	0.51213	0.26405	3.52611	9.76244	13.66879	5.87745	0.52451	29.83319	
2001	5.14278	0.50638	0.28691	3.67021	9.60628	13.84006	5.51856	0.54506	29.50996	
2002	5.09850	0.50962	0.30861	3.43941	9.35614	13.82670	6.50788	0.54454	30.23526	
2003	5.03363	0.49403	0.31508	3.79688	9.63962	14.20390	6.47047	0.54584	30.85983	
2004	5.14763	0.52435	0.35921	3.64508	9.67627	13.80200	6.08392	0.58184	30.14403	
2005	5.23802	0.53054	0.53695	3.64317	9.94868	13.80403	6.25618	0.59856	30.60745	
2006	5.27509	0.56436	0.65229	3.67436	10.16610	13.72848	6.32840	0.68408	30.90706	
2007	5.33473	0.56956	0.68478	3.66283	10.25190	13.74398	6.46794	0.68688	31.15070	

Source: Story County Auditor

Notes:

- (1) Overlapping rates are those of local and county governments that may apply to property owners within the City of Ames. Not all overlapping rates apply to all Ames property owners.
- (2) State law limits the maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation.
- (3) City council sets the total direct tax rate.
- (4) School district board of education sets the rate.
- (5) Story county board of supervisors, county and city's assessors board, county agricultural extension board, and county hospital board set the rate.
- (6) Area community college sets the rate.

Schedule 7
 City of Ames
 Principal Property Tax Payers by Parcel
 Current Year and Nine Years Ago

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
North Grand Mall Partners LLC (1)	\$ 38,343,636	1	2.02%			
Barilla America Inc. (2)	36,693,600	2	1.93			
Clinic Building Co., Inc.	15,845,306	3	0.84	\$ 15,078,625	2	1.28%
SUH Iowa State LLC	13,553,928	4	0.71			
Midwest Centers	12,643,722	5	0.67			
Cycloneball LLC	11,650,600	6	0.61			
Iowa State University Research Park	10,544,698	7	0.56	5,490,894	10	0.47
Stanton I LLC	9,104,812	8	0.48			
SUSA Holding of Story County Inc	8,775,000	9	0.46	6,450,700	7	0.55
Minnesota Mining & Mfg. Co.	8,695,000	10	0.46			
General Growth Properties (1)				20,061,444	1	1.70
Freeman, Richard D. Rest. Rev. Trust				7,036,153	3	0.60
Minnesota Mining & Mfg. Co.				6,846,797	4	0.58
ISU Credit Union				6,767,118	5	0.57
Mortensen I-Ltd. Partnership				6,518,973	6	0.55
Gateway Center, Ltd.				5,757,516	8	0.49
Sauer-Sundstrand				5,707,919	9	0.48
Totals	\$ 165,850,302		8.74%	\$ 85,716,139		7.27%

Source: Story County Auditor

Notes: (1) Property changed ownership.
 (2) Barilla paid property taxes for the first time FY 1999.

Schedule 8
 City of Ames
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Totals Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 11,186,337	\$ 11,328,698	101.27%	\$ 5,927	\$ 11,334,625	101.33%
1999	11,511,434	11,714,240	101.76	1,045	11,715,285	101.77
2000	12,484,141	12,718,805	101.88	13,138	12,731,943	101.98
2001	13,364,547	13,716,608	102.63	1,286	13,717,894	102.64
2002	13,916,170	14,218,041	102.17	12,054	14,230,095	102.26
2003	15,870,964	15,978,134	100.68	80,213	16,058,347	101.18
2004	16,618,895	16,904,000	101.72	52,567	16,956,567	102.03
2005	17,401,486	17,672,862	101.56	10	17,672,872	101.56
2006	18,344,342	18,490,707	100.80	2,044	18,492,751	100.81
2007	19,446,934	19,327,368	99.39		19,327,368	99.39

