

COUNCIL ACTION FORM

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2018

BACKGROUND:

The City of Ames (City) is required by the Code of Iowa to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles. These financial statements, referred to herein as the comprehensive annual financial report (CAFR), serve many purposes including the following:

- Provide information needed for both financial decision making and the assessment of financial stewardship
- Lend insight into the financial health of the City
- Preserve public and investor trust through financial transparency
- Demonstrate compliance with public decisions concerning the raising and spending of public monies
- Demonstrate the extent to which operating objectives are met efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so
- Demonstrate compliance with finance-related legal and contractual provisions

The CAFR is made up of many sections and contains information that may seem confusing even to those who are familiar with private sector accounting reports. The main difference between private sector accounting and governmental accounting is the use of fund accounting. Fund accounting is a tool used by governments to organize and present data about financial resources to show the fact that certain resources have been segregated for specific activities or objectives in accordance with special regulations, restrictions, or limitations. The constraints on how financial resources can be used are either imposed externally (grantors and creditors) or internally through the budget adopted by the City Council.

Governmental accounting regulations require that the statements contained in the CAFR use methods of accounting that don't completely match the method of recording transactions in the accounting software, which is primarily on a budgetary basis for tracking and control against the Council approved budget. An extensive amount of time is required to close out the accounting records and make the numerous adjusting entries that are required to convert to the accounting basis required for the CAFR. Because of this, the City produces this financial report only on an annual basis.

Eide Bailly LLP, Certified Public Accountants, has audited the City's financial statements as of and for the year ended June 30, 2018, and expressed its opinion on these

statements based on the audit. In the auditor's opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The auditor's report is an unmodified, or "clean," opinion with no significant deficiencies noted and no noncompliance material to the financial statements noted. There was one material weakness found. Two adjustments were suggested related to the collection of revenue near year end. These changes were made and staff will implement additional procedures to identify the correct fiscal year for receipts close to year end.

Also included with the report is the management letter that discloses any findings, difficulties in performing the audit, misstatements, disagreements with management, and other issues that came up during the audit. The letter confirms that there were no other issues to report related to the June 30, 2018 audit. **It does include a statement related to the adjustments mentioned in the previous paragraph for the Capital Projects Fund and the Electric Fund.**

ALTERNATIVES:

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

MANAGER'S RECOMMENDED ACTION:

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

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



January 25, 2019

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

We have audited the financial statements of the City of Ames, Iowa (City) as of and for the year ended June 30, 2018, and have issued our report thereon dated January 25, 2019. Professional standards require that we advise you of the following matters relating to our audit. We did not audit the financial statements of the Mary Greeley Medical Center (presented as an enterprise fund) or the financial statements of the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mary Greeley Medical Center and the component unit is based solely on the reports of the other auditors.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under Uniform Guidance

As communicated in our letter dated May 15, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the City complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's 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* dated January 25, 2019. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated January 25, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note I to the financial statements. As described in Note IV(P), the City changed accounting policies related to accounting for OPEB to adopt the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are self-funded health insurance, worker's compensation, liability, and long-term disability insurance liabilities, other postemployment benefits liability and net pension liability.

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

Management’s estimate of the total OPEB liability, related deferred outflow of resources and OPEB expense are based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop the OPEB related balances in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the net pension liability, pension related deferred outflows of resources and deferred inflows of resources, and pension expense are based on plan level actuarial reports, allocated to the City using annual employer contributions. We evaluated the key factors and assumptions used to develop the pension related balances in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City’s financial statements relate to the net pension liability and total OPEB liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements noted in performing the audit.

The following misstatements, one of which is considered material, that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

	<u>Equity Increase (Decrease)</u>	
	<u>Fund</u>	<u>Governmental/</u>
	<u>Statements</u>	<u>Business-type</u>
		<u>Activities</u>
Capital Projects Fund		
To record additional unavailable revenue (material misstatement)	\$ (116,597)	\$ -
Electric Fund		
To record additional accounts receivable	926,212	926,212

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated January 25, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Modification of the Auditor's Report

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Notes I(I) and IV(P) to the financial statements, the City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

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

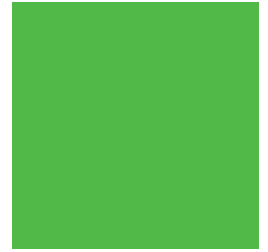
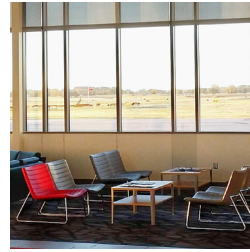
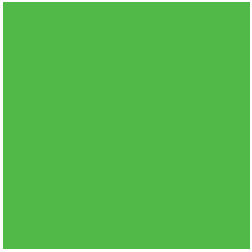
Sincerely,

EIDE BAILLY LLP

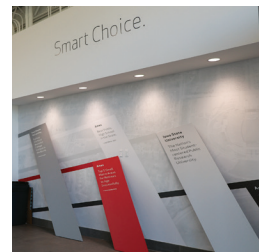
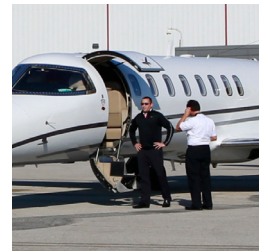

Dubuque, Iowa



CITY OF
Ames™



CITY OF AMES, IOWA
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
FOR THE FISCAL YEAR ENDED JUNE 30, 2018





The theme for this year's Comprehensive Annual Financial Report is the Ames Municipal Airport. The current airport located at 2520 Airport Road is the third incarnation of an airport in Ames. It was established in 1943 using \$5,340 in Municipal Bonds near the site of the old Billy Sunday Farmstead. As the first municipally owned airport it began on a property of just under 300 acres along the south side of Airport Road with two grass runways approximately 3,800 feet in length. Over the years the airport has grown, more than doubling in size in the 1980's to about 700 acres, now with two paved runways 01/19 (5,700') and 13/31 (3,492') capable of supporting medium to large jet aircraft. Starting in 2016, the City, with help from private donations, has constructed a new 7,000 square foot Executive Airport Terminal Building and a new 95' x 100' Itinerant Hangar. These investments have helped modernize the Ames Municipal Airport as it serves as a gateway to the central Iowa region supporting more than 33,000 flights each year.

CITY OF AMES, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Prepared by:
Department of Finance
Accounting Division



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

**City of Ames
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June 30, 2018**

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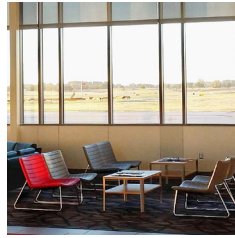
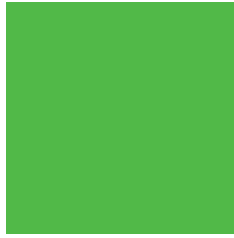
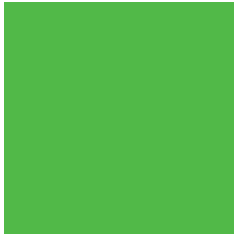
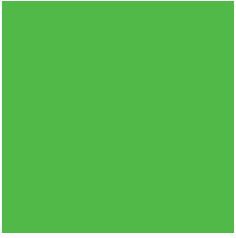
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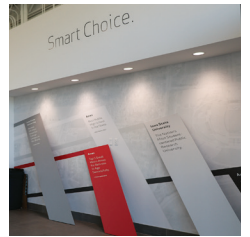
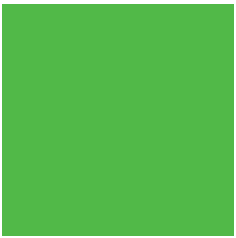
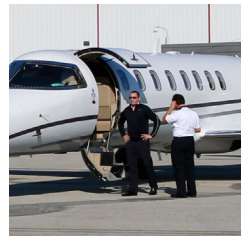
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INTRODUCTORY SECTION





January 25, 2019

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

The City of Ames, Iowa (City) is required by the Code of Iowa to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended June 30, 2018, is hereby submitted.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly LLP, a firm of licensed certified public accountants, has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2018. The independent auditor’s report is presented as the first component of the financial section in 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 complements this letter of transmittal and should be read in conjunction with it.

Profile of the City of Ames

The City was incorporated in 1864 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 eighth largest city in Iowa and serves a population of 58,965, according to the 2010 census. The City is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City operates under a mayor-council form of government with an appointed manager. 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 is elected for a four-year term. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides a full range of services, including police and fire protection; snow removal; construction and maintenance of highways, streets, and other infrastructure; recreational and cultural activities; library services; community development; electric, water, and sewer systems; parking lot facilities; resource recovery; a municipal airport; transit services; and a municipal hospital. The City is also financially accountable for a legally separate hospital foundation reported separately within the City's financial statements. Additional information on the hospital foundation can be found in the notes to the financial statements (see note I(B)).

The annual budget serves as the foundation for the City's financial planning and control and is prepared by function. The City Manager is responsible for developing a budget proposal for presentation to the City Council in January and February of each year. The City Council is then required to hold public hearings on the proposed budget and adopt a final budget no later than March 15 for the fiscal year beginning the following July 1. Any amendments to the budget must be prepared and adopted in the same manner as the original budget.

Local economy

The City is supported by a diverse economy that includes both the private and public sectors. Ames is home to several large governmental agencies including Iowa State University (ISU), Iowa Department of Transportation, the U.S. Department of Agriculture National Animal Disease Center and National Veterinary Services Laboratories, and a U.S. Department of Energy research lab. ISU and other government employers add significant local economic stability that has resulted in an unemployment rate below the national and state averages for the past thirty years.

In October 2018, the U.S. Bureau of Labor Statistics reported that the Ames metropolitan statistical area (MSA) ranked as the lowest unemployment rate in the nation at 1.1%, well below the national rate of 3.5% and Iowa rate of 2.4%. The City has continued a ten-year trend of steady employment growth. Much of this growth comes from the private sector, indicating expanded diversity in the local economy. The City has also experienced steady growth in population, increasing from 50,731 in the 2000 census to 58,965 in 2010, a 16% increase over ten years. The U.S. Census Bureau 2017 population estimate was 66,498, indicating continued population growth.

Ames has continued steady, moderate, and sustainable growth in both population and property valuation. The assessed valuation for property in Ames grew by 10.6% from January 2016 to January 2017. ISU student enrollment remains strong at nearly 35,000 for the fall 2018 semester.

The commercial and industrial sectors have continued to grow in Ames as the recently completed expansion to the ISU Research Park has continued to attract new employers; most notably John Deere has begun work on a design and test lab facility for agricultural sprayer technology. Barilla America, the largest industrial property in Ames, is nearing completion of a significant expansion with a \$62 million project providing additional pasta production facilities.

The retail, service, and housing sectors have also seen continued growth. Major redevelopment projects continue in Campustown with additional high-rise, mixed-use developments completed, as well as a condominium conversion of an old Ames School District property underway.

Long-term financial planning and major initiatives

Work has continued on improvements to major arterial transportation corridors, most notably the progression of the project to extend Grand Avenue. These and other street improvements have also included facilities to support bike and pedestrian modes of transportation. Though not a City of Ames project, there are significant transportation improvements underway impacting both the primary north/south and east/west connections to Ames. The US 30/I-35 interchange is currently being reconfigured as well as the addition of lanes to I-35 south of Ames.

Relevant financial policies

The City Council has adopted a comprehensive set of budget and fiscal policies, including financial management, general revenue management, user fee cost recovery goals, enterprise fund fees and rates, grant funding, revenue distribution, investments, fund balance designations and reserves, capital improvement management, and capital improvement financing and debt management.

The ending fund balance level established for the General Fund is 20% of operating expenditures. The City met the minimum fund balance requirement for the General Fund and adhered to all other financial policies established by the City Council.

Awards and acknowledgements

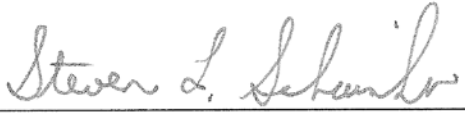
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2017. This is the 39th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2018. To qualify for this award, the City's budget document had to be judged proficient as a policy document, an operations guide, a financial plan, and a communication device. This is the 33rd consecutive year the City has received this award.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff in the Finance Department. We wish to thank all of the City departments for their assistance in providing data necessary for this report. Credit is also due 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,

A handwritten signature in black ink, reading "Steven L. Schainker", written over a horizontal line.

Steven L. Schainker
City Manager

A handwritten signature in blue ink, reading "Duane R. Pitcher", written over a horizontal line.

Duane R. Pitcher, CPA, CPFO
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Ames
Iowa**

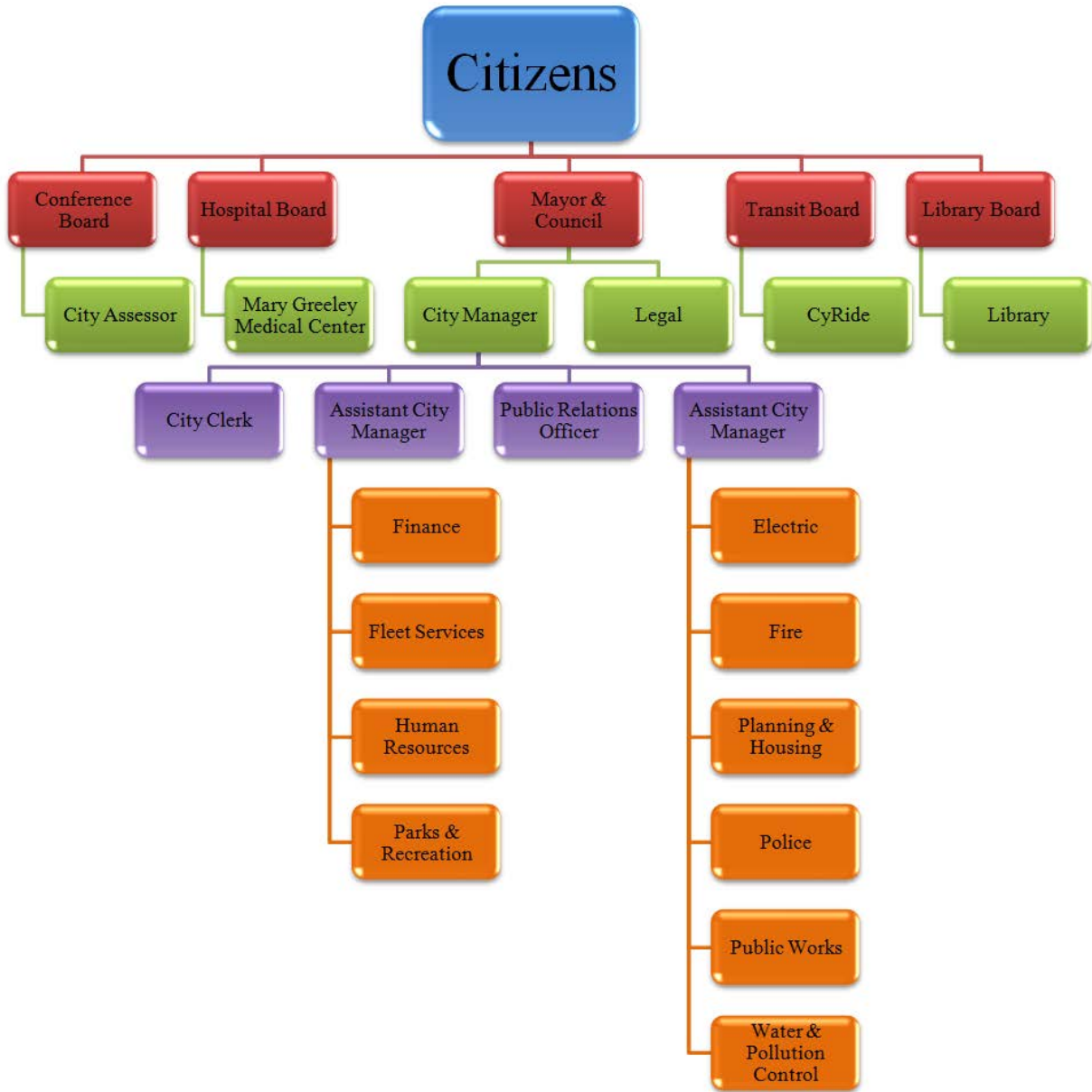
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

**City of Ames
Organizational Chart
June 30, 2018**



City of Ames
List of Elected and Appointed Officials
June 30, 2018

Elected Officials:

Mayor	John Haila
Council Member – Ward One	Gloria Betcher
Council Member – Ward Two	Tim Gartin
Council Member – Ward Three	David Martin
Council Member – Ward Four	Chris Nelson
Council Member – At Large	Bronwyn Beatty-Hansen
Council Member – At Large	Amber Corrieri

Council-Appointed Officials:

City Manager	Steven Schainker
City Attorney	Mark Lambert

City Manager-Appointed / Council-Approved Official:

City Clerk	Diane Voss
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City Manager-Appointed Officials:

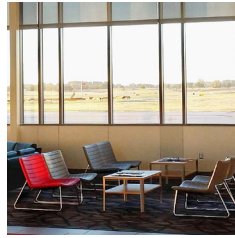
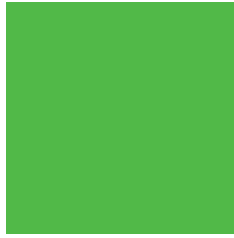
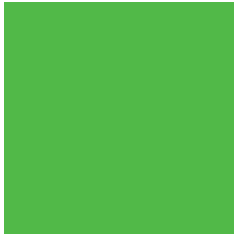
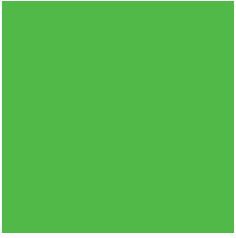
Assistant City Manager	Bob Kindred
Assistant City Manager	Brian Phillips
City Treasurer	Roger Wisecup II
Director of Electric Utility	Don Kom
Director of Finance	Duane Pitcher
Director of Fleet Services	Corey Mellies
Director of Human Resources	Vacant
Director of Parks and Recreation	Keith Abraham
Director of Planning and Housing	Kelly Diekmann
Director of Public Works	John Joiner
Director of Water and Pollution Control	John Dunn
Fire Chief	Vacant
Police Chief	Chuck Cychosz

Other Officials:

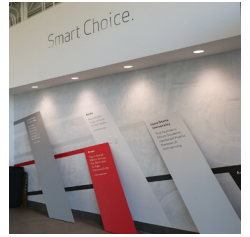
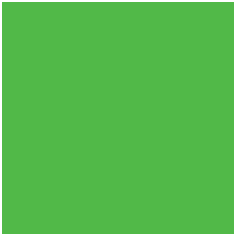
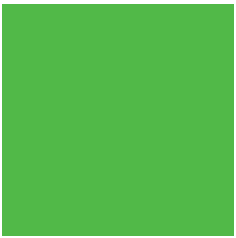
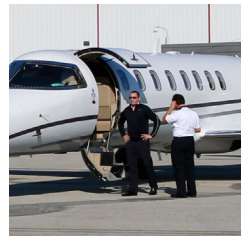
Director of Transportation	Sheri Kyras
Library Director	Lynne Carey

Hospital Administration:

President / Chief Executive Officer	Brian Dieter
Vice President / Chief Financial Officer	Gary Botine



FINANCIAL SECTION





Independent Auditor's Report

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

Report on the Financial Statements

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 (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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), which is both a major fund and 57 percent, 56 percent, and 66 percent, respectively, of the assets, net position, and revenues of the business-type activities. We did not audit the financial statements of the component unit, which represents 100 percent of the assets, net position, and revenues of the component unit. Those 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 component unit, is based solely 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 from material misstatement. The financial statements of the component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes I(I) and IV(P) to the financial statements, the City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ames, Iowa's basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2019, 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dubuque, Iowa
January 25, 2019

Management's Discussion and Analysis

As management of the City of Ames (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$828,899,318 (*net position*). Of this amount, \$354,888,388 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$41,988,506, most of which was attributable to the business-type activities. Mary Greeley Medical Center's (hospital) favorable investment performance accounted for approximately \$17 million of the increase.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$47,129,736, an increase of \$2,073,387 in comparison with the prior year. Approximately 20.19% of this amount (\$9,515,483) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (*the total of the committed, assigned, and unassigned components of fund balance*) for the General Fund was \$11,404,693, or approximately 35.98% of total General Fund expenditures.
- The City's total long-term outstanding debt decreased by \$6,348,853 during the current fiscal year, as the City continues to pay down its current debt balance.
- Within the City's business-type activities, revenues exceeded expenses by \$36,571,568. The City policy is to set rates that fund operational expenses of business-type activities and most capital improvements. The increase in net position represents funds accumulated for planned future capital expenses, including capital investment to stay current with technology at the hospital.
- The City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. The beginning net position was restated by \$(118,916) for governmental activities and \$338,127 for business-type activities to retroactively report the change in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) the notes to financial statements. This report also includes other supplementary information intended to furnish additional detail to support 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 *statement of net position* presents financial information on all of the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and social services, culture and recreation, and community and economic development. The business-type activities of the City include the hospital, electric, sewer, water, transit, storm sewer, parking, resource recovery, an ice arena, and a golf course.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate medical center foundation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-27 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 assessing a government's near-term financing 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 financing 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 23 individual 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, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the other 20 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 in the combining fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general, capital projects, debt service, special revenue, and enterprise funds according to the Code of Iowa. A budgetary comparison schedule has been provided as required supplementary information to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28-31 of this report.