Sources: Story County Auditor and City of Ames Finance Department

Schedule 9
City of Ames
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	Obligation Bonds	General Obligation Bonds	Revenue Bonds	Capital Leases	Notes Payable	Capital Leases				
1998	\$ 25,183,982	\$ 9,311,018	\$ 56,720,000				\$ 91,215,000	12.44%	1,873	
1999	26,249,512	8,230,488	53,595,000				88,075,000	12.01	1,809	
2000	23,105,042	7,249,958	50,310,000				80,665,000	8.42	1,590	
2001	25,450,572	6,249,248	46,840,000	1,182,244			79,722,064	8.32	1,571	
2002	35,920,504	5,244,496	43,695,000	2,043,135			86,903,135	9.07	1,713	
2003	36,803,714	4,186,286	36,690,000		2,212,672		79,892,672	8.34	1,575	
2004	37,875,405	3,069,595	33,595,000		1,575,450		76,115,450	7.95	1,500	
2005	38,598,133	2,466,867	30,380,000		907,121		72,352,121	7.55	1,426	
2006	36,810,028	1,879,972	27,075,000		283,825		66,048,825	6.90	1,302	
2007	36,355,000	1,310,000	23,685,000		27,865		61,377,865	6.41	1,210	

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Schedule 14 for personal income and population data.

Schedule 10
City of Ames
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)		Per Capita
				Value of Property (1)	Capita	
1998	\$ 25,183,982	\$ 1,121,225	\$ 24,062,757	1.61%	\$494.19	
1999	26,249,512	1,351,913	24,897,599	1.48	511.34	
2000	23,105,042	2,009,485	21,095,557	1.20	415.83	
2001	25,450,572	2,845,016	22,605,556	1.16	445.60	
2002	35,920,504	2,402,019	33,518,485	1.65	660.71	
2003	36,803,714	2,272,537	34,531,177	1.47	680.67	
2004	37,875,405	1,715,319	36,160,086	1.49	712.78	
2005	38,598,133	1,439,613	37,158,520	1.42	732.46	
2006	36,810,028	1,275,590	35,534,438	1.29	700.45	
2007	36,355,000	1,107,194	35,247,806	1.17	694.80	

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
(1) See Schedule 5 for property value data.
(2) Population data can be found in Schedule 14.

Schedule 11
 City of Ames
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Ames Community School District	\$ 6,710,000	97.96%	\$ 6,573,116
Gilbert Community School District	9,155,000	41.83	3,829,537
Des Moines Area Community College (1)	69,505,000	6.65	4,622,083
Nevada Community School District	4,450,000	0.17	7,565
United Community School District	0	0.66	0
Story County	6,890,000	63.70	4,388,930
Other debt			
Ames Community School District Revenue Bonds	17,916,450	97.96	17,550,954
Gilbert Community School District Revenue Bonds	3,480,000	41.83	1,455,684
Gilbert Community School District Energy Loan	28,313	41.83	11,843
Nevada Community School District Revenue Bonds	5,335,000	0.17	9,070
Nevada Community School District Capital Lease Notes	218,990	0.17	372
Subtotal, overlapping debt:			38,449,154
City direct debt			<u>36,355,000</u>
Total direct and overlapping debt			<u>\$ 74,804,154</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Story County Auditor. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Ames. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every tax payer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

(1) Includes \$60,460,000 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.

Schedule 12
 City of Ames
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 74,800,961	\$ 84,100,538	\$ 88,078,832	\$ 97,166,082	\$ 101,842,502	\$ 117,729,869	\$ 121,488,874	\$ 130,841,177	\$ 137,349,059	\$ 150,197,523
Total net debt applicable to limit	34,495,000	34,480,000	30,355,000	31,700,000	41,165,000	40,990,000	40,945,000	41,065,000	38,690,000	37,665,000
Legal debt margin	40,305,961	49,620,538	57,723,832	65,466,082	60,677,502	76,739,869	80,543,874	89,776,177	98,659,059	112,532,523
Total net debt applicable to the limit as a percentage of debt limit	46.12%	41.00%	34.46%	32.62%	40.42%	34.82%	33.70%	31.39%	28.17%	25.08%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$3,003,950,459
Debt limit (5% of actual value)	150,197,523
Debt applicable to limit:	
General obligation bonds	36,355,000
Other	24,995,000
Total	61,350,000
Less revenue bonds	23,685,000
Total net debt applicable to limit	37,665,000
Legal debt margin	\$ 112,532,523

Note: State of Iowa statutory debt limit is 5% of total actual assessed valuation.

Schedule 13
City of Ames
Pledged-Revenue Coverage
Last Ten Fiscal Years

Medical Center Revenue Bond										Electric Revenue Bond				
Fiscal Year	Gross Revenues	Operating Expenses	Net Available Revenue		Debt Service		Coverage	Less: Net						
			Revenue	Interest	Principal	Interest		Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage	
1998	\$ 81,245,635	\$ 63,898,258	\$ 17,347,377	\$ 2,303,880	\$ 1,320,000	\$ 2,303,880	4.79	\$ 27,791,841	\$ 18,333,301	\$ 9,458,540	\$ 3,190,000	\$ 958,145	2.28	
1999	83,116,998	68,670,230	14,446,768	2,270,221	1,390,000	2,270,221	3.95	30,273,968	19,439,120	10,834,848	1,215,000	778,505	5.44	
2000	85,398,067	70,193,728	15,204,339	2,196,551	1,460,000	2,196,551	4.16	30,487,669	20,994,323	9,493,346	1,265,000	720,185	4.78	
2001	94,682,949	76,721,197	17,961,752	2,115,521	1,545,000	2,115,521	4.91	33,774,346	23,462,190	10,312,156	1,330,000	659,465	5.18	
2002	94,436,413	81,459,920	12,976,493	2,027,455	1,140,000	2,027,455	4.10	33,865,307	23,277,276	10,588,031	1,400,000	594,960	5.31	
2003	100,317,729	85,662,680	14,655,049	1,960,195	1,200,000	1,960,195	4.64	33,648,009	26,299,186	7,348,823	1,685,000	566,463	3.26	
2004	109,100,843	88,031,896	21,068,947	1,301,741	1,355,000	1,301,741	7.93	35,287,295	27,931,609	7,355,686	1,740,000	187,775	3.82	
2005	125,887,097	101,474,465	24,412,632	1,212,363	1,435,000	1,212,363	9.22	37,433,752	30,987,158	6,446,594	1,780,000	144,275	3.35	
2006	136,084,871	112,439,877	23,644,994	1,169,313	1,480,000	1,169,313	8.92	43,291,313	34,061,735	9,229,578	1,825,000	99,775	4.80	
2007	157,405,562	124,439,101	32,966,461	1,117,513	1,530,000	1,117,513	12.45	47,486,293	36,571,857	10,914,436	1,860,000	54,150	5.70	

Sewer Revenue Bond													
Fiscal Year	Gross Revenues	Operating Expenses	Net Available Revenue		Debt Service		Coverage	Less: Net					
			Revenue	Interest	Principal	Interest		Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage
1998	\$ 4,285,808	\$ 2,574,303	\$ 1,711,505	\$ 120,063	\$ 510,000	\$ 120,063	2.72	\$ 4,285,808	\$ 2,574,303	\$ 1,711,505	\$ 510,000	\$ 120,063	2.72
1999	4,066,176	2,664,235	1,401,941	98,175	520,000	98,175	2.27	4,066,176	2,664,235	1,401,941	520,000	98,175	2.27
2000	4,215,423	2,691,273	1,524,150	75,225	560,000	75,225	2.40	4,215,423	2,691,273	1,524,150	560,000	75,225	2.40
2001	4,320,015	2,975,603	1,344,412	50,681	595,000	50,681	2.08	4,320,015	2,975,603	1,344,412	595,000	50,681	2.08
2002	4,388,706	3,196,435	1,192,271	25,181	605,000	25,181	1.89	4,388,706	3,196,435	1,192,271	605,000	25,181	1.89
2003	4,318,822	3,130,524	1,188,298	6,163	290,000	6,163	4.01	4,318,822	3,130,524	1,188,298	290,000	6,163	4.01
2004													
2005													
2006													
2007													

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest and depreciation expenses.

Schedule 14
 City of Ames
 Demographic and Economic Statistics
 Last Ten Calendar Years

Calendar Year	Population	Per Capita		School Enrollment	Unemployment Rate
		Personal Income	Personal Income		
1997	48,961	15,062	737,450,582	5,008	3.0%
1998	48,961	15,062	737,450,582	5,023	2.8
1999	48,961	15,062	737,450,582	4,879	2.3
2000	50,731	18,881	957,852,011	4,965	2.1
2001	50,731	18,881	957,852,011	4,702	2.4
2002	50,731	18,881	957,852,011	4,674	2.8
2003	50,731	18,881	957,852,011	4,624	3.1
2004	50,731	18,881	957,852,011	4,516	3.4
2005	50,731	18,881	957,852,011	4,366	2.8
2006	50,731	18,881	957,852,011	4,320	2.4

Sources: United States Census Bureau decennial census provided population and per capita personal income. School enrollment provided by the Ames School District. Unemployment provided by the Iowa Workforce Development.