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 hospital, electric, sewer, water, parking, transit, storm sewer, ice arena, golf course, and resource recovery. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet services, information technology, risk management, and health insurance. Because these services benefit both the governmental and business-type functions, they have been apportioned accordingly in the government-wide financial statements.

Proprietary funds 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 hospital, electric, sewer, and water, 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 in the combining fund statements and schedules section of this report. Conversely, 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 in the combining fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 32-36 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported 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.

The City maintains one type of fiduciary fund. Two agency funds report resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements can be found on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-94 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's net pension liability, obligation to provide other post-employment benefits to its employees, and budgetary comparisons. Required supplementary information can be found on pages 96-106 of this report.

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. Combining fund statements and schedules can be found on pages 110-128 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$828,899,318 at the close of the most recent fiscal year.

The following chart summarizes the government-wide assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City.

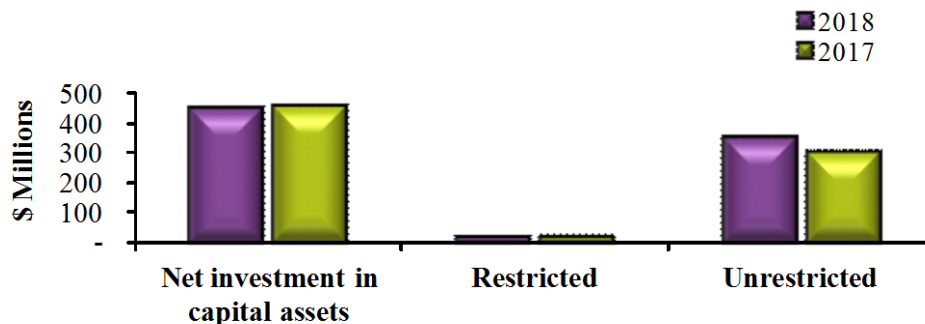
	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (not restated)	2018	2017 (not restated)	2018	2017 (not restated)
Current and other assets	\$ 91,906,923	\$ 88,005,243	\$ 446,273,117	\$ 397,623,534	\$ 538,180,040	\$ 485,628,777
Net capital assets	192,001,669	189,992,928	462,856,365	479,279,198	654,858,034	669,272,126
Total assets	283,908,592	277,998,171	909,129,482	876,902,732	1,193,038,074	1,154,900,903
Deferred outflows of resources	7,824,317	8,968,435	27,766,414	26,340,698	35,590,731	35,309,133
Long-term liabilities outstanding	92,717,474	94,723,575	242,549,186	244,820,998	335,266,660	339,544,573
Other liabilities	4,315,731	4,324,675	26,276,718	28,584,979	30,592,449	32,909,654
Total liabilities	97,033,205	99,048,250	268,825,904	273,405,977	365,859,109	372,454,227
Deferred inflows of resources	30,142,690	28,659,364	3,727,688	2,404,844	33,870,378	31,064,208
Net position:						
Net investment in capital assets	141,703,409	137,632,652	308,134,898	320,823,796	449,838,307	458,456,448
Restricted	21,714,454	20,842,946	2,458,169	2,425,524	24,172,623	23,268,470
Unrestricted	1,139,151	783,394	353,749,237	304,183,289	354,888,388	304,966,683
Total net position	\$ 164,557,014	\$ 159,258,992	\$ 664,342,304	\$ 627,432,609	\$ 828,899,318	\$ 786,691,601

The largest portion of the City's net position (54.27%) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$24,172,623, or 2.92%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$354,888,388 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

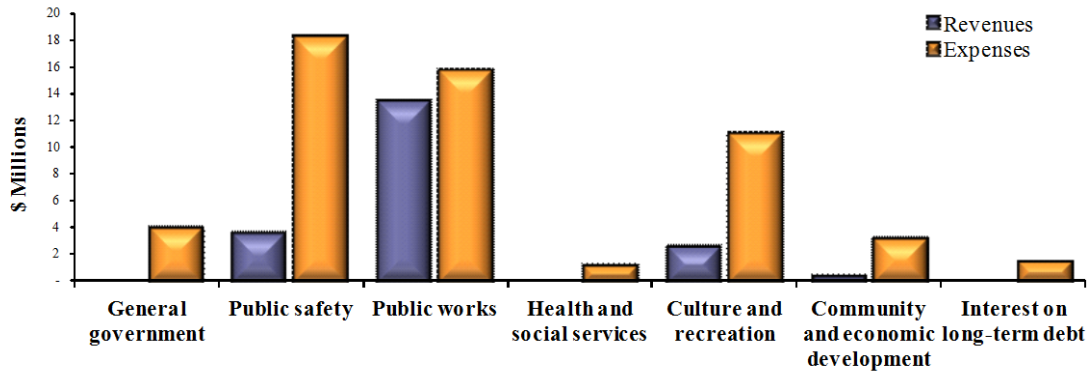
The following chart shows the components of net position for the years ended June 30, 2018 and 2017:



Governmental Activities. During the current fiscal year, net position for governmental activities increased \$5,416,938 for an ending balance of \$164,557,014. Taxes are the largest source of governmental revenue with property taxes of \$29,680,915 and local option sales taxes of \$7,681,519 in 2018. The \$1,514,111 increase in property tax collections in 2018 over 2017 is due to an increase in taxable valuation. Charges for services increased \$2.07 million over 2017 revenues, with most of that increase coming from special assessments for the Grant Avenue paving project.

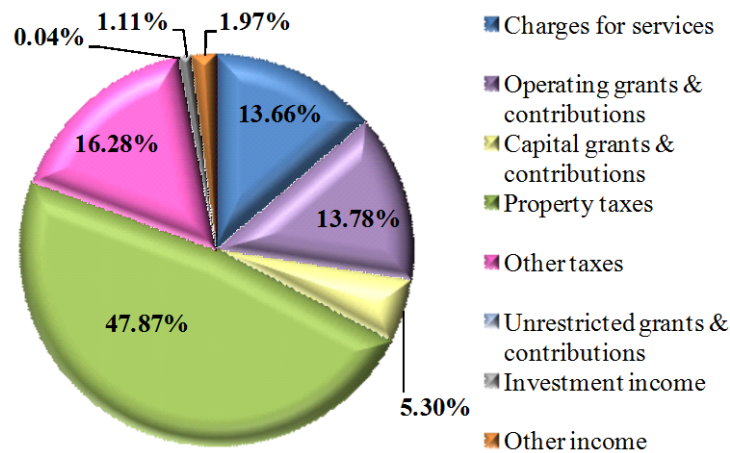
Governmental activities expenses increased \$4.6 million from 2017, or 9.11% mainly due to adding staff to fill vacancies, an increase to authorized positions in public safety, increased depreciation expense, and an increase in expenses related to pension liabilities.

The following chart shows the expenses and related program revenues for the functions of governmental activities:



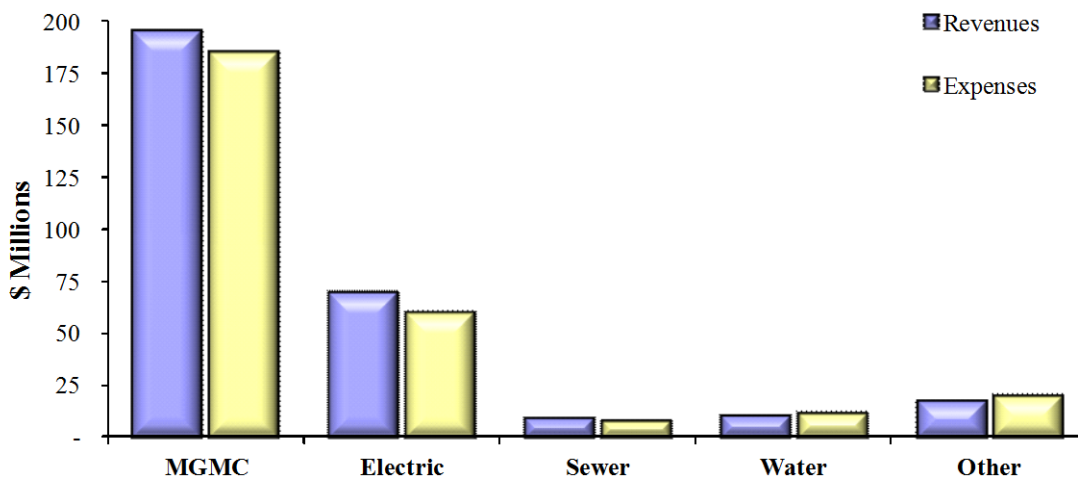
	Governmental Activities		Business-Type Activities		Total	
	2017		2017		2017	
	2018	(not restated)	2018	(not restated)	2018	(not restated)
Revenues:						
Program revenues						
Charges for services	\$ 8,470,150	\$ 6,401,588	\$ 296,247,860	\$ 286,788,902	\$ 304,718,010	\$ 293,190,490
Operating grants & contributions	8,546,037	8,681,507	4,961,244	5,080,151	13,507,281	13,761,658
Capital grants & contributions	3,285,174	6,664,323	1,728,763	4,752,319	5,013,937	11,416,642
General revenues						
Property taxes	29,680,915	28,166,804	-	-	29,680,915	28,166,804
Other taxes	10,094,186	10,146,880	-	-	10,094,186	10,146,880
Unrestricted grants & contributions	22,146	20,565	-	-	22,146	20,565
Investment earnings	689,377	211,126	18,271,065	27,543,163	18,960,442	27,754,289
Other	1,221,018	370,386	440,039	466,358	1,661,057	836,744
Total revenues	62,009,003	60,663,179	321,648,971	324,630,893	383,657,974	385,294,072
Expenses:						
General government	4,044,800	3,136,291	-	-	4,044,800	3,136,291
Public safety	18,202,532	17,292,304	-	-	18,202,532	17,292,304
Public works	15,667,469	13,698,162	-	-	15,667,469	13,698,162
Health & social services	1,293,038	1,342,880	-	-	1,293,038	1,342,880
Culture & recreation	10,989,672	9,872,288	-	-	10,989,672	9,872,288
Community & economic development	3,257,359	3,461,393	-	-	3,257,359	3,461,393
Interest on long-term debt	1,532,790	1,592,039	-	-	1,532,790	1,592,039
Mary Greeley Medical Center	-	-	185,267,383	182,728,675	185,267,383	182,728,675
Electric	-	-	60,617,830	58,618,483	60,617,830	58,618,483
Sewer	-	-	8,558,520	7,574,949	8,558,520	7,574,949
Water	-	-	11,766,957	8,122,396	11,766,957	8,122,396
Parking	-	-	891,229	887,679	891,229	887,679
Transit	-	-	13,794,474	13,208,178	13,794,474	13,208,178
Storm sewer	-	-	420,171	1,231,885	420,171	1,231,885
Ames/ISU Ice Arena	-	-	651,714	602,774	651,714	602,774
Homewood Golf Course	-	-	227,798	258,459	227,798	258,459
Resource Recovery	-	-	4,485,732	4,619,859	4,485,732	4,619,859
Total expenses	54,987,660	50,395,357	286,681,808	277,853,337	341,669,468	328,248,694
Increase in net position before transfers	7,021,343	10,267,822	34,967,163	46,777,556	41,988,506	57,045,378
Transfers	(1,604,405)	(465,996)	1,604,405	465,996	-	-
Increase in net position	5,416,938	9,801,826	36,571,568	47,243,552	41,988,506	57,045,378
Net position, beginning (as previously reported)	159,258,992	149,457,166	627,432,609	578,214,753	786,691,601	727,671,919
Net position restatement	(118,916)	-	338,127	1,974,304	219,211	1,974,304
Net position, beginning (as restated)	159,140,076	149,457,166	627,770,736	580,189,057	786,910,812	729,646,223
Net position, ending	\$ 164,557,014	\$ 159,258,992	\$ 664,342,304	\$ 627,432,609	\$ 828,899,318	\$ 786,691,601

The following chart shows revenues by source for governmental activities:



Business-Type Activities. Business-type activities increased net position by \$36,571,568, accounting for 87.10% of the City's growth at June 30, 2018. Hospital admissions increased 3.5% over the prior year while operating costs per admission were under budget, resulting in higher net operating income. Investment income for the hospital was \$18 million due to favorable investment performance and joint venture operations.

The following chart shows the expenses and related program revenues for the functions of governmental activities:



Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

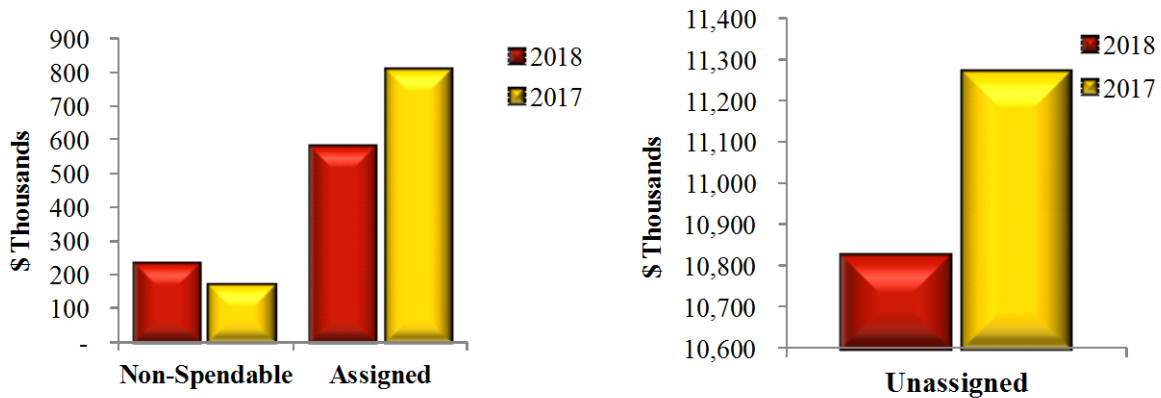
Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as

a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

The City's governmental funds reported combined fund balances of \$47,129,736 at June 30, 2018, an increase of \$2,073,387 from the prior year. Approximately 20% of this amount (\$9,515,483) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *non-spendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$298,095); 2) legally required to be maintained intact (\$1,978,182); 3) restricted for particular purposes (\$32,769,654); 4) committed for particular purposes (\$1,988,318); or 5) assigned for particular purposes (\$580,004).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,824,689, while total fund balance decreased by \$609,928 to \$11,642,074. The ending fund balance is 36.73% of the fiscal year expenditures, exceeding the City's goal of 20% of expenditures.

**Components of Fund Balance
General Fund**

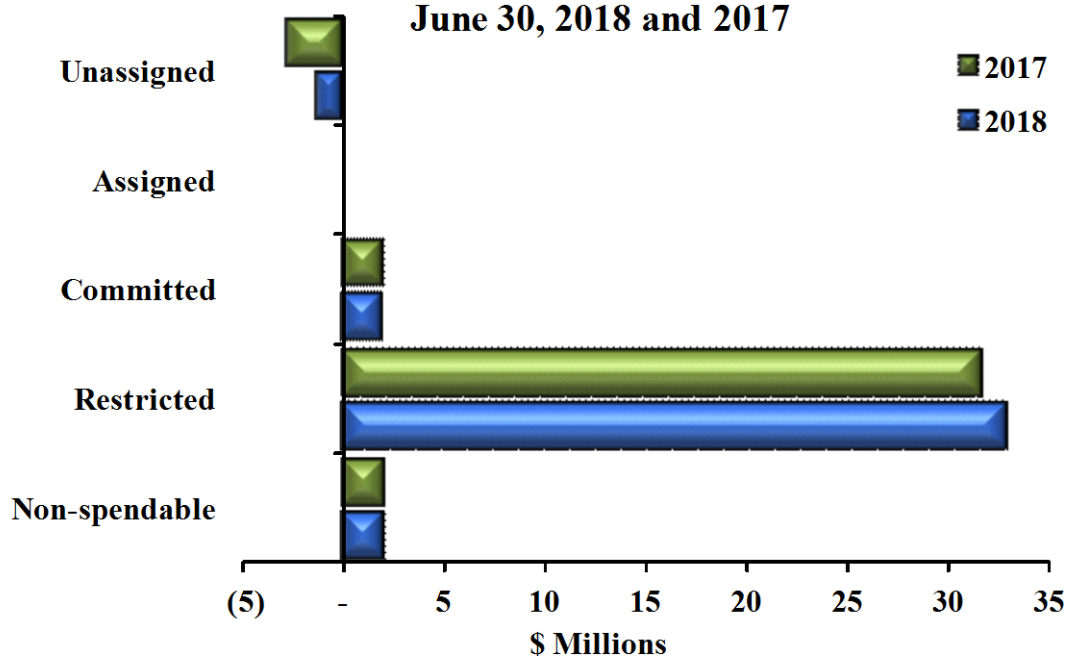


The Capital Projects Fund had an increase of \$2,220,720 in fund balance during the fiscal year, which put the overall fund balance at \$15,522,326. Some of the capital projects for the year include work on a new airport terminal; safety and access improvements to South Duff Avenue to support a new development; work on the extension of Grand Avenue; street improvements to accommodate new subdivisions, improve traffic flow, and improve safety for bicycle traffic; extension of a major arterial street; as well as annual street maintenance and improvement.

The Debt Service Fund's fund balance is just under \$1.0 million at the end of the fiscal year, a decrease of \$185,655 from the prior year. The City refunded the 2009B bonds to reduce future debt service payments by almost \$200,000.

The fund balances of other governmental funds increased by \$648,250 from the 2017 balances. A large part of this increase is in the Local Option Tax Fund, with a decrease in expenditures due to the timing of projects.

**Other Governmental Funds
Components of Fund Balance
June 30, 2018 and 2017**



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 position of the enterprise funds at June 30, 2018, totaled \$654,434,384, of which 52.54% (\$343,841,317) is unrestricted. This is a \$35,943,899, or 5.81%, increase in net position for the fiscal year. The net position of the internal service funds is \$27,176,359, a \$1,461,419 increase in net position. Unrestricted net position accounts for \$17,258,525 (63.51%) of the total internal service fund net position balance.

As in prior years, a majority of the increase in net position is attributable to the hospital (approximately \$27 million). As mentioned earlier in this document, the results of hospital operations were favorable with \$13 million in operating income. The electric fund's net position increased by \$7.3 million, partly due to increased natural gas sales.

Charges for services increased 4.75% over the prior year for the internal service funds, with a 10.37% increase in operating expenses. The increase is mainly due to an increase in health claims.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. There were three amendments to the City's 2018 budget. The first amendment was approved in September 2017, primarily to reflect carryovers of capital project expenditures from the prior year. The second and third amendments were approved in March and May of 2018 to more accurately reflect year-end expenditures and revenues.

The main source of variation in the General Fund budget is the carryover of funds from fiscal year 2017 for capital projects that were not completed in fiscal year 2017.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$654,858,034 (net of accumulated depreciation), a decrease of \$14,414,092, or 2.15%, from the 2017 investment in capital assets. The investment in capital assets includes land, buildings, infrastructure, plant and distribution systems, machinery, and equipment.

Some of the major capital asset additions include:

- \$1.7 million for the new water treatment plant
- \$2.2 million for improvements to an intersection to allow for development
- \$1.3 million in transit buses
- \$5.0 million in street construction and improvements
- \$5.5 million for hospital technology updates, operating room equipment, and facility updates and improvements.

Additional information on the City's capital assets can be found in note IV(E) on pages 56-57 of this report.

Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 12,455,594	\$ 12,190,878	\$ 12,435,709	\$ 12,435,709	\$ 24,891,303	\$ 24,626,587
Other non-depreciable assets	1,951,119	1,928,419	-	-	1,951,119	1,928,419
Depreciable assets	172,537,233	167,690,536	351,061,014	369,427,038	523,598,247	537,117,574
Construction in progress	5,057,723	8,183,095	99,359,642	97,416,451	104,417,365	105,599,546
Total	<u>\$ 192,001,669</u>	<u>\$ 189,992,928</u>	<u>\$ 462,856,365</u>	<u>\$ 479,279,198</u>	<u>\$ 654,858,034</u>	<u>\$ 669,272,126</u>

Long-term Debt. At the end of the current fiscal year, the City had \$160,630,852 in outstanding bonded debt. Of this amount, \$69,013,798 is debt backed by the full faith and credit of the government and \$91,617,054 is revenue bonds issued by proprietary funds.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds, net	\$ 63,331,642	\$ 64,987,720	\$ 5,682,156	\$ 6,534,531	\$ 69,013,798	\$ 71,522,251
Revenue bonds	-	-	91,617,054	96,160,114	91,617,054	96,160,114
Loans payable	-	-	66,796,145	66,093,486	66,796,145	66,093,486
Total	<u>\$ 63,331,642</u>	<u>\$ 64,987,720</u>	<u>\$ 164,095,355</u>	<u>\$ 168,788,131</u>	<u>\$ 227,426,997</u>	<u>\$ 233,775,851</u>

The City's total debt decreased by \$6,348,854 (2.72%) during the current fiscal year. State Revolving Fund loans increased only slightly with payments almost equaling new borrowing.

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, 2016, related to the 2017-2018 fiscal year. The current debt limitation for the City is \$209,044,907. 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 note IV(K) on pages 79-85 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors currently affect the City and were considered in developing the 2018-2019 fiscal year budget:

- The City of Ames MSA employment remains strong and other economic indicators such as retail sales and new construction generally indicate a strong local economy
- A 3.5% increase in water utility rates to fund higher operating costs at the new water plant, larger distribution mains, and to build up the fund balance to meet the goal of 25% of operating expenses
- A 3% increase in sanitary sewer utility rates to finance capital projects and to build up the fund balance to meet the goal of 25% of operating expenses
- No rate increase in electric utility rates
- No increase in tipping fees for Resource Recovery, but a 15% increase in the per capital subsidy to offset the decrease in revenues
- No increase in storm water utility rates
- A property tax rate decrease of 2.961%. This decrease will still generate an additional \$1.3 million in revenues due to new construction and a significant increase in assessed valuations.
- A 4.7% increase in the City's support for transit to increase base pay for drivers, add an information technician position, and to lower the fare for riders.
- An increase in full-time equivalents of 3.5; 0.5 at transit, 1.0 in fire, 1.5 in police, and 0.5 at the library
- A 5% increase in health insurance costs, which the fund balance in the self-insured health insurance fund will help to absorb

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

Basic Financial Statements

City of Ames
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 30,836,461	\$ 40,787,236	\$ 71,623,697	\$ 304,491
Investments	33,123,979	48,777,455	81,901,434	-
Taxes receivable	35,960	-	35,960	-
Special assessments receivable	306,583	-	306,583	-
Accrued interest receivable	174,749	292,020	466,769	-
Accounts receivable, net	1,554,508	36,265,550	37,820,058	-
Pledges receivable, net	-	-	-	189,507
Intergovernmental receivable	2,044,421	3,697,528	5,741,949	-
Loans receivable	2,851	-	2,851	-
Internal balances	(9,091,564)	9,091,564	-	-
Inventories	192,237	7,070,759	7,262,996	-
Assets held for resale	1,079,068	-	1,079,068	-
Prepaid items	314,256	3,037,414	3,351,670	-
Restricted current assets:				
Cash and cash equivalents	-	449,531	449,531	-
Investments	-	1,058,638	1,058,638	-
Accrued interest receivable	-	12,264	12,264	-
Total current assets	60,573,509	150,539,959	211,113,468	493,998
Non-current assets:				
Investments	-	13,564,943	13,564,943	13,354,694
Succeeding year taxes receivable	29,395,044	-	29,395,044	-
Long-term loans receivable	13,013	-	13,013	-
Long-term special assessments receivable	1,925,357	-	1,925,357	-
Other assets	-	8,169,532	8,169,532	-
Non-depreciable assets	19,464,436	111,795,351	131,259,787	-
Depreciable assets, net of accumulated depreciation	172,537,233	351,061,014	523,598,247	-
Restricted non-current assets:				
Long-term investments	-	273,998,683	273,998,683	-
Total non-current assets	223,335,083	758,589,523	981,924,606	13,354,694
Total assets	283,908,592	909,129,482	1,193,038,074	13,848,692
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	7,964,450	7,964,450	-
Deferred outflows related to OPEB	-	777,747	777,747	-
Deferred outflows related to pensions	7,824,317	19,024,217	26,848,534	-
Total deferred outflows of resources	7,824,317	27,766,414	35,590,731	-

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

City of Ames
Statement of Net Position (continued)
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	1,922,890	12,379,725	14,302,615	318,582
Accrued payroll	242,415	9,142,488	9,384,903	-
Accrued compensated absences	113,036	537,619	650,655	-
Accrued interest payable	158,423	291,241	449,664	-
Retainage payable	143,749	1,810,414	1,954,163	-
Customer deposits	658,217	902,959	1,561,176	-
Intergovernmental payable	91,464	214,380	305,844	-
Claims payable	600,000	1,528,811	2,128,811	-
Loans payable	-	3,142,000	3,142,000	-
Bonds payable, net	8,792,789	5,539,343	14,332,132	-
Unearned revenue	498,573	6,700	505,273	-
Accrued landfill post-closure costs	-	17,357	17,357	-
Total current liabilities	13,221,556	35,513,037	48,734,593	318,582
Non-current liabilities:				
Accrued compensated absences	2,150,815	7,426,055	9,576,870	-
Accrued other post-employment benefits	1,078,866	5,621,520	6,700,386	-
Net pension liability	26,043,115	64,731,549	90,774,664	-
Annuities payable	-	-	-	62,206
Loans payable	-	63,654,145	63,654,145	-
Bonds payable, net	54,538,853	91,759,867	146,298,720	-
Accrued landfill post-closure costs	-	119,731	119,731	-
Total non-current liabilities	83,811,649	233,312,867	317,124,516	62,206
Total liabilities	97,033,205	268,825,904	365,859,109	380,788
DEFERRED INFLOWS OF RESOURCES				
Succeeding year property taxes	29,395,044	-	29,395,044	-
Deferred charge on refunding	70,648	6,136	76,784	-
Deferred inflows related to OPEB	26,440	405,373	431,813	-
Deferred inflows related to pensions	650,558	3,316,179	3,966,737	-
Total deferred inflows of resources	30,142,690	3,727,688	33,870,378	-
NET POSITION				
Net investment in capital assets	141,703,409	308,134,898	449,838,307	-
Restricted:				
Expendable for:				
Debt service	987,953	2,458,169	3,446,122	-
Capital projects	8,911,739	-	8,911,739	-
Public safety	317,068	-	317,068	-
Employee benefits	347,606	-	347,606	-
Library services	374,452	-	374,452	-
Aquatic center	131,951	-	131,951	-
Community welfare	3,636	-	3,636	-
Housing services	1,103,543	-	1,103,543	-
Economic development	1,058,920	-	1,058,920	-
Community betterment	6,499,404	-	6,499,404	-
Mary Greeley Medical Center	-	-	-	8,555,449
Non-expendable for:				
Perpetual care	978,182	-	978,182	-
Aquatic center	1,000,000	-	1,000,000	-
Bliss Cancer Endowment Fund	-	-	-	253,390
Unrestricted	1,139,151	353,749,237	354,888,388	4,659,065
Total net position	\$ 164,557,014	\$ 664,342,304	\$ 828,899,318	\$ 13,467,904

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

City of Ames
Statement of Activities
For the Year Ended June 30, 2018

Functions / Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 4,044,800	\$ 158,792	\$ 13,076	\$ -	\$ (3,872,932)	\$ -	\$ (3,872,932)	\$ -
Public safety	18,202,532	3,421,439	176,242	-	(14,604,851)	-	(14,604,851)	-
Public works	15,667,469	2,737,534	7,442,709	3,285,174	(2,202,052)	-	(2,202,052)	-
Health and social services	1,293,038	-	16,646	-	(1,276,392)	-	(1,276,392)	-
Culture and recreation	10,989,672	2,131,253	477,260	-	(8,381,159)	-	(8,381,159)	-
Community and economic development	3,257,359	21,132	420,104	-	(2,816,123)	-	(2,816,123)	-
Interest	1,532,790	-	-	-	(1,532,790)	-	(1,532,790)	-
Total governmental activities	<u>54,987,660</u>	<u>8,470,150</u>	<u>8,546,037</u>	<u>3,285,174</u>	<u>(34,686,299)</u>		<u>(34,686,299)</u>	<u>-</u>
Business-type activities:								
Mary Greeley Medical Center	185,267,383	194,988,247	1,835	67,591	-	9,790,290	9,790,290	-
Electric	60,617,830	68,660,541	1,159,480	-	-	9,202,191	9,202,191	-
Sewer	8,558,520	9,175,876	33,887	182,345	-	833,588	833,588	-
Water	11,766,957	10,620,863	40,299	170,717	-	(935,078)	(935,078)	-
Parking	891,229	829,993	-	-	-	(61,236)	(61,236)	-
Transit	13,794,474	6,746,369	3,419,222	1,288,110	-	(2,340,773)	(2,340,773)	-
Storm sewer	420,171	1,817,030	1,139	-	-	1,397,998	1,397,998	-
Ice arena	651,714	504,884	542	20,000	-	(126,288)	(126,288)	-
Golf course	227,798	184,601	-	-	-	(43,197)	(43,197)	-
Resource recovery	4,485,732	2,719,456	304,840	-	-	(1,461,436)	(1,461,436)	-
Total business-type activities	<u>286,681,808</u>	<u>296,247,860</u>	<u>4,961,244</u>	<u>1,728,763</u>	<u>-</u>	<u>16,256,059</u>	<u>16,256,059</u>	<u>-</u>
Total primary government	<u>\$ 341,669,468</u>	<u>\$ 304,718,010</u>	<u>\$ 13,507,281</u>	<u>\$ 5,013,937</u>	<u>(34,686,299)</u>	<u>16,256,059</u>	<u>(18,430,240)</u>	<u>-</u>
Component unit:								
Mary Greeley Medical Center Foundation	\$ 1,603,953	\$ -	\$ 1,433,741	\$ -				(170,212)
General revenues:								
Property taxes					29,680,915	-	29,680,915	-
Sales taxes					7,681,519	-	7,681,519	-
Hotel/motel taxes					2,412,667	-	2,412,667	-
Unrestricted grants and contributions					22,146	-	22,146	-
Investment income					689,377	18,271,065	18,960,442	767,953
Other income					1,214,979	427,961	1,642,940	-
Gain on disposal of capital assets					6,039	12,078	18,117	-
Transfers					(1,604,405)	1,604,405	-	-
Total general revenues and transfers					<u>40,103,237</u>	<u>20,315,509</u>	<u>60,418,746</u>	<u>767,953</u>
Change in net position					<u>5,416,938</u>	<u>36,571,568</u>	<u>41,988,506</u>	<u>597,741</u>
Net position, beginning (as previously reported)					159,258,992	627,432,609	786,691,601	12,870,163
Net position restatement					(118,916)	338,127	219,211	-
Net position, beginning (as restated)					<u>159,140,076</u>	<u>627,770,736</u>	<u>786,910,812</u>	<u>12,870,163</u>
Net position, ending					<u>\$ 164,557,014</u>	<u>\$ 664,342,304</u>	<u>\$ 828,899,318</u>	<u>\$ 13,467,904</u>

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

**City of Ames
Balance Sheet
Governmental Funds
June 30, 2018**

	General	Capital Projects	Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,707,117	\$ 5,431,055	\$ 519,885	\$ 9,954,999	\$ 21,613,056
Investments	4,770,211	11,419,730	454,405	8,927,730	25,572,076
Taxes receivable	21,842	-	11,600	2,518	35,960
Special assessments receivable	-	306,583	-	-	306,583
Accrued interest receivable	65,529	65,613	2,063	5,062	138,267
Accounts receivable, net	389,803	1,126,682	-	1,557	1,518,042
Intergovernmental receivable	95,780	-	-	1,942,738	2,038,518
Loans receivable	-	-	-	2,851	2,851
Due from other funds	1,504,514	337,543	-	794,882	2,636,939
Inventories	39,243	-	-	59,514	98,757
Property held for resale	-	-	-	1,079,068	1,079,068
Prepaid items	198,138	-	-	1,200	199,338
Succeeding year taxes receivable	17,847,016	-	9,468,129	2,079,899	29,395,044
Long-term loans receivable	-	-	-	13,013	13,013
Long-term special assessments receivable	-	1,925,357	-	-	1,925,357
Total assets	<u>\$ 30,639,193</u>	<u>\$ 20,612,563</u>	<u>\$ 10,456,082</u>	<u>\$ 24,865,031</u>	<u>\$ 86,572,869</u>
LIABILITIES					
Accounts payable	\$ 302,255	\$ 572,391	\$ -	\$ 791,256	\$ 1,665,902
Accrued payroll	133,621	12,261	-	81,224	227,106
Retainage payable	36,132	57,762	-	49,855	143,749
Accrued interest payable	-	-	-	832	832
Customer deposits	8,529	-	-	649,688	658,217
Intergovernmental payable	69,258	-	-	5,506	74,764
Due to other funds	487,256	1,792,336	-	1,525,758	3,805,350
Total liabilities	<u>1,037,051</u>	<u>2,434,750</u>	<u>-</u>	<u>3,104,119</u>	<u>6,575,920</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	17,847,016	-	9,468,129	2,079,899	29,395,044
Special assessments	-	2,231,940	-	-	2,231,940
Hotel/motel taxes	-	-	-	698,282	698,282
Charges for services	20,184	-	-	-	20,184
Licenses and permits	21,889	-	-	-	21,889
Grants	-	177,774	-	5,348	183,122
Contributions	-	116,597	-	-	116,597
Refunds	70,979	129,176	-	-	200,155
Total deferred inflows of resources	<u>17,960,068</u>	<u>2,655,487</u>	<u>9,468,129</u>	<u>2,783,529</u>	<u>32,867,213</u>
FUND BALANCES					
Non-spendable	237,381	-	-	2,038,896	2,276,277
Restricted	-	15,278,968	987,953	16,502,733	32,769,654
Committed	-	750,406	-	1,237,912	1,988,318
Assigned	580,004	-	-	-	580,004
Unassigned	10,824,689	(507,048)	-	(802,158)	9,515,483
Total fund balances	<u>11,642,074</u>	<u>15,522,326</u>	<u>987,953</u>	<u>18,977,383</u>	<u>47,129,736</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,639,193</u>	<u>\$ 20,612,563</u>	<u>\$ 10,456,082</u>	<u>\$ 24,865,031</u>	<u>\$ 86,572,869</u>

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

City of Ames
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position (page 26) are different because:

Fund balance - total governmental funds (page 28)	\$ 47,129,736
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	182,083,835
Revenues not collected within 60 days of the end of the fiscal year are not available to pay for current period expenditures and, therefore, are unavailable.	
Hotel/motel tax	199,709
Special assessments	2,231,940
Other revenues	541,947
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources	7,550,221
Deferred inflows of resources	(636,220)
OPEB-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.	
Deferred inflows of resources	(24,210)
Internal service funds are used by management to charge the costs of fleet management, information services, risk management, and health insurance to individual funds. The assets and liabilities of internal service funds are split between the governmental and business-type activities in the statement of net position.	17,268,439
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds payable	(60,267,097)
Interest payable on general obligation bonds	(157,591)
Deferred charges on general obligation bonds refunded	(70,648)
Unamortized premiums on the issuance of general obligation bonds	(3,064,544)
Accrued compensated absences	(2,132,137)
Total other post-employment benefits payable	(987,873)
Net pension liability	<u>(25,108,493)</u>
Net position of governmental activities	<u>\$ 164,557,014</u>

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

City of Ames
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Capital Projects	Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 17,615,488	\$ -	\$ 9,441,091	\$ 12,704,294	\$ 39,760,873
Special assessments	-	564,860	-	-	564,860
Licenses and permits	1,635,289	-	-	-	1,635,289
Intergovernmental	405,458	3,584,910	13,076	7,812,099	11,815,543
Charges for services	3,899,103	-	-	15,329	3,914,432
Fines and forfeitures	65,504	-	-	-	65,504
Investment income	242,696	216,947	57,813	12,885	530,341
Miscellaneous	554,154	911,383	-	390,477	1,856,014
Total revenues	<u>24,417,692</u>	<u>5,278,100</u>	<u>9,511,980</u>	<u>20,935,084</u>	<u>60,142,856</u>
EXPENDITURES					
Current:					
General government	3,516,354	88,820	12,168	188,768	3,806,110
Public safety	17,613,075	-	-	90,607	17,703,682
Public works	1,274,881	-	-	4,927,659	6,202,540
Health and social services	-	-	-	1,293,038	1,293,038
Culture and recreation	8,464,582	-	-	608,373	9,072,955
Community and economic development	825,519	-	-	2,424,064	3,249,583
Debt service:					
Principal	-	-	8,657,150	-	8,657,150
Interest and fiscal charges	-	-	2,067,672	-	2,067,672
Capital outlay	-	8,750,940	-	3,232,961	11,983,901
Total expenditures	<u>31,694,411</u>	<u>8,839,760</u>	<u>10,736,990</u>	<u>12,765,470</u>	<u>64,036,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,276,719)</u>	<u>(3,561,660)</u>	<u>(1,225,010)</u>	<u>8,169,614</u>	<u>(3,893,775)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	9,105,376	155,519	1,050,901	139,885	10,451,681
Transfers out	(2,438,585)	(1,960,623)	-	(7,661,249)	(12,060,457)
General obligation bonds issued	-	6,985,000	-	-	6,985,000
Premium on general obligation bonds	-	602,484	-	-	602,484
Refunding bonds issued	-	-	3,990,000	-	3,990,000
Premium on refunding bonds	-	-	326,513	-	326,513
Payment to refunded bond escrow agent	-	-	(4,328,059)	-	(4,328,059)
Total other financing sources (uses)	<u>6,666,791</u>	<u>5,782,380</u>	<u>1,039,355</u>	<u>(7,521,364)</u>	<u>5,967,162</u>
Net change in fund balances	(609,928)	2,220,720	(185,655)	648,250	2,073,387
Fund balances, beginning	<u>12,252,002</u>	<u>13,301,606</u>	<u>1,173,608</u>	<u>18,329,133</u>	<u>45,056,349</u>
Fund balances, ending	<u>\$ 11,642,074</u>	<u>\$ 15,522,326</u>	<u>\$ 987,953</u>	<u>\$ 18,977,383</u>	<u>\$ 47,129,736</u>

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

City of Ames
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, 2018

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

Net changes in fund balances - total governmental funds (page 30)	\$ 2,073,387
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Hotel/motel tax	14,228
Special assessments	1,870,211
Other revenues	(1,524,255)
Contributed capital assets do not provide current financial resources	1,340,888
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	10,626,857
Disposals	(3,017)
Depreciation expense	(10,677,113)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Current year premium on issuance of bonds	(928,997)
Amortization of bond premiums	545,544
Amortization of deferred charges on refunding debt	35,011
Proceeds from issuance of bonds	(10,975,000)
Principal payments	12,942,150
Interest payments	(2,614)
The change in deferred outflows of resources and deferred inflows of resources is not recorded in the governmental funds.	(1,267,563)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in accrued compensated absences	(42,187)
Increase in accrued other post-employment benefits	(25,980)
Increase in net pension liability	581,638
The internal service funds are used by management to charge the costs of fleet management, information services, risk management, and health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with both governmental and business-type activities.	833,750
Changes in net position of governmental activities	\$ 5,416,938

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

**City of Ames
Statement of Net Position
Proprietary Funds
June 30, 2018**

	Business-Type Activities					Governmental Activities	
	Mary Greeley Medical Center	Electric	Sewer	Water	Other Enterprise Funds	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 12,975,561	\$ 3,343,813	\$ 5,504,005	\$ 11,134,597	\$ 5,655,729	\$ 38,613,705	\$ 10,446,937
Investments	-	29,224,909	4,522,448	9,404,386	4,630,099	47,781,842	8,547,516
Accrued interest receivable	-	193,662	22,499	47,379	23,737	287,277	41,225
Accounts receivable, net	25,110,632	8,590,950	931,426	1,147,417	470,298	36,250,723	51,293
Due from other funds	-	152,067	974,887	565,267	30,616	1,722,837	1,072,818
Intergovernmental receivable	-	301,776	297,901	1,990	3,095,861	3,697,528	5,903
Inventories	3,463,323	2,866,774	-	426,260	314,402	7,070,759	93,480
Prepaid items	2,996,716	14,554	-	-	26,144	3,037,414	114,918
Restricted current assets:							
Cash and cash equivalents	-	1,030,380	18,633	350,518	-	1,399,531	-
Investments	1,058,638	-	-	-	-	1,058,638	-
Interest receivable	12,264	-	-	-	-	12,264	-
Total current assets	<u>45,617,134</u>	<u>45,718,885</u>	<u>12,271,799</u>	<u>23,077,814</u>	<u>14,246,886</u>	<u>140,932,518</u>	<u>20,374,090</u>
Non-current assets:							
Investments	-	13,564,943	-	-	-	13,564,943	-
Other assets	8,169,532	-	-	-	-	8,169,532	-
Capital assets:							
Land	4,470,719	2,223,783	1,910,222	1,526,565	2,304,420	12,435,709	-
Land improvements	816,511	-	-	-	3,591,278	4,407,789	192,433
Plant and distribution systems	-	184,187,578	86,590,773	52,777,020	-	323,555,371	-
Buildings	244,109,894	-	-	-	39,823,392	283,933,286	884,494
Equipment	121,650,006	-	-	-	37,469,032	159,119,038	18,819,473
Construction in progress	1,347,772	26,461,497	2,605,288	68,606,878	338,207	99,359,642	-
Less accumulated depreciation	(185,139,976)	(121,180,838)	(53,647,329)	(19,069,914)	(40,916,413)	(419,954,470)	(9,978,566)
Restricted non-current assets:							
Investments	273,998,683	-	-	-	-	273,998,683	-
Total non-current assets	<u>469,423,141</u>	<u>105,256,963</u>	<u>37,458,954</u>	<u>103,840,549</u>	<u>42,609,916</u>	<u>758,589,523</u>	<u>9,917,834</u>
Total assets	<u>515,040,275</u>	<u>150,975,848</u>	<u>49,730,753</u>	<u>126,918,363</u>	<u>56,856,802</u>	<u>899,522,041</u>	<u>30,291,924</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	7,964,450	-	-	-	-	7,964,450	-
Deferred outflows related to OPEB	777,747	-	-	-	-	777,747	-
Deferred outflows related to pensions	15,718,897	793,351	237,021	248,447	2,000,810	18,998,526	299,786
	<u>24,461,094</u>	<u>793,351</u>	<u>237,021</u>	<u>248,447</u>	<u>2,000,810</u>	<u>27,740,723</u>	<u>299,786</u>