Schedule 15
 City of Ames
 Principal Employers
 Current Year and Nine Years Ago

	2007			1998		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees (2)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Iowa State University	13,787	1	28.65%	13,267	1	28.77%
Mary Greeley Medical Center	1,350	2	2.81	1,336	2	2.90
Iowa Department of Transportation	1,200	3	2.49	1,000	3	2.17
McFarland Clinic	1,000	4	2.08	750	4	1.63
Sauer-Danfoss	810	5	1.68	499	8	1.08
Ames Community Schools	680	6	1.41	671	5	1.46
City of Ames	536	7	1.11	550	7	1.19
Ames Laboratories	443	8	0.92	613	6	1.33
3M	380	9	0.79	400	9	0.87
Hach Companies	300	10	0.62			
Ogden Entertainment Services				400	10	0.87
Total	<u>20,486</u>		<u>42.56%</u>	<u>19,486</u>		<u>42.27%</u>

Sources: United States Department of Labor provided total labor force numbers.

(1) Ames Economic Development Commission

(2) Ames Chamber of Commerce

Schedule 16
City of Ames
Authorized Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government										
Management services	23.00	23.25	23.25	23.25	22.75	23.00	22.75	22.50	22.25	22.25
Finance	39.50	40.50	41.50	41.50	41.50	41.25	41.25	38.75	38.75	38.75
Planning and housing	9.00	9.00	9.00	9.00	11.00	11.00	9.75	8.75	8.75	10.50
Fleet Services	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Transit	62.65	65.15	65.15	66.65	68.25	73.45	74.45	74.45	73.70	73.70
Fire/Inspections	59.00	60.00	60.00	60.00	60.00	63.00	63.00	63.00	63.00	63.00
Police/Animal control/Parking	70.40	70.40	70.40	73.40	73.40	73.40	73.40	73.40	72.40	74.40
Library	29.00	29.25	29.75	29.75	30.25	30.25	30.25	30.25	30.25	30.50
Parks and recreation	21.75	21.75	21.75	22.75	22.75	22.75	22.75	22.00	22.00	22.00
Waste water treatment	21.50	21.00	21.00	22.00	22.00	22.25	22.25	22.25	22.25	22.25
Water	19.50	19.50	19.50	18.50	18.50	18.75	18.75	18.75	18.75	18.75
Electric	79.00	79.00	79.00	79.00	79.00	79.00	79.00	79.00	79.00	79.00
Public works										
Administration	4.00	4.00	4.00	4.00	4.00	4.00	3.75	3.25	3.25	3.00
Engineering	11.50	11.50	12.50	12.50	12.50	12.00	12.00	12.00	12.00	12.00
Resource recovery	16.90	16.90	16.90	16.90	16.90	16.90	15.00	15.00	15.00	15.00
Streets	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Utility maintenance	12.00	12.00	12.00	12.00	12.00	12.00	11.00	11.00	11.00	11.00
Other	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75
Medical center (1)	<u>955.45</u>	<u>1,001.20</u>	<u>956.81</u>	<u>958.28</u>	<u>979.80</u>	<u>946.04</u>	<u>930.97</u>	<u>960.34</u>	<u>987.33</u>	<u>1,019.33</u>
Total	1,474.40	1,524.65	1,482.76	1,489.73	1,514.85	1,489.29	1,470.57	1,494.94	1,519.93	1,555.68

Sources: City Finance Department
(1) Mary Greeley Medical Center Finance Department

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave) except as noted below. Full-time-equivalent employment is calculated by dividing total labor force by 2,080.
Firefighters, Fire Captains and Fire Lieutenants 2,912 hours per year.
Police Officers 2,070 hours per year.