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

City of Ames
Statement of Net Position (continued)
Proprietary Funds
June 30, 2018

	Business-Type Activities					Governmental Activities	
	Mary Greeley Medical Center	Electric	Sewer	Water	Other Enterprise Funds	Totals	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	6,293,598	4,643,806	669,105	320,481	373,883	12,300,873	335,840
Accrued payroll	8,814,877	116,001	7,906	18,515	185,189	9,142,488	15,309
Accrued compensated absences	457,383	31,563	6,816	11,290	30,356	537,408	7,404
Due to other funds	-	331,706	371,161	287,428	245,892	1,236,187	391,057
Claims payable	740,865	-	-	-	-	740,865	1,387,946
Retainage payable	293,582	178,242	117,458	1,172,782	48,350	1,810,414	-
Customer deposits	-	902,959	-	-	-	902,959	-
Accrued interest	122,199	43,039	12,957	110,880	2,166	291,241	-
Loans payable	-	-	215,000	2,927,000	-	3,142,000	-
Intergovernmental payable	-	117,247	3,917	26,910	66,306	214,380	16,700
Accrued landfill post-closure costs	-	-	-	-	17,357	17,357	-
Bonds payable, net	3,898,730	753,198	320,683	420,877	145,855	5,539,343	-
Unearned revenue	-	-	-	-	6,700	6,700	-
Total current liabilities	<u>20,621,234</u>	<u>7,117,761</u>	<u>1,725,003</u>	<u>5,296,163</u>	<u>1,122,054</u>	<u>35,882,215</u>	<u>2,154,256</u>
Non-current liabilities:							
Accrued compensated absences	6,018,469	537,906	108,025	235,142	524,193	7,423,735	126,841
Accrued other post-employment benefits	4,778,704	360,605	98,564	112,821	269,058	5,619,752	92,761
Net pension liability	53,870,461	2,490,167	793,344	785,876	6,719,107	64,658,955	1,007,216
Loans payable	-	-	2,620,179	61,033,966	-	63,654,145	-
Accrued landfill post-closure costs	-	-	-	-	119,731	119,731	-
Bonds payable, net	79,684,538	7,280,588	2,802,332	1,098,056	894,353	91,759,867	-
Total non-current liabilities	<u>144,352,172</u>	<u>10,669,266</u>	<u>6,422,444</u>	<u>63,265,861</u>	<u>8,526,442</u>	<u>233,236,185</u>	<u>1,226,818</u>
Total liabilities	<u>164,973,406</u>	<u>17,787,027</u>	<u>8,147,447</u>	<u>68,562,024</u>	<u>9,648,496</u>	<u>269,118,400</u>	<u>3,381,074</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred charge on refunding	-	-	-	6,136	-	6,136	-
Deferred inflows related to OPEB	384,719	8,838	2,415	2,765	6,593	405,330	2,273
Deferred inflows related to pensions	3,078,137	67,948	33,974	(7,832)	126,287	3,298,514	32,004
	<u>3,462,856</u>	<u>76,786</u>	<u>36,389</u>	<u>1,069</u>	<u>132,880</u>	<u>3,709,980</u>	<u>34,277</u>
NET POSITION							
Net investment in capital assets	111,636,108	83,658,234	32,411,728	38,859,120	41,569,708	308,134,898	9,917,834
Restricted for debt service	1,058,638	1,030,380	18,633	350,518	-	2,458,169	-
Unrestricted	258,370,361	49,216,772	9,353,577	19,394,079	7,506,528	343,841,317	17,258,525
Total net position	<u>\$ 371,065,107</u>	<u>\$ 133,905,386</u>	<u>\$ 41,783,938</u>	<u>\$ 58,603,717</u>	<u>\$ 49,076,236</u>	<u>654,434,384</u>	<u>\$ 27,176,359</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time						<u>9,907,920</u>	
Net position of business-type activities						<u>\$ 664,342,304</u>	

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

City of Ames
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities					Governmental	
	Mary Greeley Medical Center	Electric	Sewer	Water	Other Enterprise Funds	Totals	Internal Service Funds
Operating revenues:							
Charges for services	\$ 194,988,247	\$ 68,660,541	\$ 9,175,876	\$ 10,620,863	\$ 12,802,333	\$ 296,247,860	\$ 18,801,881
Operating expenses:							
Cost of goods and services	132,766,251	55,426,765	5,588,399	5,815,314	14,959,194	214,555,923	16,207,937
Administration	31,956,865	1,176,862	346,524	396,519	2,280,084	36,156,854	-
Depreciation	17,157,297	4,054,893	2,569,783	1,126,524	3,390,363	28,298,860	1,273,258
Total operating expenses	181,880,413	60,658,520	8,504,706	7,338,357	20,629,641	279,011,637	17,481,195
Operating income (loss)	13,107,834	8,002,021	671,170	3,282,506	(7,827,308)	17,236,223	1,320,686
Non-operating revenues (expenses):							
Intergovernmental	1,835	-	33,887	40,299	3,374,103	3,450,124	-
Reimbursements	-	1,159,480	-	-	351,640	1,511,120	-
Investment income	17,384,911	490,290	91,804	203,836	100,224	18,271,065	159,036
Interest expense	(3,286,225)	(241,379)	(124,762)	(1,324,907)	(22,608)	(4,999,881)	-
Gain (loss) on disposal of capital assets	(100,745)	-	-	(3,197,214)	12,078	(3,285,881)	(22,674)
Miscellaneous	-	112,266	116,905	73,984	124,806	427,961	-
Total non-operating revenues (expenses)	13,999,776	1,520,657	117,834	(4,204,002)	3,940,243	15,374,508	136,362
Income (loss) before capital contributions and transfers	27,107,610	9,522,678	789,004	(921,496)	(3,887,065)	32,610,731	1,457,048
Capital contributions	67,591	-	182,345	170,717	1,308,110	1,728,763	-
Transfers in	-	-	902,318	595,971	2,329,393	3,827,682	4,371
Transfers out	-	(2,220,363)	(1,457)	(1,457)	-	(2,223,277)	-
Change in net position	27,175,201	7,302,315	1,872,210	(156,265)	(249,562)	35,943,899	1,461,419
Net position, beginning (as previously reported)	343,459,229	126,642,753	39,922,574	58,772,397	49,355,405		25,725,148
Net position restatement	430,677	(39,682)	(10,846)	(12,415)	(29,607)		(10,208)
Net position, beginning (as restated)	343,889,906	126,603,071	39,911,728	58,759,982	49,325,798		25,714,940
Net position, ending	\$ 371,065,107	\$ 133,905,386	\$ 41,783,938	\$ 58,603,717	\$ 49,076,236		\$ 27,176,359
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds						627,669	
Change in net position of business-type activities						\$ 36,571,568	

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

City of Ames
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities					Governmental Activities	
	Mary Greeley Medical Center	Electric	Sewer	Water	Other Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 189,321,228	\$ 69,173,812	\$ 8,233,847	\$ 10,387,394	\$ 13,687,976	\$ 290,804,257	\$ 18,519,582
Payments to suppliers	(76,608,235)	(44,222,824)	(1,593,587)	(4,757,743)	(5,260,306)	(132,442,695)	(12,588,551)
Payments to employees	(77,727,081)	(9,671,083)	(2,083,734)	(3,084,311)	(10,362,655)	(102,928,864)	(2,077,139)
Payments to other funds for services provided	-	(2,436,565)	(2,939,741)	(1,553,261)	(1,610,296)	(8,539,863)	(648,675)
Net cash provided by (used for) operating activities	34,985,912	12,843,340	1,616,785	992,079	(3,545,281)	46,892,835	3,205,217
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES							
Operating grants	1,835	-	33,887	40,299	3,374,103	3,450,124	-
Reimbursements	-	1,159,480	-	-	351,640	1,511,120	-
Miscellaneous	-	112,266	116,905	73,984	124,806	427,961	-
Transfers in	-	-	902,318	595,971	2,329,393	3,827,682	4,371
Transfers out	-	(2,220,363)	(1,457)	(1,457)	-	(2,223,277)	-
Net cash provided by (used for) non-capital financing activities	1,835	(948,617)	1,051,653	708,797	6,179,942	6,993,610	4,371
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(5,481,734)	(819,616)	(2,604,948)	(3,197,759)	(2,719,869)	(14,823,926)	(2,106,522)
Proceeds from the sale of capital assets	1,500	-	-	-	13,578	15,078	89,463
Principal paid on capital debt	(3,150,000)	(655,000)	(277,282)	(370,568)	(135,000)	(4,587,850)	-
Interest paid on capital debt	(3,090,047)	(312,306)	(108,967)	(66,611)	(28,687)	(3,606,618)	-
Proceeds from loans	-	-	139,848	3,604,811	-	3,744,659	-
Principal paid on loans	-	-	(172,000)	(2,870,000)	-	(3,042,000)	-
Interest paid on loans	-	-	(51,001)	(1,294,591)	-	(1,345,592)	-
Capital contributions	67,591	-	-	-	1,308,110	1,375,701	-
Net cash used for capital and related financing activities	(11,652,690)	(1,786,922)	(3,074,350)	(4,194,718)	(1,561,868)	(22,270,548)	(2,017,059)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	(627,647,440)	(45,874,919)	(4,411,468)	(10,999,688)	(2,838,441)	(691,771,956)	(6,483,130)
Proceeds from sale of investments	573,415,522	37,034,097	7,145,233	17,816,147	4,597,410	640,008,409	10,301,317
Interest on investments	15,167,107	362,516	79,440	177,035	85,872	15,871,970	134,660
Net cash provided by (used for) investing activities	(39,064,811)	(8,478,306)	2,813,205	6,993,494	1,844,841	(35,891,577)	3,952,847
Net increase (decrease) in cash and cash equivalents	(15,729,754)	1,629,495	2,407,293	4,499,652	2,917,634	(4,275,680)	5,145,376
Cash and cash equivalents, beginning	28,705,315	1,712,589	3,097,542	6,643,423	2,738,095	42,896,964	5,301,561
Cash and cash equivalents, ending	12,975,561	3,342,084	5,504,835	11,143,075	5,655,729	38,621,284	10,446,937
Plus: beginning amount reported in restricted assets	-	1,032,109	17,803	342,040	-	1,391,952	-
Less: ending amount reported in restricted assets	-	1,030,380	18,633	350,518	-	1,399,531	-
Cash and cash equivalents, ending - statement of net position	\$ 12,975,561	\$ 3,343,813	\$ 5,504,005	\$ 11,134,597	\$ 5,655,729	\$ 38,613,705	\$ 10,446,937

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

City of Ames
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities					Governmental Activities	
	Mary Greeley Medical Center	Electric	Sewer	Water	Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 13,107,834	\$ 8,002,021	\$ 671,170	\$ 3,282,506	\$ (7,827,308)	\$ 17,236,223	\$ 1,320,686
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation expense	17,157,297	4,054,893	2,569,783	1,126,524	3,390,363	28,298,860	1,273,258
(Increase) decrease in accounts receivable	(5,667,019)	(627,301)	(14,004)	90,734	48,439	(6,169,151)	(31,017)
(Increase) decrease in due from other funds	-	532,349	(927,112)	(349,608)	41,340	(703,031)	(359,897)
(Increase) decrease in intergovernmental receivable	-	572,053	(913)	25,405	795,144	1,391,689	167,186
(Increase) decrease in inventories	76,224	(159,784)	-	(22,187)	(17,579)	(123,326)	(10,929)
(Increase) decrease in prepaid items	115,839	(4,954)	-	-	(19,880)	91,005	490,359
(Increase) decrease in deferred outflows of resources	6,736,852	(59,850)	(31,453)	10,895	(99,555)	6,556,889	(28,886)
Increase (decrease) in accounts payable	(1,233,033)	839,587	142,255	(1,020,247)	(171,147)	(1,442,585)	75,495
Increase (decrease) in accrued payroll	1,611,169	(5,793)	776	(4,477)	(8,029)	1,593,646	(671)
Increase (decrease) in accrued compensated absences	(172,466)	(6,513)	(23,282)	21,844	35,787	(144,630)	5,941
Increase (decrease) in due to other funds	-	(33,225)	(853,805)	(536,761)	70,251	(1,353,540)	(27,391)
Increase in claims payable	53,209	-	-	-	-	53,209	341,411
Increase (decrease) in retainage payable	(379,587)	(470,343)	23,487	(1,652,141)	(12,557)	(2,491,141)	(10,004)
Increase in customer deposits	-	36,170	-	-	-	36,170	-
Increase in accrued interest on customer deposits	-	1,088	-	-	-	1,088	-
Decrease in intergovernmental payable	-	(9,392)	(4,065)	(8,924)	(122,978)	(145,359)	(10,180)
Decrease in accrued landfill post-closure costs	-	-	-	-	(1,076)	(1,076)	-
Increase (decrease) in unearned revenue	-	-	-	-	720	720	(58,571)
Increase in post-employment benefits	834,315	9,483	2,592	2,967	7,076	856,433	2,439
Increase in pension liability	1,552,463	126,253	33,317	40,821	289,448	2,042,302	42,214
Increase (decrease) in deferred inflows of resources	1,192,815	46,598	28,039	(15,272)	56,260	1,308,440	23,774
Total adjustments	21,878,078	4,841,319	945,615	(2,290,427)	4,282,027	29,656,612	1,884,531
Net cash provided by (used for) operating activities	\$ 34,985,912	\$ 12,843,340	\$ 1,616,785	\$ 992,079	\$ (3,545,281)	\$ 46,892,835	\$ 3,205,217
Schedule of non-cash capital and related financing activities:							
Capital asset contributions	-	-	182,345	170,717	-	353,062	-
Total non-cash capital and related financing activities	\$ -	\$ -	\$ 182,345	\$ 170,717	\$ -	\$ 353,062	\$ -

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

City of Ames
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 275,219
Investments	177,485
Accounts receivable, net	458
Total assets	\$ 453,162
 LIABILITIES	
Accounts payable	\$ 54,578
Due to other governments	398,584
Total liabilities	\$ 453,162

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

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Ames, Iowa (City) was incorporated in 1864 under the laws of the State of Iowa, later amended in July 1975 under the Home Rule City Act. The City is a municipal corporation governed by an elected mayor and six-member governing council. The accompanying financial statements present the government and its component units, for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended component unit. The City is the sole owner of a non-profit, municipal hospital, Mary Greeley Medical Center (hospital). A separately-elected board of trustees governs the 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. The hospital is reported as a blended component unit (an enterprise fund) under Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units*. Financial statements for the hospital are available at Mary Greeley Medical Center, 1111 Duff Avenue, Ames, Iowa, 50010.

Discretely presented component unit. The Mary Greeley Medical Center Foundation (foundation) is a legally separate component unit of the hospital. A majority of resources, and income thereon, that the foundation holds and invests are restricted to the activities of the hospital by the donors. The foundation's financial statements are available at Mary Greeley Medical Center, 1111 Duff Avenue, Ames, Iowa, 50010.

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and certain internal service funds, while business-type activities incorporate data from the government's enterprise funds and the remaining portion of the internal service funds. 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.

As discussed earlier, the City has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the inter-fund services provided and other charges between the business-type functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund*, the City's primary operating fund, accounts for all financial resources of the general government, except those accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of the City's capital facilities, other than those financed by proprietary funds.

The *Debt Service Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

D. Basis of presentation - fund financial statements (continued)

The City reports the following major enterprise funds:

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

The *Electric Fund* accounts for the operation of a municipally-owned electric plant, which generates and distributes electrical power to residents of the City and some contiguous areas.

The *Sewer Fund* accounts for the activities related to the operation of a sanitary distribution system and the sewer treatment plant.

The *Water 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 fleet services, information services, risk management, 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 account for payroll tax withholdings and employee flexible benefits collected by the City on behalf of individuals, private organizations, and other governments.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and some internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds and some internal service funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

D. Basis of presentation - fund financial statements (continued)

the funds included in governmental activities are eliminated so that only the net amount is included as a transfer in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as a transfer in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The 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 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, 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 within the current fiscal period is considered to be revenue of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

E. Measurement focus and basis of accounting (continued)

expenditures have been incurred, all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

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

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, and 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 the public prior to adopting the budget.

Amendments to the budget are considered three times per 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 required supplementary information reflect the original and the revised budget.

Budgets are monitored throughout the fiscal year by function, especially by major classifications such as personnel, capital, contractual, and commodities expenditures. 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

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

F. Budgetary information (continued)

1. Budgetary basis of accounting (continued)

budgeted funds in total. The budgetary comparison and related disclosures are reported as required supplementary information.

The City prepares its budget on a basis consistent with accounting principles generally accepted in the United States of America, except that the enterprise funds do not budget depreciation expense and do budget for debt service expenditures and capital outlay. Internal service funds are not budgeted.

Appropriations in all budgeted funds lapse at the end of the fiscal year, even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget.

2. Excess of expenditures over appropriations

For the year ended June 30, 2018, there were no expenditures that exceeded appropriations.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments of the City are reported at fair value (generally based on quoted market prices).

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. Inventories and prepaid items

Inventories are maintained on a perpetual basis. Materials, supplies, medical supplies, and drugs are priced at an average cost. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Real estate held for resale is priced at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. 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 one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value, which is the price that would have been paid to acquire a capital asset with equivalent service potential.

Land, public art, and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. Capital assets (continued)

Capital Asset Class	Life in Years
Buildings	25-45
Improvements	20-40
Machinery and Equipment	3-50
General infrastructure	15-50
Plant and Distribution System	25-50

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for unrecognized items not yet charged to pension and OPEB expense and pension contributions from the employer after the measurement date but before the end of the employer's reporting period. The City also reports deferred charges on refunding in this category, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from six sources: property taxes, special assessments, hotel/motel taxes, charges for services, grants, and refunds. The government-wide statement of net position reports unavailable revenues from property taxes, changes resulting from assumptions made in the actuarial valuations for pensions and OPEB, and deferred charges on refunding. These amounts are recognized as an inflow of resources in the period that the amounts become available.

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRSI) and additions to/deductions from IPERS's/MFPRSI's fiduciary net position have been determined on the same basis as they are reported by IPERS/MFPRSI. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

7. Total other post-employment benefits (OPEB) liability

For purposes of measuring total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the City's actuarial reports. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

8. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

9. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements,

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund balance flow assumptions (continued)

a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has authorized the Finance Director to assign fund balance through the approval of the annual budget. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied on July 1 prior to the fiscal year for which they are to be collected. The tax levy is divided into two billings with one half due September 30th and the other half due March 31.

3. Net patient service revenue

Net patient service revenue of the hospital is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts, which the hospital also refers to as uncompensated care.

4. Compensated absences

Vacation and compensatory time. The City's policy permits employees to accumulate earned but unused vacation and compensatory time benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick leave. Accumulated sick leave in excess of 720 hours may be paid out at 25% of the accumulated hours upon retirement only.

City of Ames
Notes to the Financial Statements
June 30, 2018

I. Summary of significant accounting policies (continued)

H. Revenues and expenditures/expenses (continued)

5. Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise 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 non-operating revenues and expenses.

I. Implementation of GASB Statement No. 75

As of July 1, 2017, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan, which include the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in note IV(P), and the additional disclosures required by this standard are included in note IV(G).

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that, "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$182,083,835 are as follows:

City of Ames
Notes to the Financial Statements
June 30, 2018

II. Reconciliation of government-wide and fund financial statements (continued)

A. Explanation of certain difference between the governmental fund balance sheet and the government-wide statement of net position (continued)

Land	\$ 12,455,594
Land improvements	1,384,118
Public art collection	567,001
Construction in progress	5,057,723
Buildings	37,113,803
Less: accumulated depreciation	(9,088,266)
Equipment	8,683,672
Less: accumulated depreciation	(4,511,149)
Infrastructure	259,514,068
Less: accumulated depreciation	<u>(129,092,729)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position in governmental activities</i>	<u>\$ 182,083,835</u>

Another element of that reconciliation explains, "Internal service funds are used by management to charge the costs of fleet management, information services, risk management, and health insurance to individual funds. The assets and liabilities of internal service funds are split between the governmental and business-type activities in the statement of net position." The details of this \$17,268,439 are as follows:

Net position of the internal service funds	\$27,176,359
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(9,280,251)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	<u>(627,669)</u>
	<u>\$17,268,439</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that, "The internal service funds are used by management to charge the costs of fleet management, information services, risk management, and health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with both governmental and business-type activities." The details of this \$833,750 are as follows:

City of Ames
Notes to the Financial Statements
June 30, 2018

II. Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Change in net position of the internal service funds	\$ 1,461,419
Less: gain from charges to business-type activities	<u>(627,669)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 833,750</u>

III. Stewardship, compliance, and accountability

A. Violations of legal or contractual provisions

As stated in Note I(F)(2), *Excess of expenditures over appropriations*, there were no budgetary violations that occurred in the fiscal year ended June 30, 2018.

B. Deficit fund equity

At June 30, 2018, the TIF fund, a non-major special revenue fund, had a deficit fund balance of \$802,158. The incremental property tax revenue will increase in future years to offset the transfers to the Debt Service Fund and reverse the deficit.

IV. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2018, the City's deposits 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 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 the adequacy of their pooled collateral covering uninsured deposits to the State Treasurer, who does not confirm the information with the City. Because of the inability to measure the exact amounts of collateral pledged for the City under this method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralizes public deposits.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

B. Investments

The following table identifies the investment types that are authorized for the City by its investment policy. The hospital is guided in the selection of security investments by Chapters 12b and 12c of the Code of Iowa and policy, as approved by the board of trustees. The City's investment policy classifies certificates of deposit (CDs) as investments and all CDs purchased by the City are non-negotiable. However, under generally accepted accounting principles (GAAP), non-negotiable CDs are cash deposits instead of 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	Maximum Maturity for Operating Funds (Days)	Maximum Maturity for Non-Operating Funds (Years)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Agency securities	397	7	n/a	n/a
Certificates of deposit	397	7	n/a	n/a
Prime banker's acceptances	270	270 days	10%	5%
Commercial paper	270	270 days	10%	5%
Repurchase agreements	397	7	n/a	n/a
Joint investment trusts	397	7	n/a	n/a
Warrants of improvement certificates of a levee or drainage district	397	7	n/a	n/a
U.S. Treasury obligations	17 years	n/a	n/a	n/a
Corporate debt securities	n/a	30	n/a	5%

At June 30, 2018, the City had the following investments:

Investment Type	Fair Value	Maturity
U.S. Agency coupon securities	\$ 80,137,808	09/13/18-09/09/24
U.S. Treasury obligations	9,880,970	09/15/18-05/31/21
Commercial paper	5,991,670	07/12/18-08/15/18
Municipal bonds	109,087	11/01/18-02/15/24
Mutual funds	274,262,955	n/a
Corporate debt	318,693	02/01/19-09/15/25
	<u>\$ 370,701,183</u>	

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

B. Investments (continued)

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

All of the City's investments are valued using level 1 inputs, except for U.S. Agencies and U.S. Treasuries, which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions (level 2 inputs). There have been no changes in valuation methodologies at June 30, 2018 compared to June 30, 2017.

Interest rate risk. One of the ways that the City manages exposure to interest rate risk is by purchasing a combination of short- and long-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.

The following provides information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations:

Investment Type	Fair Value	Remaining Maturity			
		12 Months or Less	13 - 24 Months	25-60 Months	More Than 60 Months
U.S. Agency coupon securities	\$ 80,137,808	\$ 28,658,238	\$ 31,338,755	\$ 20,005,139	\$ 135,676
U.S. Treasury obligations	9,880,970	7,950,970	1,930,000	-	-
Commercial paper	5,991,670	5,991,670	-	-	-
Municipal bonds	109,087	24,905	-	25,189	58,993
Mutual funds	274,262,955	274,262,955	-	-	-
Corporate debt	318,693	29,780	-	214,253	74,660
	<u>\$370,701,183</u>	<u>\$316,918,518</u>	<u>\$ 33,268,755</u>	<u>\$ 20,244,581</u>	<u>\$ 269,329</u>

Credit risk. The City will minimize credit risk by using the following measures:

1. Limiting investments to those authorized by the investment policy,
2. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the City will do business,
3. Diversifying the investment portfolio by agency and issuer so that potential losses on individual securities can be minimized, and

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

B. Investments (continued)

4. Holding a minimum of 5% of the total portfolio in highly-marketable, short-term treasuries, checking accounts with interest, government pooled accounts, or a combination of all three.

The following shows the actual ratings as of June 30, 2018, for each investment type:

Investment Type	Fair Value	Rating
U.S. Agency coupon securities	\$ 80,137,808	AAA
U.S. Treasury obligations	9,880,970	not rated
Commercial paper	5,991,670	A1/P1
Municipal bonds	109,087	AAA-AA1
Mutual funds	274,262,955	not rated
Corporate debt	318,693	AA1-BAA
	\$ 370,701,183	

Concentration of credit risk. The City's investment policy provides limitations on the amount that can be invested in any one issuer, which is approved by City Council. Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Amount	Percent of Portfolio
Federal National Mortgage Association	U.S. agency securities	\$ 14,664,997	3.96%
Federal Home Loan Mortgage Co.	U.S. agency securities	31,277,054	8.44%
Federal Home Loan Bank	U.S. agency securities	16,490,075	4.45%
Federal Farm Credit	U.S. agency securities	17,705,682	4.78%
United States Treasury	U.S. agency securities	9,880,970	2.67%

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following outlines the requirements in the City's investment policy to limit the exposure to custodial credit risk for deposits or investments:

1. 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,

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

B. Investments (continued)

2. City investment officials shall be bonded to protect loss of public funds against possible embezzlement and/or malfeasance, and
3. The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal controls shall address the following points:
 - a. Control of collusion,
 - b. Separation of transaction authority from accounting and record keeping,
 - c. Custodial safekeeping,
 - d. Delivery versus payment,
 - e. Clear delegation of authority, and
 - f. Confirmation of transactions for investments and wire transfers.

As of June 30, 2018, the City's investments in the following were held by the same third-party custodian that was used by the City to buy the securities and evidenced by safekeeping receipts:

Issuer	Investment Type	Amount
Federal National Mortgage Association	U.S. agency securities	\$ 14,664,997
Federal Home Loan Mortgage Co.	U.S. agency securities	31,277,054
Federal Home Loan Bank	U.S. agency securities	16,490,075
Federal Farm Credit	U.S. agency securities	17,705,682
United States Treasury	U.S. agency securities	9,880,970

Foreign currency risk. As of June 30, 2018, the City had no exposure to foreign currency rate risk.

The City has a written investment policy, approved by the City Council, which addresses the different areas of risk. The policy is available for review in the offices of the City Clerk and the City Treasurer, and also on the City's website.

C. Foundation investments

The foundation follows Financial Accounting Standards Board (FASB) standards. As such, adoption of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, was not required by the foundation and, accordingly, no such disclosures are presented here.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

C. Foundation investments (continued)

All of the foundation's investments are valued using level 1 inputs.

The following is a detail of the foundation's investments at June 30, 2018:

Investment Type	Fair Value
Equity mutual funds	\$ 11,722,090
Corporate debt securities	636,795
Hedge funds	995,809
	\$ 13,354,694

D. Receivables

All utility and hospital accounts receivable are shown net of an allowance for uncollectible accounts. Property tax receivable is shown at a gross amount since they are assessed to the property and collectible upon sale of the property.

E. Capital assets

Capital asset activity for the fiscal year ended June 30, 2018, is as follows:

<i>Governmental activities:</i>	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Non-depreciable capital assets:				
Land	\$ 12,190,878	\$ 264,716	\$ -	\$ 12,455,594
Land improvements	1,384,118	-	-	1,384,118
Public art collection	544,301	22,700	-	567,001
Construction in progress	8,183,095	3,504,687	(6,630,059)	5,057,723
Total non-depreciable capital assets	22,302,392	3,792,103	(6,630,059)	19,464,436
Depreciable capital assets:				
Buildings	34,060,554	3,937,743	-	37,998,297
Equipment	25,798,113	2,543,271	(838,239)	27,503,145
Infrastructure	249,277,294	10,429,207	-	259,706,501
	309,135,961	16,910,221	(838,239)	325,207,943
Less accumulated depreciation:				
Buildings	8,756,223	937,586	-	9,693,809
Equipment	12,421,560	1,995,844	(725,086)	13,692,318
Infrastructure	120,267,642	9,016,941	-	129,284,583
	141,445,425	11,950,371	(725,086)	152,670,710
Total depreciable capital assets	167,690,536	4,959,850	(113,153)	172,537,233
Total capital assets	\$ 189,992,928	\$ 8,751,953	\$ (6,743,212)	\$ 192,001,669

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

E. Capital assets (continued)

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

General government	\$ 424,034
Public safety	518,952
Public works	8,782,117
Culture and recreation	2,216,279
Community and economic development	8,989
Total depreciation expense - governmental activities	<u>\$ 11,950,371</u>

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<i>Business-type activities:</i>				
Non-depreciable capital assets:				
Land	\$ 12,435,709	\$ -	\$ -	\$ 12,435,709
Construction in progress	97,416,451	10,530,686	(8,587,495)	99,359,642
Total non-depreciable capital assets	<u>109,852,160</u>	<u>10,530,686</u>	<u>(8,587,495)</u>	<u>111,795,351</u>
Depreciable capital assets:				
Plant and distribution systems	331,289,011	5,274,530	(13,008,170)	323,555,371
Buildings	282,225,815	1,945,696	(238,225)	283,933,286
Equipment	154,604,348	5,587,015	(1,072,325)	159,119,038
Improvements	3,981,233	426,556	-	4,407,789
	<u>772,100,407</u>	<u>13,233,797</u>	<u>(14,318,720)</u>	<u>771,015,484</u>
Less accumulated depreciation:				
Plant and distribution systems	195,957,837	7,751,200	(9,810,956)	193,898,081
Buildings	90,440,987	10,645,645	(138,923)	100,947,709
Equipment	114,457,389	9,798,079	(1,067,882)	123,187,586
Improvements	1,817,156	103,938	-	1,921,094
	<u>402,673,369</u>	<u>28,298,862</u>	<u>(11,017,761)</u>	<u>419,954,470</u>
Total depreciable capital assets	<u>369,427,038</u>	<u>(15,065,065)</u>	<u>(3,300,959)</u>	<u>351,061,014</u>
Total capital assets	<u>\$ 479,279,198</u>	<u>\$ (4,534,379)</u>	<u>\$ (11,888,454)</u>	<u>\$ 462,856,365</u>

F. Pension obligations

The City participates in two public pension systems, Iowa Public Employees Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRSI). The following sections outline the pension-related disclosures for each plan. The aggregate amount of recognized expense for the period associated with the net pension liability for both plans is \$12,221,174. Other aggregate amounts related to pension are separately displayed in the financial statements.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

Iowa Public Employees Retirement System (IPERS)

Plan description. The City participates in IPERS, a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Iowa. IPERS provides retirement, disability, and death benefits to eligible members and beneficiaries. State statutes authorize the State to establish and amend all plan provisions. The State issues a publicly-available financial report, which includes financial statements and required supplementary information. This may be obtained either at www.ipers.org or by written request to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Funding policy. Iowa state law requires participating employers and members to contribute to IPERS. The Iowa Legislature and the Governor determine the positions of employment in each membership class and the benefits provided. Most members (95%) are regular members. The other 5% are special service members who work in public safety jobs.

IPERS sets the regular member contribution rates using an annual actuarial valuation, which is a snapshot of IPERS's finances; however, the combined employer and member rate may not change by more than 1.0 percentage point each year. Rates for special service members are actuarially determined each year.

During the fiscal year ended June 30, 2018, regular members contributed 5.95% and the City contributed 8.93% of covered wages. Rates for the fiscal year beginning July 1, 2018, are 6.29% for regular members and 9.44% for the City. Emergency responder members contributed 6.56%, and the hospital contributed 9.84% of covered wages for the fiscal year ended June 30, 2018. As of July 1, 2018, the rates for emergency responders are 6.81% for members and 10.21% for the City. The City's total contributions to IPERS for the years ended June 30, 2018, 2017, and 2016 were \$7,862,807, \$7,654,501, \$7,543,219, respectively, and were equal to 100% of the required contributions for each year.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2018, the City reported a liability of \$75,225,392 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all employers participating in IPERS, actuarially determined. At June 30, 2017, the City's proportion was 1.1293%, which is a decrease of 0.0259% from its proportion measured as of June 30, 2016.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

For the year ended June 30, 2018, the City recognized pension expense of \$9,890,125. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 693,831	\$ 666,317
Changes in assumptions	13,222,712	177
Net difference between projected and actual earnings on pension plan investments	-	798,571
Changes in proportion and differences between City contributions and proportionate share of contributions	449,571	2,164,488
City contributions subsequent to the measurement date	7,862,807	-
	<u>\$ 22,228,921</u>	<u>\$ 3,629,553</u>

\$7,862,807 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	\$ 1,214,762
2020	5,352,821
2021	3,196,747
2022	148,591
2023	823,640
	<u>\$ 10,736,561</u>

There were no non-employer contributing entities at IPERS.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.60% per annum
Wage growth	3.25% per annum based on 2.60% inflation assumption and 0.65% real wage inflation
Rates of salary increase	3.25% per year
Long-term investment rate of return	7.00%, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Generational Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Projection Scale AA.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultants are often intended for use over a ten-year horizon and are not always useful in setting the long-term rate of return for funding pension plans, which covers a longer timeframe. The long-term rate of return assumption is intended to be a long-term assumption (30-50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	27.0%	2.25%
Domestic equity	24.0%	6.25%
International equity	16.0%	6.71%
Private equity	11.0%	11.15%
Private real assets	7.5%	4.18%
Public real assets	7.0%	3.27%
Public credit	3.5%	3.46%
Private credit	3.0%	4.25%
Cash	1.0%	-0.31%
	<u>100.0%</u>	

Discount rate. The discount rate used to calculate the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from employees and the City will be made according to the current Contribution Rate Funding Policy, and that all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 124,610,062	\$ 75,225,392	\$ 33,733,490

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately-issued IPERS financial report, which is available on the IPERS website at www.ipers.org.

Payables to the pension plan. At June 30, 2018, the City reported a payable to the defined benefit pension plan of \$1,383,800 for legally required employer contributions and employee contributions that were withheld from employee wages but not yet remitted to IPERS.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan description. The City also participates in the MFPRSI, which provides retirement, disability, and death benefits for firefighters and police officers. MFPRSI was created under Chapter 411 of the Code of Iowa, effective January 1, 1992, to replace the fire and police retirement systems in 49 cities in Iowa. It is a cost-sharing, multiple-employer defined benefit pension plan. A board of nine voting and four non-voting members is the policy-making body for the system. MFPRSI issues publicly-available financial reports, which include financial statements and required supplementary information for the plan. The reports may be obtained by contacting MFPRSI at 7155 Lake Drive, Suite 201, West Des Moines, IA, 50266.

Funding policy. The contribution rate structure is established by Chapter 411 of the Code of Iowa. The member contribution rate, currently at 9.40%, is set by state statute. The rate for the City is established each year by the board of trustees following the completion of an annual actuarial valuation. The City's rate for the fiscal year ended June 30, 2018, was 25.68%. As of July 1, 2018, the rate is 26.02%. The City's total contributions to MFPRSI for the years ended June 30, 2018, 2017, and 2016 were \$2,028,739, \$1,946,357, and \$1,994,209, respectively, and were equal to 100 percent of the required contributions for each year.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a non-employer contributing entity in accordance with the provisions of GASB Statement No. 67 - Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2018.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2018, the City reported a liability of

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

\$15,549,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2017, the City's proportion was 2.6513%, which is an increase of 0.0014 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$2,331,049. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 596,706	\$ 9,461
Changes in assumptions	1,321,353	176,610
Net difference between projected and actual earnings on pension plan investments	637,112	-
Changes in proportion and differences between City contributions and proportionate share of contributions	34,362	151,113
City contributions subsequent to the measurement date	<u>2,030,080</u>	<u>-</u>
	<u>\$ 4,619,613</u>	<u>\$ 337,184</u>

\$2,030,080 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**City of Ames
Notes to the Financial Statements
June 30, 2018**

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

Year Ending June 30,	
2019	\$ 315,669
2020	1,388,451
2021	710,131
2022	(265,770)
2023	103,868
	\$ 2,252,349

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00% per annum
Rate of salary increases	4.50 to 15.11%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2002 to June 30, 2012. There were no significant changes of benefit terms.

Mortality rates were based on RP 2000 Blue Collar Combined Healthy table with males set back two years, females set forward one year, and disabled persons set forward one year (male only rates), with five years projection of future mortality improvement with Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocations as of September 30, 2016 are summarized in the following table:

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

Asset Class	Long-Term Expected Real Rate of Return
Large cap	5.5%
Small cap	5.8%
International large cap	7.3%
Emerging markets	9.0%
Emerging market debt	6.3%
Private non-core real estate	8.00%
Master limited partnerships	9.00%
Private equity	9.00%
Core plus fixed income	3.30%
Private core real estate	6.00%
Tactical asset allocation	6.40%

Discount rate. The discount rate used to measure the total pension liability as of June 30, 2017, was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 25,554,292	\$ 15,549,272	\$ 7,227,650

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

F. Pension obligations (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately-issued MFPRSI financial report, which is available on the MFPRSI website at www.mfprsi.org.

Payables to the pension plan. At June 30, 2018, the City did not have a payable to the defined benefit pension plan.

Ames Municipal Utility Retirement Plan

Plan description. The Ames Municipal Retirement Plan (utility plan) was created by resolution of the City Council and is administered by the City. It is a single-employer, defined contribution plan for employees who regularly receive more than 10% of his or her compensation from a utility fund of the City. The City Council has authorization to amend plan provisions and contribution rates. An eleven-member board monitors, reviews, and evaluates on a continuing basis, the performance of the utility plan. The board submits a written report of its findings and recommendations at least once each fiscal year. These reports may be obtained at the City's offices.

Summary of significant accounting policies - basis of accounting and valuation of investments. The utility plan uses the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market value are reported at estimated fair value.

Funding policy. Participants contribute 5.40%, and the City contributes 7.93% of eligible compensation. Participants may also make voluntary, unmatched contributions up to 25% of the participant's annual compensation. Participant contributions were \$368,443, and City contributions were \$541,063 for the fiscal year ended June 30, 2018.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations

The City participates in two OPEB plans, the City's OPEB plan and the hospital's OPEB plan. The following sections outline the OPEB-related disclosures for each plan. The aggregate amount of recognized OPEB expense for the period associated with the total OPEB liability for both plans is \$636,643. Other aggregate amounts related to OPEB are separately displayed in the financial statements.

1. City's OPEB Plan

General Information about the OPEB Plan

Plan description. The City provides health and dental care benefits for retired employees and their beneficiaries through a single-employer, defined benefit plan. The City has the authority to establish and amend benefit provisions of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

Participants must be at least 55 years old, have been employed by the City for the preceding four years, and be enrolled in a sponsored insurance plan at the time of retirement. Benefits terminate upon attaining Medicare eligibility. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

The contribution requirements of the City are established and may be amended by the City. Plan members are currently not required to contribute. The City funds on a pay-as-you-go basis.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the City's benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	36
Active employees	593
	<hr/>
	629
	<hr/> <hr/>

**City of Ames
Notes to the Financial Statements
June 30, 2018**

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

1. City's OPEB plan (continued)

Total OPEB Liability

The City's total OPEB liability of \$6,700,386 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per annum
Salary increases	3.5% per annum
Discount rate	3.58% per annum (beginning of year) 3.87% per annum (end of year)
Retiree share of benefit-related premiums	100% of projected health insurance

The following annual health care cost trends are based on the current HCA Consulting trend study and are applied on a select and ultimate basis. Select trends are reduced 0.5% each year until reaching the ultimate trend rate.