Schedule 17
City of Ames
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Number of licenses/permits processed (1)	203	524	903	396	874	843	1,206	1,048	1,008	1,269
Subdivision requests	11	6	36	15	25	32	33	16	16	14
Police										
Physical arrests	1,394	1,290	1,150	1,254	1,380	1,154	1,270	1,201	1,051	1,340
Parking violations	62,669	64,863	64,510	58,306	56,846	48,876	61,858	51,126	53,367	56,566
Traffic violations	3,334	3,888	4,454	3,739	3,985	3,351	2,438	3,000	3,809	3,820
Fire										
Number of fires	180	131	152	153	177	107	148	142	148	169
Number of ambulance assists	581	938	1,039	1,021	1,029	1,075	1,072	1,197	1,436	1,711
Inspections	715	903	721	687	811	801	818	1,016	1,007	951
Library										
Total circulation	956,313	943,500	931,695	976,074	1,090,138	1,232,476	1,222,190	1,256,993	1,311,122	1,361,888
Library visits (2)	317,021	390,301	418,744	412,676	427,072	451,041	457,441	471,164	450,000	459,000
Parks and recreation										
Total number of drop-in visits	125,812	119,845	118,708	123,524	119,396	117,113	119,287	118,456	114,297	117,790
Total number of activities	136	142	158	162	137	135	135	135	137	141
Resource recovery										
Tons of refuse processed	45,241	42,725	41,353	45,559	45,684	44,798	48,272	51,840	54,497	50,792
Tipping fee/ton	47.00	42.00	45.00	45.00	45.00	52.75	53.85	52.75	52.75	52.75
Other public works										
Blocks of streets crack sealed	55	68	81	97	167	176	160	176	142	128
Blocks of streets slurry sealed	46	77	90	82	0	63	68	73	0	0
Blocks of seal coat reconstruction	13	8	14	14	21	6	7	8	9	0
Hospital										
Total admissions	9,633	9,848	9,632	9,952	10,007	9,438	9,279	10,178	9,970	10,113
Average percent of occupancy	63.3%	61.6%	57.3%	57.7%	56.5%	54.0%	53.0%	55.6%	54.3%	56.9%
Electric										
Kilowatt hours produced at plant	343,382,240	387,422,320	384,542,641	402,043,100	399,354,110	417,653,920	421,936,000	435,050,857	489,100,767	497,522,088
Meters in service	18,531	19,043	19,803	20,353	20,606	20,901	21,170	22,375	22,906	23,827
Transit										
Passengers	2,755,200	2,876,803	3,016,409	3,044,456	3,418,078	4,678,548	4,787,637	4,292,366	4,173,208	4,314,151
Total miles driven	924,791	982,557	1,022,739	1,055,613	1,115,473	1,229,503	1,245,103	1,178,475	1,189,235	1,234,775
Water										
Billion gallons/year pumped	2,068	2,065	2,115	2,106	2,089	2,111	2,186	2,137	2,311	2,440
Utility locates performed	4,583	5,610	6,401	4,315	5,797	5,356	5,747	6,081	5,779	5,500
Water main breaks (3)	29	24	20	33	25	28	68	27	21	51
Wastewater										
Billion gallons/year treated	2,314	2,320	1,930	1,982	1,944	1,959	2,136	1,997	1,887	2,480

Sources: Various city departments and Mary Greeley Medical Center

Notes: (1) City changes in licenses for plumbing and electrical from a two year to a three year license and the addition of mechanical licenses in 1999 caused variances from year to year.
(2) Library counter not working all year for FY 2006.

(3) A two-pressure water system was implemented in FY 2004. Increased pressure caused additional breaks in the west zone.

Schedule 18
City of Ames
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	7	7	7	7	7
Fire										
Fire stations	2	2	2	2	2	3	3	3	3	3
Parks and recreation										
Total number of parks	30	32	32	32	33	33	33	33	33	34
Total number of park acres (1)	747	759	759	759	1,196	1,196	1,196	1,196	1,196	1,199
Total number of athletic fields	23	22	19	19	19	19	19	18	18	18
Other public works										
Miles of streets (2)	165	170	175	177	176	178	240	244	246	239
Number of traffic signals	55	56	56	60	60	60	60	60	59	59
Number of signs	8,437	8,812	8,503	8,650	8,502	8,806	8,881	9,325	9,267	9,291
Hospital										
Beds in operation	195	203	205	205	206	204	198	198	198	199
Transit										
Buses owned	49	50	50	54	56	67	69	69	70	67
New buses purchased	2	4	0	6	3	7	3	0	4	4
Water										
Miles of water mains	203.3	208.8	217.0	218.0	218.0	220.0	223.0	230.0	232.5	242.5
Fire hydrants	1,921	1,998	2,160	2,268	2,150	2,200	2,250	2,374	2,406	2,451
Wells	21	22	23	21	22	22	22	22	22	25
Wastewater										
Sanitary sewer miles (3)	174.8	176.1	184.0	188.0	186.0	187.0	189.0	192.0	196.0	194.7
Storm sewer miles (3)	101.5	104.2	106.0	190.0	190.0	192.0	201.0	220.0	240.0	230.9

Sources: Various city departments and Mary Greeley Medical Center

Notes: No capital asset indicators are available for the general government, library, resource recovery, electric functions.