Expense Type	Select	Ultimate
Medical and Rx benefits	7.0%	4.5%
Stop loss fees	7.0%	4.5%
Administrative fees	4.5%	4.5%

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality rates were based on the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

**City of Ames
Notes to the Financial Statements
June 30, 2018**

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

1. City's OPEB plan (continued)

Changes in the Total OPEB Liability

Balance, beginning of year	\$1,871,145
Changes for year year:	
Service cost	124,144
Interest	75,321
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(51,203)
Benefit payments	(97,725)
Net changes	50,537
Balance, end of year	\$1,921,682

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% at the beginning of the year to 3.87% at the end of the year.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current discount rate:

	Discount		
	1% Decrease	Rate	1% Increase
	(2.87%)	(3.87%)	(4.87%)
Total OPEB liability	\$2,106,000	\$1,922,000	\$1,758,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability to the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0 percent decreasing to 3.5 percent) or one percentage point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

**City of Ames
Notes to the Financial Statements
June 30, 2018**

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

1. City's OPEB plan (continued)

	Healthcare Cost Trend		
	1% Decrease (6.0% Decreasing to 3.5%)	Rates (7.0% Decreasing to 4.5%)	1% Increase (8.0% Decreasing to 5.5%)
Total OPEB liability	\$1,642,000	\$1,922,000	\$2,415,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$195,356. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	47,094
Total	\$ -	\$ 47,094

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (4,109)
2020	(4,109)
2021	(4,109)
2022	(4,109)
2023	(4,109)
Thereafter	(26,549)
	(47,094)

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

2. Hospital's OPEB plan

General Information about the OPEB Plan

Plan description. The hospital sponsors a single-employer health care plan that provides self-insured medical and prescription drugs to all active and retired employees and their eligible dependents. The hospital also provides a flat \$2,500 life insurance benefit to retired employees. Employees must be a minimum of 55 years old, have been employed at the hospital for the preceding four years, and currently have hospital health insurance at the time of retirement. Benefits terminate upon attaining Medicare eligibility. Eligible retirees receive health care coverage through one medical plan. This is the same plan that is available for active employees.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

Funding policy. The hospital, with assistance from the third-party administrator, established and amends contribution requirements for both active and retiree members on an annual basis. The current funding policy of the hospital is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For the fiscal year ended June 30, 2018, the hospital contributed approximately \$361,000. Retirees receiving benefits contributed approximately \$350,000 through their required contributions. Inactive members receiving benefits contributed through their required monthly contributions of:

Employee	\$ 696
Employee + spouse	1,324
Employee + children	1,277
Family	2,117

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

2. Hospital's OPEB plan (continued)

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	374
Active employees	1,052
	1,426

Total OPEB Liability

The hospital's total OPEB liability of \$4,778,704 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary increases	4.80% for less than 1 year of service, 3.80% for 5 years of service, 3.00% for 10 years of service, 2.50% for 15 years of service, and 2.00% for over 20 years of service
Discount rate	3.44%
Health care cost trend rates	9.00% for medical and prescription benefits for 2019, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years

The discount rate was based on the 20-year Bond Buyer GO index.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. It is assumed that 45% of active employees with current coverage are assumed to continue coverage at retirement and no active employees without current coverage are assumed to elect coverage at retirement.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period June 2012 through June 2018.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

2. Hospital's OPEB plan (continued)

Changes in the Total OPEB Liability

Balance, beginning of year	\$3,944,389
Changes for year year:	
Service cost	230,410
Interest	155,873
Differences between expected and actual experience	907,372
Changes in assumptions or other inputs	(448,839)
Benefit payments	(10,501)
Net changes	834,315
Balance, end of year	\$4,778,704

Changes of assumptions and other inputs reflect a change in the discount rate from 3.81% as of January 1, 2017 to 3.44% as of January 1, 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the hospital, as well as what the hospital's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.44 percent) or one percentage point higher (4.44 percent) than the current discount rate:

	Discount		
	1% Decrease (2.44%)	Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$4,977,108	\$4,778,704	\$4,303,285

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability to the hospital, as well as what the hospital's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8.0 percent decreasing to 4.0 percent) or one percentage point higher (10.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

**City of Ames
Notes to the Financial Statements
June 30, 2018**

IV. Detailed notes on all activities and funds (continued)

G. Other post-employment benefit (OPEB) obligations (continued)

2. Hospital's OPEB plan (continued)

	Healthcare Cost Trend		
	1% Decrease (8.0% Decreasing to 4.0%)	Rates (9.0% Decreasing to 5.0%)	1% Increase (10.0% Decreasing to 6.0%)
Total OPEB liability	\$4,287,488	\$4,778,704	\$4,995,471

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the hospital recognized OPEB expense of \$441,287. At June 30, 2018, the hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 777,747	\$ -
Changes of assumptions or other inputs	-	384,719
Total	\$ 777,747	\$ 384,719

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 65,505
2020	65,505
2021	65,505
2022	65,505
2023	65,505
Thereafter	65,503
	\$ 393,028

**City of Ames
Notes to the Financial Statements
June 30, 2018**

IV. Detailed notes on all activities and funds (continued)

H. Construction and other significant commitments

Construction commitments. As of June 30, 2018, the City's commitments with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Streets & bridges	\$ 1,598,849	\$ 2,266,755
City hall	956,521	50,343
Parks	97,498	11,402
Water	52,755,479	1,626,434
Sewer	1,815,499	1,537,424
Storm sewer	168,580	708,472
Transit	15,034	458,716
	<u>\$57,407,460</u>	<u>\$ 6,659,546</u>

All of the remaining commitment amounts above were encumbered at year end. As discussed earlier in note I(F)(1), budgetary information - budgetary basis of accounting, the encumbrances and related appropriations lapse at the end of the year but are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year.

Encumbrances. As discussed in note I(F)(1), budgetary information - budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control.

At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year was as follows:

General fund	\$ 1,154,685
Capital projects fund	3,804,790
Non-major governmental funds	2,214,675
Electric	6,035,360
Water	3,235,089
Sewer	2,416,484
Non-major business-type funds	1,803,898
	<u>\$20,664,981</u>

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

I. 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 uses the risk management internal service fund to account for and finance risks for workers' compensation, general liability, and property damage. 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.

Risk management fund. 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. The charge is calculated based on past claims experience of City departments. 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 of the Iowa Communities Assurance Pool (ICAP), as allowed by the Code of Iowa. ICAP is a local government, risk-sharing pool whose members include various governmental entities throughout the state of Iowa. It was formed for the purpose of managing and funding third-party liability claims against its members. It 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.

ICAP'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, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

The City also carries commercial insurance purchased from other insurers for property (buildings and content) 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.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

I. Risk management (continued)

Changes in the balance of claims liabilities during the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Liability, July 1	\$ 696,535	\$ 684,228
Claims incurred & claims adjustments	636,505	799,305
Claim payments	<u>(545,094)</u>	<u>(786,998)</u>
Liability, June 30	<u>\$ 787,946</u>	<u>\$ 696,535</u>

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

	<u>2018</u>	<u>2017</u>
Liability, July 1	\$ 350,000	\$ 500,000
Claims incurred & claims adjustments	8,689,194	7,318,301
Claim payments	<u>(8,439,194)</u>	<u>(7,468,301)</u>
Liability, June 30	<u>\$ 600,000</u>	<u>\$ 350,000</u>

The hospital 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. The hospital has accrued \$167,376 as an estimate for professional liability claims that were incurred but not reported as of June 30, 2018.

The hospital is self-insured for health care coverage of employees and covered dependents and carries stop-loss insurance coverage, which assumes liability for claims in excess of \$175,000 per individual claim and 120% aggregate of expected paid claims. Accrued costs related to health care coverage amounted to \$1,189,947 at June 30, 2018.

The hospital is self-insured for workers' compensation coverage of employees, and carries stop-loss insurance coverage, which assumes liability for claims in excess of \$475,000 per occurrence. Accrued costs related to workers' compensation coverage were \$774,245 at June 30, 2018.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

I. Risk management (continued)

Changes in the balance of the hospital's accrued claims for professional liabilities, health care, and workers' compensation coverage for the years ended June 30, 2018 and 2017 were as follows:

	Professional Liability		Health Insurance	
	2018	2017	2018	2017
Liability, July 1	\$ 176,674	\$ 184,565	\$ 1,038,699	\$ 1,063,009
Claims incurred & claims adjustments	(1,480)	(7,790)	10,668,644	10,572,657
Claim payments	(7,818)	(101)	(10,517,396)	(10,596,967)
Liability, June 30	\$ 167,376	\$ 176,674	\$ 1,189,947	\$ 1,038,699
	Workers' Compensation			
	2018	2017		
Liability, July 1	\$ 792,528	\$ 536,132		
Claims incurred & claims adjustments	909,505	985,810		
Claim payments	(927,788)	(729,414)		
Liability, June 30	\$ 774,245	\$ 792,528		

J. Lease obligations

Operating leases. The City leases a parking lot in Campustown for public parking on a year-to-year basis. Rent expense for this lease during the fiscal year ended June 30, 2018, was \$15,142. The hospital leases various equipment for use in the medical center. Rent expense for these leases was approximately \$615,000 for the fiscal year ended June 30, 2018.

The future minimum lease payments for the City and hospital are as follows:

Year Ending June 30,	Total Rent
2019	\$ 226,872
2020	-
2021	-
2022	-
2023	-
	\$ 226,872

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued with maturities ranging from 10 to 20 years. Debt service on general obligation bonds is paid from the debt service fund. General obligation bonds outstanding at June 30, 2018 are as follows:

Governmental Activities					
General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2018
Corporate purpose	2009	\$ 11,165,000	2.00-3.500 %	2021	\$ -
Corporate purpose	2010	6,690,000	2.00-2.500	2022	2,510,000
Refunding	2011	5,980,000	2.00-3.350	2021	730,000
Corporate purpose	2011	6,675,000	1.00-2.400	2023	2,965,000
Corporate purpose	2012	11,325,000	1.50-3.000	2032	7,080,000
Corporate purpose/refunding	2013	21,220,000	2.00-3.125	2032	13,940,000
Corporate purpose	2014	9,395,000	2.00-2.500	2026	6,325,000
Corporate purpose/refunding	2015	16,585,000	3.00-5.000	2035	10,150,871
Corporate purpose	2016	9,020,605	2.00-5.000	2028	7,111,226
Corporate purpose/refunding	2017	10,975,000	2.00-5.000	2029	9,455,000
		<u>\$ 109,030,605</u>			<u>\$ 60,267,097</u>

Business-Type Activities					
General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2018
Corporate purpose	2012	\$ 1,335,000	1.50-3.00 %	2024	\$ 720,000
Corporate purpose	2013	1,320,000	2.00-3.00	2025	810,000
Corporate purpose	2014	300,000	2.00-2.50	2024	190,000
Corporate purpose/refunding	2015	2,061,714	3.00-5.00	2027	1,564,129
Corporate purpose/refunding	2016	2,629,395	2.00-5.00	2028	1,928,774
		<u>\$ 7,646,109</u>			<u>\$ 5,212,903</u>

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities (continued)

On August 22, 2017, the City issued \$6,985,000 of general obligation, corporate purpose bonds to be used for improvements to streets, sanitary and storm sewers, bridges, and related improvements. Maturity dates on the bonds range from June 1, 2018 to June 1, 2029. Debt service payments are scheduled to be paid semi-annually in amounts that range from \$700,375 to \$760,635. Bonds due after June 1, 2025 may be subject to call prior to maturity at the option of the City.

On August 22, 2017, the City also issued \$3,990,000 of general obligation, refunding bonds. The proceeds from the current refunding were used to refund \$4,285,000 of the 2009B bonds, which had interest rates ranging from 2.00% to 3.50%. The net carrying value of the old debt exceeded the reacquisition price by \$72,381. This amount has been recorded as deferred charges on refunding debt. The refunding was undertaken to reduce total future debt service payments by \$194,966 over four years and to obtain an economic gain of \$183,980.

Revenue bonds

The City also issues revenue bonds, where the City pledges income derived from certain assets or programs to pay the debt service. Revenue bonds outstanding as of June 30, 2018 are as follows:

Revenue Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2018
Hospital improvement and refunding	2012	\$ 26,000,000	2.070 %	2027	\$ 12,700,000
Electric	2015	9,500,000	2.125-5.000	2027	7,420,000
Hospital refunding	2016	64,790,000	3.000-5.000	2036	63,445,000
		<u>\$100,290,000</u>			<u>\$ 83,565,000</u>

The hospital has pledged future net revenue to repay the 2012 and 2016 revenue bonds with original borrowings of \$26,000,000 and \$64,790,000, respectively. Net revenue is defined in the supplemental master trust indenture of trust dated November 1, 2012, and in the supplemental trust indenture dated June 1, 2016, as operating revenue, less operating expenses plus depreciation. The purpose of the 2012 and 2016 bonds is to refund the 2003 and 2011 bonds, respectively, and to finance the expansion and renovation of the medical facility. The bonds are payable solely from net revenues and are payable through 2027 and 2036, respectively. The total principal and interest remaining to be paid on the bonds as of June 30, 2018, is \$107,856,004. Principal and

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities (continued)

interest paid during the fiscal year ended June 30, 2018, was \$6,240,047 and net revenue for the same period, as defined above, was \$30,265,131.

Under the indenture of trust, the hospital is responsible for all payments of principal, interest, and related expenses of the bonds, and certain funds are required to be maintained by the trustee for interest and principal payments. The hospital is required to comply with various covenants (primarily the debt service coverage ratio, days cash on hand, and the capitalization ratio) and meet certain operating and financial tests. Monthly deposits of one-sixth of the next semi-annual interest payment and one-twelfth of the next annual principal maturity must be made into debt service reserve funds.

The City has pledged future net revenue to repay the 2015 electric revenue bonds. Net revenue is defined as operating revenue less operating expenses, excluding depreciation. The total principal and interest remaining to be paid on the bonds as of June 30, 2018, is \$8,697,325. Principal and interest paid during the fiscal year ended June 30, 2018, was \$967,306 and net revenue for the same period, as defined above, was \$12,056,914.

Landfill post-closure costs

The City stopped accepting solid waste at its landfill effective June 30, 1992, and has since been closed. 100% of the capacity of the landfill has been used.

Federal and state laws and regulations establish landfill closure and post-closure care requirements. The state specifies financial assurance requirements in the Code of Iowa enumerating various allowable financial assurance mechanisms to meet the costs of closure and post-closure care. The City satisfies this requirement with the rating on its most recent bond issues.

The liability for post-closure care costs is based on the landfill capacity used to date with no remaining life. The estimated liability for post-closure care costs is \$137,088 at June 30, 2018, with a current portion of \$17,357.

The City's written landfill post-closure plan includes estimates of costs of all equipment and services required to monitor and maintain the closed landfill. There is a potential for changes in estimates as a result of inflation or deflation, changes in technology, or changes in applicable laws or regulations. Unanticipated future inflation costs and costs that might arise from changes in post-closure requirements may require adjustment of the liability in future years.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities (continued)

Revenue capital loan notes

The City has a revenue capital loan note agreement with the Iowa Finance Authority (IFA) in an amount not to exceed \$76,325,000. Proceeds from the loan will be used for the purpose of paying the cost of planning, designing, and constructing improvements and extensions to the water utility. The loan bears interest at 1.75% per annum plus a servicing fee of 0.25% per annum. A loan initiation fee of \$100,000 was withheld from the proceeds and added to the amount owed by the City. Repayment of the loan will come from the water fund. The City borrowed \$3,604,811 during the fiscal year. The amount of principal outstanding is \$63,960,966, and the City has \$9,494,034 of capital loan notes still available as of June 30, 2018.

The capital loan note agreement requires the water utility to produce revenues to meet the operation and maintenance expenses of the facility and to maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond and any other obligations secured by a pledge of the net revenues falling due in the same year. In the fiscal year ended June 30, 2018, the water fund had net revenues of \$4,612,866 and the amount of principal and interest due was \$4,164,591.

The City has a second revenue capital loan note agreement with the IFA in an amount not to exceed \$3,121,000. The funds were used to pay for a new ultraviolet light disinfection system for the Water Pollution Control Plant, which is required under the terms of the discharge permit for the facility. The loan bears interest at 1.75% per annum plus a servicing fee of 0.25% per annum. A loan initiation fee of \$15,605 (0.50%) was withheld from the proceeds and added to the amount owed by the City. Repayment of the loan will come from the sewer fund. The City received its final disbursement for the loan during fiscal year 2015, with total proceeds, including the loan initiation fee, totaling \$2,469,250. The balance of the loan was \$1,801,249 as of June 30, 2018.

The City has a third capital loan note agreement with the IFA in an amount not to exceed \$375,000. The funds are to be used for planning, designing, and construction improvements and extensions to the sanitary sewer system. The notes bears interest at 0% and is payable as to principal three years from the project note date. Repayment of the loan will come from the sewer fund. The balance of the loan was \$318,750 as of June 30, 2018.

The City has a fourth revenue capital loan note agreement with the IFA in an amount not to exceed \$797,000. The funds are to be used for improvements to two wastewater lift stations that are nearing the end of their useful lives. The loan bears interest at 1.75% per annum plus a servicing fee of 0.25% per annum. A loan initiation fee of \$3,985 (0.50%) was withheld from the proceeds and added to the amount owed by the City. Repayment

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities (continued)

of the loan will come from the sewer fund. No amounts were borrowed during the fiscal year, and the amount of principal outstanding as of June 30, 2018 is \$575,332. The City has \$155,668 in capital loan notes still available as of June 30, 2018.

The City has a fifth revenue capital loan note agreement with the IFA in an amount not to exceed \$1,001,000. The funds are to be used for a new mechanically-cleaned bar screening system at the Water Pollution Control Plant. The loan bears interest at 1.75% per annum plus a servicing fee of 0.25% per annum. A loan initiation fee of \$5,005 (0.50%) was withheld from the proceeds and added to the amount owed by the City. Repayment of the loan will come from the sewer fund. The City borrowed \$134,843 during the fiscal year, and the amount of principal outstanding as of June 30, 2018 is \$139,848. The City has \$861,152 in capital loan notes still available as of June 30, 2018.

The capital loan note agreements above require the sewer utility to produce revenues to meet the operation and maintenance expenses of the facility and to maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond and any other obligations secured by a pledge of the net revenues falling due in the same year. In the fiscal year ended June 30, 2018, the sewer fund had net revenues of \$3,240,953, and the amount of principal and interest due was \$223,001.

Legal debt margin. State statutes limit the amount of general obligation debt an Iowa city may issue to 5% of the actual assessed valuation at January 1, 2016, related to the 2017-2018 fiscal year. At June 30, 2018, the outstanding debt of \$65,480,000 is below the limit of \$209,044,907, leaving a debt margin of over \$143 million.

Changes in long-term liabilities. Changes in the City's long-term liabilities for the fiscal year ended June 30, 2018, are as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable:					
General obligation bonds	\$ 62,234,247	\$ 10,975,000	\$ (12,942,150)	\$ 60,267,097	\$ 8,287,109
Premiums	2,753,473	928,997	(617,925)	3,064,545	505,680
Total bonds payable	64,987,720	11,903,997	(13,560,075)	63,331,642	8,792,789
Compensated absences	2,218,254	3,237,981	(3,192,384)	2,263,851	113,036
Other post-employment benefits	1,050,688	28,178	-	1,078,866	-
Governmental activities long-term debt	<u>\$ 68,256,662</u>	<u>\$ 15,170,156</u>	<u>\$ (16,752,459)</u>	<u>\$ 66,674,359</u>	<u>\$ 8,905,825</u>

The liabilities for compensated absences and other post-employment benefits are generally liquidated by the General Fund.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities (continued)

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<i>Business-type activities:</i>					
Bonds payable:					
Revenue bonds	\$ 87,370,000	\$ -	\$ (3,805,000)	\$ 83,565,000	\$ 3,920,000
Premiums	8,790,114	-	(738,060)	8,052,054	731,928
Total revenue bonds	96,160,114	-	(4,543,060)	91,617,054	4,651,928
General obligation bonds	5,995,753	-	(782,850)	5,212,903	817,891
Premiums	538,778	-	(69,525)	469,253	69,524
Total general obligation bonds	6,534,531	-	(852,375)	5,682,156	887,415
Total bonds payable	102,694,645	-	(5,395,435)	97,299,210	5,539,343
Compensated absences	8,105,773	8,695,841	(8,837,940)	7,963,674	537,619
Loans payable	318,750	-	-	318,750	-
Capital loan notes payable	65,774,736	3,744,659	(3,042,000)	66,477,395	3,142,000
Other post-employment benefits	4,764,846	856,674	-	5,621,520	-
Landfill post-closure costs	138,164	-	(1,076)	137,088	17,357
Business-type activities long-term debt	<u>\$ 181,796,914</u>	<u>\$ 13,297,174</u>	<u>\$ (17,276,451)</u>	<u>\$ 177,817,637</u>	<u>\$ 9,236,319</u>

The debt service requirements for the City's bonds are as follows:

Governmental activities:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 8,287,109	\$ 1,891,266
2020	7,618,882	1,595,026
2021	7,296,484	1,321,673
2022	6,209,044	1,094,758
2023	5,706,562	898,810
2024-2028	19,579,016	2,213,796
2029-2033	5,450,000	412,450
2034-2038	120,000	5,850
Total	<u>\$ 60,267,097</u>	<u>\$ 9,433,629</u>

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

K. Long-term liabilities (continued)

Business-type activities:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 817,891	\$ 176,175	\$ 3,920,000	\$ 3,284,327
2020	786,118	148,898	4,050,000	3,162,017
2021	553,516	120,501	4,180,000	3,034,525
2022	565,956	107,461	4,310,000	2,901,998
2023	593,438	89,329	4,445,000	2,764,290
2024-2028	1,895,984	230,197	23,850,000	10,726,785
2029-2033	-	-	22,840,000	5,866,806
2034-2038	-	-	15,970,000	1,247,581
Total	<u>\$ 5,212,903</u>	<u>\$ 872,561</u>	<u>\$ 83,565,000</u>	<u>\$ 32,988,329</u>

Year Ending June 30,	Loans		Capital Loan Notes	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 3,142,000	\$ 1,329,422
2020	318,750	-	3,206,000	1,266,708
2021	-	-	3,269,000	1,202,588
2022	-	-	3,312,848	1,137,208
2023	-	-	3,359,000	1,070,951
2024-2028	-	-	17,829,000	4,319,775
2029-2033	-	-	19,016,581	2,481,180
2034-2038	-	-	13,342,966	588,337
Total	<u>\$ 318,750</u>	<u>\$ -</u>	<u>\$ 66,477,395</u>	<u>\$ 13,396,169</u>

Year Ending June 30,	Total Business - Type Activities		Total Primary Government Debt	
	Principal	Interest	Principal	Interest
2019	\$ 7,879,891	\$ 4,789,924	\$ 16,167,000	\$ 6,681,190
2020	8,360,868	4,577,623	15,979,750	6,172,649
2021	8,002,516	4,357,614	15,299,000	5,679,287
2022	8,188,804	4,146,667	14,397,848	5,241,425
2023	8,397,438	3,924,570	14,104,000	4,823,380
2024-2028	43,574,984	15,276,757	63,154,000	17,490,553
2029-2033	41,856,581	8,347,986	47,306,581	8,760,436
2034-2038	29,312,966	1,835,918	29,432,966	1,841,768
Total	<u>\$ 155,574,048</u>	<u>\$ 47,257,059</u>	<u>\$ 215,841,145</u>	<u>\$ 56,690,688</u>

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

L. Fund balance

Minimum fund balance policy. The City establishes and maintains fund balance levels based on evaluation of each individual fund. The minimum fund balance is set at a level that is considered necessary to maintain the City's credit worthiness and to adequately provide for:

1. Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy,
2. Contingencies for unseen operating or capital needs, and
3. Cash flow requirements.