(1) Ada Hayden Heritage Park was added in FY 2002. It includes a lake of 130 acres.

(2) Public works implemented a computer GIS system in FY 2004.

(3) Public works in FY 2007 continued to update the GIS system by removing private utilities.

**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, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2007
DIRECT:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Section 8 Housing Choice Vouchers	14.871	IA089-VO-001,002,003, 005,006	1,019,455
Community Development Block Grants/ Entitlement Grants	14.218	B-06-MC-19-0010	506,605
DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		3,033
DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program	20.106	3-19-0004-16-2006	44,646
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-04	313,308
Federal Transit-Formula Grants	20.507*	IA-90-X285-00	14,601
Federal Transit-Formula Grants	20.507*	IA-90-X300-00	69,429
Federal Transit-Formula Grants	20.507*	IA-90-X314-00	1,374,107
			1,771,445
DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-08525	128,000
Commercial Equipment Direct Assistance Program (CEDAP)	97.096		16,600
TOTAL DIRECT			3,489,784
INDIRECT:			
DEPARTMENT OF JUSTICE			
Iowa Department of Human Services Enforcing Underage Drinking Laws Program	16.727	CJJP-06-A5-001	2,950
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-0155(652)--70-85	676,330
Highway Planning and Construction	20.205	STP-U-0155(655)--70-85	813,195
Highway Planning and Construction	20.205	HDP-0155(653)--71-85	451,794
			1,941,319
Federal Transit-Capital Investment Grants	20.500*	03-0104-015-05	491,173
Capital Assistance Program For Elderly Persons And Persons With Disabilities	20.513	16-X001-015-06	157,419
State Planning and Research	20.515	07MPO-AAMPO	68,149
Job Access-Reverse Commute	20.516	37-X012-015-07	6,315

CITY OF AMES, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2007
INDIRECT: (continued)			
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Public Safety			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 06-410, Task 02	5,209
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 07-410, Task 01	13,552
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 06-163, Task 01	2,829
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 07-163, Task 01	1,758
			<u>23,348</u>
NATIONAL ENDOWMENT FOR THE ARTS			
Arts Midwest			
Promotion of the Arts-Grants to Organizations and Individuals	45.024		<u>7,300</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Iowa Department of Public Health			
Immunization Grants	93.268	58871422	<u>24,237</u>
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5887BT01	<u>49,557</u>
National Bioterrorism Hospital Preparedness Program	93.889	5887BHP07	<u>44,381</u>
DEPARTMENT OF HOMELAND SECURITY			
Iowa Department of Public Defense			
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	PDMC-PL-07-2005-042	<u>17,036</u>
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1688-DR-IA	<u>245,206</u>
Story County EMS Association Assistance to Firefighters Grant	97.044	EMW-2005-FG-20749	<u>28,103</u>
TOTAL INDIRECT			<u>3,106,493</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$6,596,277</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, 2007**

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).