In addition to the designations noted above, fund balance levels will be sufficient to meet funding requirements for projects approved in prior years that are carried forward into the new year; debt service reserve requirements; reserves for encumbrances; and other reserves or designations required by contractual obligations, state law, or generally accepted accounting principles.

The minimum fund balance level for the General Fund is 20% of operating expenditures.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

L. Fund balance (continued)

The details for the City's fund balances are as follows:

	General	Capital Projects	Debt Service	Special Revenues	Permanent Funds	Total
Nonspendable:						
Inventory	\$ 39,243	\$ -	\$ -	\$ 59,514	\$ -	\$ 98,757
Prepaid items	198,138	-	-	1,200	-	199,338
Perpetual care principal	-	-	-	-	978,182	978,182
Aquatic center endowment	-	-	-	-	1,000,000	1,000,000
Total nonspendable fund balance	237,381	-	-	60,714	1,978,182	2,276,277
Restricted:						
Debt service	-	-	987,953	-	-	987,953
Airport construction	-	399,207	-	-	-	399,207
Aquatic center	-	-	-	-	131,951	131,951
Street construction	-	-	-	6,666,153	-	6,666,153
Environment and economic betterment	-	-	-	7,370,671	-	7,370,671
General obligation bond projects	-	13,033,382	-	-	-	13,033,382
Housing assistance	-	-	-	1,103,543	-	1,103,543
Public safety	-	-	-	317,068	-	317,068
Public safety pension	-	-	-	347,606	-	347,606
Library	-	-	-	374,452	-	374,452
Parks and recreation	-	1,846,379	-	-	-	1,846,379
Project Share	-	-	-	3,636	-	3,636
Developers' projects	-	-	-	187,653	-	187,653
Total restricted fund balance	-	15,278,968	987,953	16,370,782	131,951	32,769,654
Committed:						
Bike trails	-	-	-	10,187	-	10,187
Parks and recreation	-	750,406	-	122,312	-	872,718
Housing assistance	-	-	-	555,434	-	555,434
Green energy projects	-	-	-	8,018	-	8,018
Environment and economic betterment	-	-	-	541,961	-	541,961
Total committed fund balance	-	750,406	-	1,237,912	-	1,988,318
Assigned:						
Administration	163,020	-	-	-	-	163,020
City Hall parking lot	78,994	-	-	-	-	78,994
City Hall maintenance	13,139	-	-	-	-	13,139
Inspections	7,651	-	-	-	-	7,651
Other public safety	144,980	-	-	-	-	144,980
Animal shelter improvements	6,305	-	-	-	-	6,305
Library maintenance	1,365	-	-	-	-	1,365
Parks and recreation	52,916	-	-	-	-	52,916
Parks and recreation maintenance	96,719	-	-	-	-	96,719
Airport	3,328	-	-	-	-	3,328
Cemetery maintenance	11,587	-	-	-	-	11,587
Total assigned fund balance	580,004	-	-	-	-	580,004
Unassigned	10,824,689	(507,048)	-	(802,158)	-	9,515,483
Total fund balance	\$ 11,642,074	\$ 15,522,326	\$ 987,953	\$ 16,867,250	\$ 2,110,133	\$ 47,129,736

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

M. Inter-fund receivables and payables

The composition of inter-fund balances as of June 30, 2018, is as follows:

Receivable Fund	Payable Fund					
	General Fund	Capital Projects	Debt Service	Electric	Sewer	Water
Major Funds:						
General Fund	\$ -	\$ 533	\$ -	\$ 108,750	\$ 30,850	\$ 36,982
Capital Projects	55,519	183,277	-	-	-	-
Electric	70,019	-	-	-	39,593	42,104
Sewer	140	902,318	-	40,140	-	21,289
Water	-	453,287	-	44,087	67,893	-
Non-Major Funds:						
Permanent	17,117	-	-	-	-	-
Special Revenue	83,943	247,560	-	5,480	186,889	129,817
Enterprise	7,102	2,408	-	7,878	-	-
Internal Service	253,416	2,953	-	125,371	45,936	57,236
Total	\$ 487,256	\$ 1,792,336	\$ -	\$ 331,706	\$ 371,161	\$ 287,428

Receivable Fund	Payable Fund			
	Non-Major Special Revenue Funds	Non-Major Enterprise Funds	Internal Service Funds	Total
Major Funds:				
General Fund	\$ 1,235,040	\$ 48,726	\$ 43,633	\$ 1,504,514
Capital Projects	98,747	-	-	337,543
Electric	16	335	-	152,067
Sewer	-	-	11,000	974,887
Water	-	-	-	565,267
Non-Major Funds:				
Permanent	-	-	-	17,117
Special Revenue	10,938	113,138	-	777,765
Enterprise	2,076	10,348	804	30,616
Internal Service	178,941	73,345	335,620	1,072,818
Total	\$ 1,525,758	\$ 245,892	\$ 391,057	\$ 5,432,594

The outstanding balances between funds result mainly from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

N. Inter-fund transfers

The composition of inter-fund transfers for the year ended June 30, 2018, is as follows:

Transfers In	Transfers Out					Non-Major Special Revenue Funds	Total
	General Fund	Capital Projects	Electric	Sewer	Water		
Major Funds:							
General Fund	\$ -	\$ -	\$ 2,220,363	\$ -	\$ -	\$ 6,885,013	\$ 9,105,376
Capital Projects	55,519	-	-	-	-	100,000	155,519
Debt Service	70,979	565,018	-	-	-	414,904	1,050,901
Sewer	-	902,318	-	-	-	-	902,318
Water	-	493,287	-	-	-	102,684	595,971
Non-Major Funds:							
Special Revenue	2,694	-	-	-	-	137,191	139,885
Enterprise	2,309,393	-	-	-	-	20,000	2,329,393
Internal Service	-	-	-	1,457	1,457	1,457	4,371
Total	\$ 2,438,585	\$ 1,960,623	\$ 2,220,363	\$ 1,457	\$ 1,457	\$ 7,661,249	\$ 14,283,734

Inter-fund 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. For example, the road use tax funds are received into the special revenue fund and are transferred to the capital projects fund where the funds will be spent.

O. Donor-restricted endowment

Earnings from the investment of the Furman Aquatic Center endowment of \$131,951 at June 30, 2018, are shown as restricted net position. These funds can be used at the aquatic center to minimize the City's ongoing operational costs, to fund future repairs and enhancements, and to replace equipment. Chapter 540A of the Code of Iowa permits the City to appropriate an amount of net appreciation as the City determines, in good faith, while considering the duration and preservation of the endowment fund, the purposes of the City and the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the City, and the investment policy of the City.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

P. Net position restatement

The City made the following restatement to net position as of July 1, 2017:

	Governmental Activities	Business- Type Activities	Mary Greeley Medical Center	Electric	Sewer	Water	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Net position June 30, 2017, as previously reported	\$ 159,258,992	\$ 627,432,609	\$ 343,459,229	\$ 126,642,753	\$ 39,922,574	\$ 58,772,397	\$ 49,355,405	\$ 618,152,358	\$ 25,725,148
Net OPEB obligation measured under previous standards	931,772	5,102,973	4,375,066	311,440	85,126	97,439	232,375	5,101,446	80,114
Total OPEB liability at June 30, 2017	1,050,688	4,764,846	3,944,389	351,122	95,972	109,854	261,982	4,763,319	90,322
Net position July 1, 2014, as restated	\$ 159,140,076	\$ 627,770,736	\$ 343,889,906	\$ 126,603,071	\$ 39,911,728	\$ 58,759,982	\$ 49,325,798	\$ 618,490,485	\$ 25,714,940

As a result of the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the fiscal year ended June 30, 2018, net position was restated as of July 1, 2017 to retroactively record the total OPEB liability. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75.

Q. Urban renewal development agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure, improvements, rehabilitation, and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$2,064,530. Certain agreements include provisions for the payment of interest.

During the fiscal year ended June 30, 2018, the City rebated \$229,455 of incremental property tax to developers, which was all for principal. The total cumulative principal amount rebated on the agreements is \$424,923. The outstanding balance on the agreements at June 30, 2018 was \$1,639,607.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

Q. Urban renewal development agreements (continued)

Certain agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements, not including an annual appropriation clause, is subject to the constitutional debt limitation.

R. Tax abatements

GASB Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, pay the developers an economic development grant, or pay the developers a pre-determined dollar amount. No other commitments were made by the City as part of these agreements.

For the fiscal year ended June 30, 2018, the City abated \$229,455 of property tax under urban renewal and economic development projects. The City's property tax revenue was not reduced by any amount under agreements entered into by any other entities for the year ended June 30, 2018.

S. Contingencies

The City's Legal Department reported to management that, as of June 30, 2018, claims and lawsuits were on file against the City. The Legal Department estimates that the portion of these potential claims and lawsuits not covered by insurance 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 resulting in an uninsured judgment.

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act, as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures that may be disallowed by the granting

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

S. Contingencies (continued)

agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

Hospital contingencies

Net patient service revenue. As a provider of health care services, the hospital has agreements with third-party payers that provide for payment of services at amounts different from established rates. The basis for payment varies by payer and includes prospectively-determined rates per discharge, discounts from established charges, and retroactively-determined, cost-based rates. Approximately 97% of gross patient charges determined at established rates resulted from patients covered by these third-party reimbursement programs for the fiscal year ended June 30, 2018. Changes have been and may be made in certain programs, which could have a material adverse impact on the financial condition of the hospital in future years.

Laws and regulations. The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown and unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the hospital is subject to similar regulatory reviews, management believes that the outcome of any such regulatory review will not have a material adverse effect on the hospital's financial position.

Current economic conditions. The current economic environment has also made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans, services provided to uninsured and underinsured patients may significantly impact net patient service revenue, which could have an adverse impact on the hospital's future operating results. Further, the effect of economic conditions on the State of Iowa may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and the allowances for accounts and contributions

City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

S. Contingencies (continued)

receivable. This could negatively impact the hospital's ability to meet debt covenants or maintain sufficient liquidity.

T. Joint venture

The hospital has a joint venture with McFarland Clinic, P.C. to form Health Ventures of Central Iowa, LLC (Health Ventures), of which it owns 50%. A joint venture also exists with Garner Dialysis, LLC, which is owned 40% by the hospital, and Health Enterprises Cooperative, of which the hospital owns 14.1%. The hospital 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 ventures are available at Mary Greeley Medical Center, 1111 Duff Avenue, Ames, IA 50010.

U. Related party transactions

The hospital's board of trustees approved the guarantee of certain debt on behalf of the Health Ventures joint venture mentioned above. During the fiscal year ended June 30, 2018, the debt was paid in full by Health Ventures, and there was no performance on the guarantee by the hospital.

V. Subsequent Events

On September 10, 2018, the City issued \$7,490,000 of general obligation, corporate purpose bonds for the purpose of paying the cost of constructing improvements to streets, for the acquisition of emergency services communication equipment, and for making improvements to a fire station. The interest rates on the bonds range from 3.00-5.00% with final maturity on June 1, 2030.

The City also entered into another revenue capital loan note agreement with the IFA in October 2018 in an amount not to exceed \$5,700,000. The funds are to be used for rehabilitation of manholes and sanitary sewer pipes. The loan bears interest at 1.75% per annum plus a servicing fee of 0.25% per annum. A loan initiation fee of \$28,500 (0.50%) was withheld from the proceeds and added to the amount owed by the City. Repayment of the loan will come from the sewer fund. The City borrowed \$3,220,156 in the months since the fiscal year ended, and the amount of principal outstanding as of the date of this report is \$3,248,656. The City has \$2,451,344 in capital loan notes still available as of the date of this report.

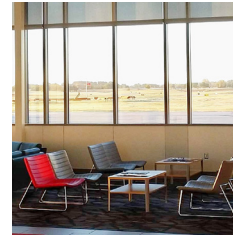
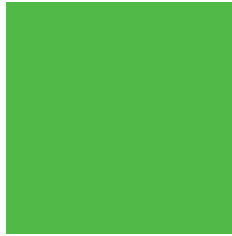
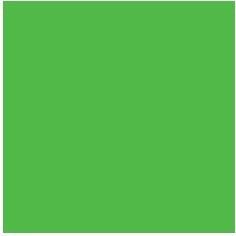
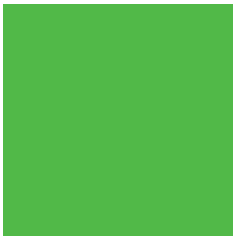
City of Ames
Notes to the Financial Statements
June 30, 2018

IV. Detailed notes on all activities and funds (continued)

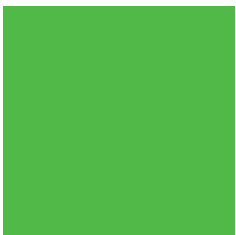
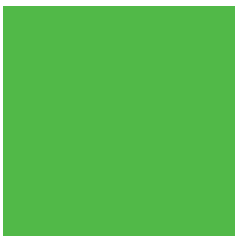
V. Subsequent events (continued)

In the months since the fiscal year ended, the City received an additional \$481,378 in loan proceeds from IFA for the new water treatment plant per the water revenue loan and disbursement agreement anticipation note. This brings the total amount outstanding to \$64,442,344 as of the date of this report.

Also, in the months since the fiscal year ended, the City received an additional \$5,000 in loan proceeds from IFA for the ultraviolet light disinfection system and \$627,923 for the bar screening system. The total amount outstanding for both loans are \$1,806,250 and \$767,771, respectively.



REQUIRED SUPPLEMENTARY INFORMATION



City of Ames
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Four Fiscal Years*

	2018	2017	2016	2015
City's proportion of the net pension liability	1.1292958%	1.1552370%	1.1616104%	1.2008652%
City's proportionate share of the net pension liability	\$ 75,225,392	\$ 72,702,712	\$ 57,389,174	\$ 47,625,187
City's covered payroll*	\$ 85,610,198	\$ 84,237,577	\$ 81,269,880	\$ 80,486,286
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.87%	86.31%	70.62%	59.17%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

*Prior year amounts of covered payroll were changed to comply with GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.*

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

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

City of Ames
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 7,862,807	\$ 7,862,807	-	\$ 87,947,886	8.94%
2017	7,654,501	7,654,501	-	85,610,198	8.94%
2016	7,543,219	7,543,219	-	84,237,577	8.95%
2015	7,272,880	7,272,880	-	81,269,880	8.95%
2014	7,202,625	7,202,625	-	80,486,286	8.95%
2013	6,861,788	6,861,788	-	78,907,943	8.70%
2012	6,180,045	6,180,045	-	76,283,278	8.10%
2011	5,241,681	5,241,681	-	74,876,651	7.00%
2010	4,964,111	4,964,111	-	74,177,643	6.69%
2009	4,808,898	4,808,898	-	75,297,546	6.39%

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

City of Ames
Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Fire and Police Retirement System of Iowa
Last Four Fiscal Years*

	2018	2017	2016	2015
City's proportion of the net pension liability	2.651310%	2.649945%	2.696727%	2.684406%
City's proportionate share of the net pension liability	\$ 15,549,272	\$ 16,569,071	\$ 12,669,610	\$ 9,730,925
City's covered payroll*	\$ 7,506,515	\$ 7,180,220	\$ 7,004,314	\$ 6,855,169
City's proportionate share of the net pension liability as a percentage of its covered payroll	207.14%	230.76%	180.88%	141.95%
Plan fiduciary net position as a percentage of the total pension liability	80.60%	78.20%	83.04%	86.27%

*Prior year amounts of covered payroll were changed to comply with GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.*

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

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

City of Ames
Schedule of City Contributions
Municipal Fire and Police Retirement System of Iowa
Last Ten Fiscal Years

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 2,030,080	\$ 2,030,080	-	\$ 7,866,170	25.81%
2017	1,946,357	1,946,357	-	7,506,515	25.93%
2016	1,994,209	1,994,209	-	7,180,220	27.77%
2015	2,150,611	2,150,611	-	7,004,314	30.70%
2014	2,064,780	2,064,780	-	6,855,169	30.12%
2013	1,758,163	1,758,163	-	6,653,706	26.42%
2012	1,630,807	1,630,807	-	6,586,460	24.76%
2011	1,253,345	1,253,345	-	6,298,219	19.90%
2010	1,024,685	1,024,685	-	6,025,172	17.01%
2009	1,095,325	1,095,325	-	5,841,733	18.75%

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

City of Ames
Schedule of Changes in Total OPEB Liability and Related Ratios
Current Year

City:	2018
Total OPEB liability	
Service cost	\$ 124,144
Interest	75,321
Changes in assumptions or other inputs	(51,203)
Benefit payments	(97,725)
Net change in total OPEB liability	50,537
Total OPEB liability, beginning	1,871,145
Total OPEB liability, ending	\$ 1,921,682
Covered-employee payroll	\$ 38,084,243
Total OPEB liability as a percentage of covered-employee payroll	5.05%

Notes to schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2017	3.58%
2018	3.87%

GASB No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

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

City of Ames
Schedule of Changes in Total OPEB Liability and Related Ratios
Current Year

Hospital:	2018
Total OPEB liability	
Service cost	\$ 230,410
Interest	155,873
Differences between expected and actual experience	907,372
Changes in assumptions or other inputs	(448,839)
Benefit payments	(10,501)
Net change in total OPEB liability	834,315
Total OPEB liability, beginning	3,944,389
Total OPEB liability, ending	\$ 4,778,704
Covered-employee payroll	\$ 65,765,292
Total OPEB liability as a percentage of covered-employee payroll	7.27%

Notes to schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2017	3.81%
2018	3.44%