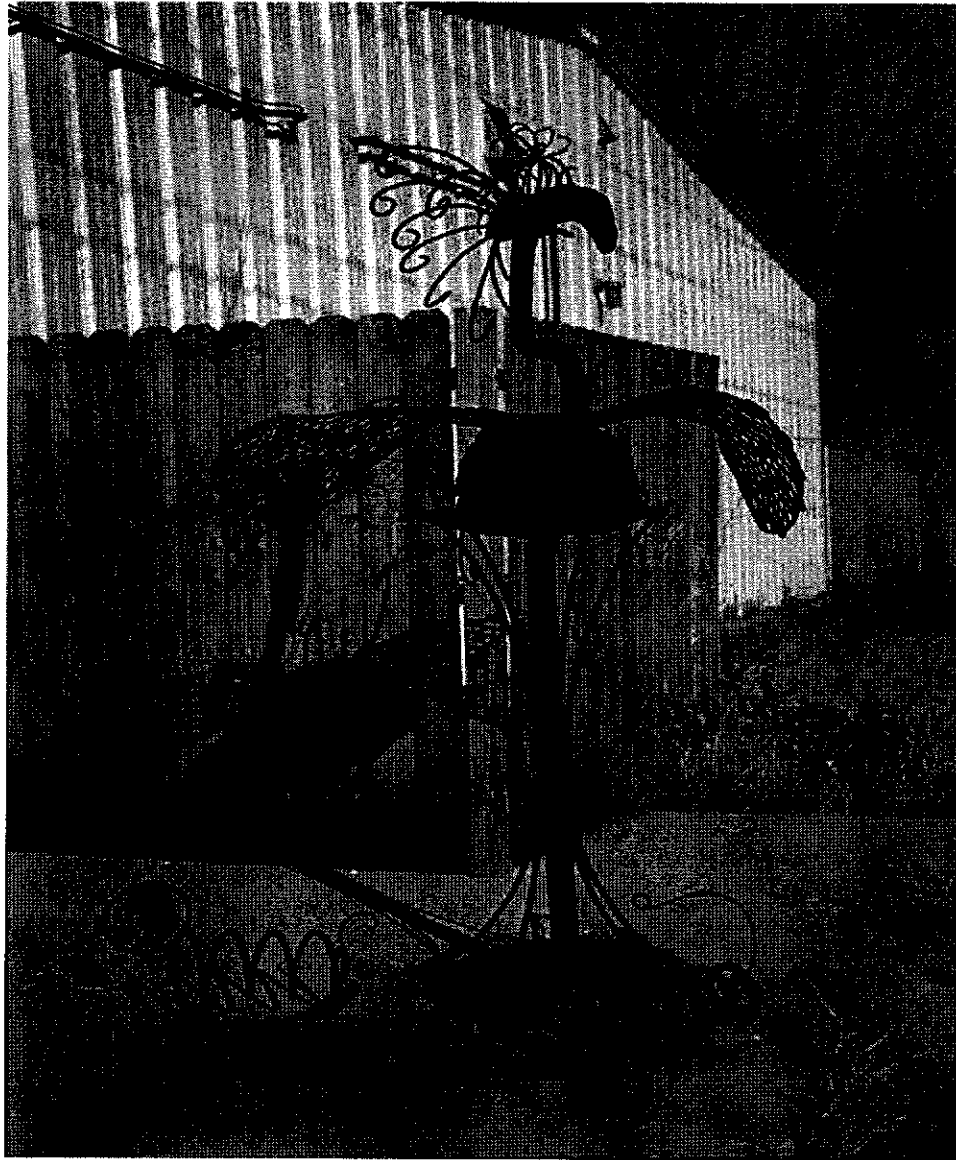
2. GENERAL

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.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Ames, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Immunization Grants	93.268	\$10,859



Flo

By David Johnson, 2001

At Ames Animal Shelter and
Control Building



CPAs & BUSINESS ADVISORS

**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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2007. 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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*. However, we noted an immaterial instance of noncompliance or other matters that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

The City's response to a finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusion on the City's response, we did not audit the City's response, and accordingly, we express no opinion on it.

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

Dubuque, Iowa
December 6, 2007



CPAs & BUSINESS ADVISORS

**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, 2007. 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 grant agreements 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 on 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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A control deficiency in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Eide Bailly LLP

Dubuque, Iowa
December 6, 2007

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

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 no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are as follows:
 - CFDA Number 14.871 – Section 8 Housing Choice Vouchers
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.036 – Public Assistance Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Ames, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike Wheelock, Utility Accounts Supervisor, wife is part owner of Heartland Pet Hospital	Veterinary services	\$ 182
Jan Heuss, library employee, husband is owner of Heuss Printing, Inc.	Printing services	\$ 17,574

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

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

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the utility accounts supervisor do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with the library employee do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

II-E-07 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.

II-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, we noted that when the list of claims is published it does not include the reason for each claim as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should determine a procedure which would allow for the publication of claims, including the reason for each claim in accordance with Chapter 372.13(6) of the Code of Iowa.

Response – The City is currently looking into a procedure to publish the reason for each claim; however, with the current accounting system this would be very difficult, and we are concerned about the cost of implementation.

Conclusion – Response accepted.

II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-07 Revenue Bonds – We noted no instances of non-compliance with the provisions of the City's revenue bond resolutions.