GASB No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

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

City of Ames
Budgetary Comparison Schedule
Governmental and Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance - Actual to Final
Revenues and other financing sources:						
Taxes levied on property	\$ 28,008,461	\$ -	\$ 28,008,461	\$ 28,067,952	\$ 28,067,952	\$ (59,491)
Delinquent property taxes	64	-	64	-	-	64
TIF revenues	594,020	-	594,020	671,076	671,076	(77,056)
Other taxes	10,185,318	-	10,185,318	10,332,607	10,162,618	22,700
Licenses and permits	1,602,795	24,917	1,627,712	1,592,928	1,573,628	54,084
Use of money and property	861,344	19,209,026	20,070,370	9,794,597	11,267,996	8,802,374
Intergovernmental	13,039,771	10,622,228	23,661,999	27,048,780	34,806,359	(11,144,360)
Charges for services	3,798,505	288,417,892	292,216,397	285,084,809	287,930,249	4,286,148
Special assessments	564,860	-	564,860	489,335	489,335	75,525
Miscellaneous	1,988,155	2,134,834	4,122,989	3,427,446	7,575,327	(3,452,338)
Other financing sources	25,604,043	7,571,707	33,175,750	27,340,146	47,209,672	(14,033,922)
Total revenues and other financing sources	86,247,336	327,980,604	414,227,940	393,849,676	429,754,212	(15,526,272)
Expenditures and other financing uses:						
General government	2,848,091	-	2,848,091	2,721,296	2,881,502	33,411
Public safety	18,552,166	-	18,552,166	19,292,608	19,412,883	860,717
Public works	5,398,826	-	5,398,826	5,843,929	6,000,270	601,444
Health and social services	1,277,283	-	1,277,283	1,375,216	1,376,394	99,111
Culture and recreation	8,857,909	-	8,857,909	8,612,180	8,950,362	92,453
Community and economic development	3,734,829	-	3,734,829	3,660,393	4,750,966	1,016,137
Debt service	16,039,998	-	16,039,998	11,798,504	16,052,166	12,168
Capital outlay	12,822,206	-	12,822,206	18,344,595	41,750,614	28,928,408
Total governmental expenditures	69,531,308	-	69,531,308	71,648,721	101,175,157	31,643,849
Business-type expenditures	-	267,570,220	267,570,220	285,244,975	318,954,583	51,384,363
Total expenditures and other financing uses	69,531,308	267,570,220	337,101,528	356,893,696	420,129,740	83,028,212
Other financing uses	14,321,706	3,210,393	17,532,099	16,154,396	16,545,170	(986,929)
Total expenditures, other financing uses, and transfers out	83,853,014	270,780,613	354,633,627	373,048,092	436,674,910	82,041,283
Excess revenues and other financing sources over (under) expenditures, other financing uses, and transfers out						
	2,394,322	57,199,991	59,594,313	20,801,584	(6,920,698)	66,515,011
Fund balances, beginning	48,864,692	613,799,088	662,663,780	645,757,888	662,663,780	-
Fund balances, ending	\$ 51,259,014	\$ 670,999,079	\$ 722,258,093	\$ 666,559,472	\$ 655,743,082	\$ 66,515,011

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

City of Ames
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2018

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	Modified Accrual Basis	Budget Basis	Adjustments	Accrual Basis
Revenues and other financing sources	\$ 86,247,336	\$ (3,748,802)	\$ 82,498,534	\$ 327,980,604	\$ (2,503,951)	\$ 325,476,653
Expenditures and other financing uses	83,853,014	(3,427,867)	80,425,147	270,780,613	18,752,141	289,532,754
Excess revenues and other financing sources over expenditures and other financing uses	2,394,322	(320,935)	2,073,387	57,199,991	(21,256,092)	35,943,899
Fund balances, beginning (as restated)	48,864,692	(3,808,343)	45,056,349	613,799,088	4,691,397	618,490,485
Fund balances, ending	<u>\$ 51,259,014</u>	<u>\$ (4,129,278)</u>	<u>\$ 47,129,736</u>	<u>\$ 670,999,079</u>	<u>\$ (16,564,695)</u>	<u>\$ 654,434,384</u>

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

City of Ames
Notes to the Required Supplementary Information
June 30, 2018

I. Pension Liability

IPERS:

Changes in benefit terms. Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes in assumptions.

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year
- Decreased the long-term rate of return assumption from 7.50% to 7.00% per year.
- Decreased the wage growth and payroll growth assumption from 4.00% to 3.25% per year.
- Decreased the salary increase assumption by 0.75%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year
- Adjusted male mortality rates for retirees in the regular membership group
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64
- Moved from an open, 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed, 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions
- Modified retirement rates to reflect fewer retirements
- Lowered disability rates at most ages
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit
- Modified salary increase assumptions based on various service duration

City of Ames
Notes to the Required Supplementary Information (continued)
June 30, 2018

MFPRSI:

Changes in benefit terms. There were no significant changes of benefit terms.

Changes in assumptions.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed post-retirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set back two years, females set forward one year, and disabled individuals set forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

II. Budgetary Information

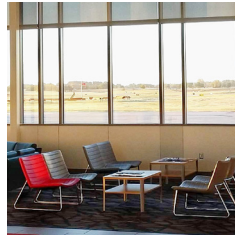
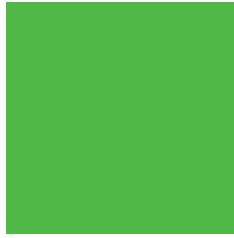
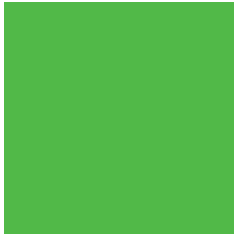
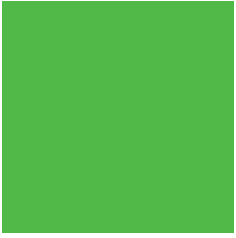
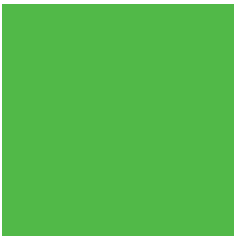
The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board (GASB) Statement 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General 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 of accounting and follows the public notice and hearing requirements. 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 the end of the fiscal year.

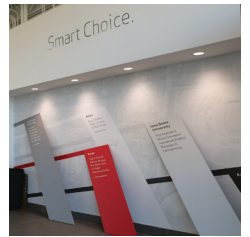
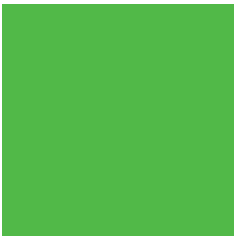
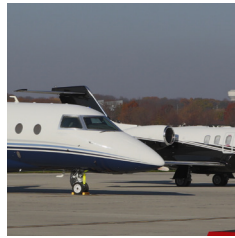
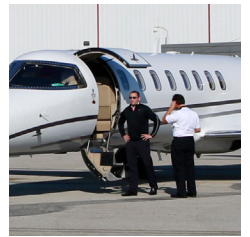
Formal and legal budgetary control is based upon nine major classes of expenditures, referred to as functions, not by fund or fund type. The nine functions are general government, public safety, public works, health and social services, culture and recreation, community and economic development, debt service, capital projects, and business-type activities. Expenditures of functions required to be budgeted include expenditures for the General Fund, special revenue funds, the Debt Service Fund, the Capital Projects Fund, and the 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.

City of Ames
Notes to the Required Supplementary Information (continued)
June 30, 2018

Three budget amendments during the fiscal year increased budgeted expenditures by \$63,626,818. These amendments are reflected in the final budget amounts.



SUPPLEMENTARY INFORMATION



Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

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

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

Road Use Tax Fund - to account for the City's share of state gasoline taxes received on a per capita basis. Funds are required to be used for a purpose related to the construction or maintenance of public streets.

Bike Licenses Fund - to account for funds generated by the sale of bike licenses to be used for bike trails and maps.

Police Forfeiture and Grants Fund - to account for funds generated from the forfeiture of property as a result of criminal activities and for government grants received for law enforcement costs.

Housing Assistance Fund - to account for grant-funded housing assistance programs.

TIF Fund - to account for tax-increment financing revenues on abated debt.

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

Police and Fire 411 Fund - to account for the funds remaining from the transition to Municipal Fire and Police Retirement System of Iowa (MFPRSI). Funds may only be used to offset City contributions to MFPRSI.

Parks and Recreation Programs Fund - to account for revenues used for specific park and recreation programs and improvements.

Library Donations, Project Share, Police and Fire Donations, Animal Shelter Donations, and Public Art Donations Funds - to account for donations to be used for specific purposes and activities.

Community Development Block Grant (CDBG) Fund - to account for funds received from the U.S. Department of Housing and Urban Development to be used according to the CDBG program.

Non-Major Governmental Funds

Special Revenue Funds

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

Economic Development and Loans Fund - to account for funds from block grants and funds to be loaned to businesses to increase development in the City.

Permanent Funds

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

Perpetual Care Fund - to account for principal amounts received for perpetual care. The investment earnings are recorded in the General Fund and are used to maintain the cemetery.

Furman Aquatic Center Endowment Fund - to account for a donation to cover future operating expenditures, fund future repairs and enhancements, and to replace equipment at the aquatic center.

**City of Ames
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018**

	<u>Permanent Funds</u>			
	<u>Non-Major Special Revenue Funds</u>	<u>Perpetual Care</u>	<u>Furman Aquatic Center Endowment</u>	
ASSETS				
Cash and cash equivalents	\$ 9,301,322	\$ 33,307	\$ 620,370	\$ 9,954,999
Investments	7,491,685	926,918	509,127	8,927,730
Taxes receivable	2,518	-	-	2,518
Accrued interest receivable	2,608	-	2,454	5,062
Accounts receivable, net	717	840	-	1,557
Intergovernmental receivable	1,942,738	-	-	1,942,738
Loans receivable	2,851	-	-	2,851
Due from other funds	777,765	17,117	-	794,882
Inventories	59,514	-	-	59,514
Property held for resale	1,079,068	-	-	1,079,068
Prepaid items	1,200	-	-	1,200
Succeeding year taxes receivable	2,079,899	-	-	2,079,899
Long-term loans receivable	13,013	-	-	13,013
Total assets	<u>\$ 22,754,898</u>	<u>\$ 978,182</u>	<u>\$ 1,131,951</u>	<u>\$ 24,865,031</u>
LIABILITIES				
Accounts payable	\$ 791,256	\$ -	\$ -	\$ 791,256
Accrued payroll	81,224	-	-	81,224
Retainage payable	49,855	-	-	49,855
Accrued interest	832	-	-	832
Customer deposits	649,688	-	-	649,688
Intergovernmental payable	5,506	-	-	5,506
Due to other funds	1,525,758	-	-	1,525,758
Total liabilities	<u>3,104,119</u>	<u>-</u>	<u>-</u>	<u>3,104,119</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	2,079,899	-	-	2,079,899
Other taxes	698,282	-	-	698,282
Grants	5,348	-	-	5,348
Total deferred inflows of resources	<u>2,783,529</u>	<u>-</u>	<u>-</u>	<u>2,783,529</u>
FUND BALANCES (DEFICITS)				
Nonspendable	60,714	978,182	1,000,000	2,038,896
Restricted	16,370,782	-	131,951	16,502,733
Committed	1,237,912	-	-	1,237,912
Unassigned	(802,158)	-	-	(802,158)
Total fund balances	<u>16,867,250</u>	<u>978,182</u>	<u>1,131,951</u>	<u>18,977,383</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,754,898</u>	<u>\$ 978,182</u>	<u>\$ 1,131,951</u>	<u>\$ 24,865,031</u>

City of Ames
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<u>Permanent Funds</u>			
	<u>Non-Major Special Revenue Funds</u>	<u>Perpetual Care</u>	<u>Furman Aquatic Center Endowment</u>	
REVENUES				
Taxes	\$ 12,704,294	\$ -	\$ -	\$ 12,704,294
Intergovernmental	7,812,099	-	-	7,812,099
Charges for services	-	15,329	-	15,329
Investment income	3,063	-	9,822	12,885
Miscellaneous	390,477	-	-	390,477
Total revenues	<u>20,909,933</u>	<u>15,329</u>	<u>9,822</u>	<u>20,935,084</u>
EXPENDITURES				
Current:				
General government	188,768	-	-	188,768
Public safety	90,607	-	-	90,607
Public works	4,927,659	-	-	4,927,659
Health and social services	1,293,038	-	-	1,293,038
Culture and recreation	608,373	-	-	608,373
Community and economic development	2,424,064	-	-	2,424,064
Capital outlay	3,232,961	-	-	3,232,961
Total expenditures	<u>12,765,470</u>	<u>-</u>	<u>-</u>	<u>12,765,470</u>
Excess of revenues over expenditures	<u>8,144,463</u>	<u>15,329</u>	<u>9,822</u>	<u>8,169,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	139,885	-	-	139,885
Transfers out	(7,661,249)	-	-	(7,661,249)
Total other financing sources (uses)	<u>(7,521,364)</u>	<u>-</u>	<u>-</u>	<u>(7,521,364)</u>
Net change in fund balance	623,099	15,329	9,822	648,250
Fund balances, beginning	<u>16,244,151</u>	<u>962,853</u>	<u>1,122,129</u>	<u>18,329,133</u>
Fund balances, ending	<u>\$ 16,867,250</u>	<u>\$ 978,182</u>	<u>\$ 1,131,951</u>	<u>\$ 18,977,383</u>

**City of Ames
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2018**

	Local Option Tax	Hotel/ Motel Tax	Road Use Tax	Bike Licenses	Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
ASSETS										
Cash and cash equivalents	\$ 3,572,636	\$ 505,463	\$ 3,497,466	\$ 5,646	\$ 31,519	\$ 308,530	\$ -	\$ -	\$ 189,351	\$ 68,169
Investments	2,873,845	406,597	2,813,378	4,541	25,353	248,183	-	-	157,496	53,883
Taxes receivable	-	-	-	-	-	-	-	2,518	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	759	260
Accounts receivable, net	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivable	652,278	698,282	562,336	-	13,529	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-
Due from other funds	2,130	-	772,182	-	-	-	-	-	-	-
Inventories	-	-	59,514	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-
Succeeding year taxes receivable	-	-	-	-	-	-	-	2,079,899	-	-
Long-term loans receivable	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 7,100,889</u>	<u>\$ 1,610,342</u>	<u>\$ 7,704,876</u>	<u>\$ 10,187</u>	<u>\$ 70,401</u>	<u>\$ 556,713</u>	<u>\$ -</u>	<u>\$ 2,082,417</u>	<u>\$ 347,606</u>	<u>\$ 122,312</u>
LIABILITIES										
Accounts payable	\$ 180,706	\$ 40,793	\$ 562,300	\$ -	\$ -	\$ 188	\$ -	\$ -	\$ -	\$ -
Accrued payroll	4,983	-	69,836	-	806	281	-	-	-	-
Retainage payable	20,212	-	29,643	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	832	-	-	-
Customer deposits	-	-	-	-	-	-	-	-	-	-
Intergovernmental payable	-	-	1,842	-	3,647	-	-	-	-	-
Due to other funds	395,584	-	315,588	-	-	810	801,326	2,518	-	-
Total liabilities	<u>601,485</u>	<u>40,793</u>	<u>979,209</u>	<u>-</u>	<u>4,453</u>	<u>1,279</u>	<u>802,158</u>	<u>2,518</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue:										
Property taxes	-	-	-	-	-	-	-	2,079,899	-	-
Other taxes	-	698,282	-	-	-	-	-	-	-	-
Grants	-	-	-	-	5,348	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>698,282</u>	<u>-</u>	<u>-</u>	<u>5,348</u>	<u>-</u>	<u>-</u>	<u>2,079,899</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)										
Nonspendable	-	-	59,514	-	-	-	-	-	-	-
Restricted	6,499,404	871,267	6,666,153	-	60,600	-	-	-	347,606	-
Committed	-	-	-	10,187	-	555,434	-	-	-	122,312
Unassigned	-	-	-	-	-	-	(802,158)	-	-	-
Total fund balances (deficits)	<u>6,499,404</u>	<u>871,267</u>	<u>6,725,667</u>	<u>10,187</u>	<u>60,600</u>	<u>555,434</u>	<u>(802,158)</u>	<u>-</u>	<u>347,606</u>	<u>122,312</u>
Total liabilities, deferred outflows of resources, and fund balances (deficits)	<u>\$ 7,100,889</u>	<u>\$ 1,610,342</u>	<u>\$ 7,704,876</u>	<u>\$ 10,187</u>	<u>\$ 70,401</u>	<u>\$ 556,713</u>	<u>\$ -</u>	<u>\$ 2,082,417</u>	<u>\$ 347,606</u>	<u>\$ 122,312</u>

City of Ames
Combining Balance Sheet (continued)
Non-Major Special Revenue Funds
June 30, 2018

	Library Donations	Project Share	Police & Fire Donations	CDBG	Animal Shelter Donations	Public Art Donations	Developers' Projects	Economic Development & Loans	Total Non-Major Special Revenue Funds
ASSETS									
Cash and cash equivalents	\$ 209,885	\$ 6,146	\$ 1,570	\$ 847	\$ 139,882	\$ -	\$ 463,858	\$ 300,354	\$ 9,301,322
Investments	172,115	4,944	1,263	681	114,417	-	373,382	241,607	7,491,685
Taxes receivable	-	-	-	-	-	-	-	-	2,518
Accrued interest receivable	939	-	-	-	549	-	101	-	2,608
Accounts receivable, net	-	564	-	-	153	-	-	-	717
Intergovernmental receivable	-	-	-	16,313	-	-	-	-	1,942,738
Loans receivable	-	-	-	2,851	-	-	-	-	2,851
Due from other funds	3,372	-	-	81	-	-	-	-	777,765
Inventories	-	-	-	-	-	-	-	-	59,514
Property held for resale	-	-	-	1,079,068	-	-	-	-	1,079,068
Prepaid items	1,200	-	-	-	-	-	-	-	1,200
Succeeding year taxes receivable	-	-	-	-	-	-	-	-	2,079,899
Long-term loans receivable	-	-	-	13,013	-	-	-	-	13,013
Total assets	<u>\$ 387,511</u>	<u>\$ 11,654</u>	<u>\$ 2,833</u>	<u>\$ 1,112,854</u>	<u>\$ 255,001</u>	<u>\$ -</u>	<u>\$ 837,341</u>	<u>\$ 541,961</u>	<u>\$22,754,898</u>
LIABILITIES									
Accounts payable	\$ 4,184	\$ -	\$ -	\$ 1,719	\$ 1,366	\$ -	\$ -	\$ -	\$ 791,256
Accrued payroll	5,318	-	-	-	-	-	-	-	81,224
Retainage payable	-	-	-	-	-	-	-	-	49,855
Accrued interest	-	-	-	-	-	-	-	-	832
Customer deposits	-	-	-	-	-	-	649,688	-	649,688
Intergovernmental payable	-	-	-	17	-	-	-	-	5,506
Due to other funds	2,357	-	-	7,575	-	-	-	-	1,525,758
Total liabilities	<u>11,859</u>	<u>-</u>	<u>-</u>	<u>9,311</u>	<u>1,366</u>	<u>-</u>	<u>649,688</u>	<u>-</u>	<u>3,104,119</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue:									
Property taxes	-	-	-	-	-	-	-	-	2,079,899
Other taxes	-	-	-	-	-	-	-	-	698,282
Grants	-	-	-	-	-	-	-	-	5,348
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,783,529</u>
FUND BALANCES (DEFICITS)									
Nonspendable	1,200	-	-	-	-	-	-	-	60,714
Restricted	374,452	3,636	2,833	1,103,543	253,635	-	187,653	-	16,370,782
Committed	-	8,018	-	-	-	-	-	541,961	1,237,912
Unassigned	-	-	-	-	-	-	-	-	(802,158)
Total fund balances (deficits)	<u>375,652</u>	<u>11,654</u>	<u>2,833</u>	<u>1,103,543</u>	<u>253,635</u>	<u>-</u>	<u>187,653</u>	<u>541,961</u>	<u>16,867,250</u>
Total liabilities, deferred outflows of resources, and fund balances (deficits)	<u>\$ 387,511</u>	<u>\$ 11,654</u>	<u>\$ 2,833</u>	<u>\$ 1,112,854</u>	<u>\$ 255,001</u>	<u>\$ -</u>	<u>\$ 837,341</u>	<u>\$ 541,961</u>	<u>\$22,754,898</u>

City of Ames
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2018

	Local Option Tax	Hotel/ Motel Tax	Road Use Tax	Bike Licenses	Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
REVENUES										
Taxes	\$ 7,681,519	\$ 2,398,439	\$ -	\$ -	\$ -	\$ -	\$ 594,020	\$ 2,030,316	\$ -	\$ -
Intergovernmental	-	-	7,321,752	-	57,001	-	-	-	-	-
Investment income	-	-	-	-	-	-	(7,032)	-	3,014	1,047
Miscellaneous	-	-	-	763	387	939	41,020	-	-	24,060
Total revenues	<u>7,681,519</u>	<u>2,398,439</u>	<u>7,321,752</u>	<u>763</u>	<u>57,388</u>	<u>939</u>	<u>628,008</u>	<u>2,030,316</u>	<u>3,014</u>	<u>25,107</u>
EXPENDITURES										
Current:										
General government	-	-	137,120	-	-	51,648	-	-	-	-
Public safety	-	-	-	-	58,887	-	-	-	-	-
Public works	-	-	4,927,659	-	-	-	-	-	-	-
Health and social services	1,277,278	-	-	-	-	-	-	-	-	-
Culture and recreation	373,492	-	-	-	-	-	-	-	-	8,541
Community and economic development	56,423	1,872,678	-	-	-	-	229,454	-	-	-
Capital outlay	593,368	-	2,609,846	-	-	-	-	-	-	2,930
Total expenditures	<u>2,300,561</u>	<u>1,872,678</u>	<u>7,674,625</u>	<u>-</u>	<u>58,887</u>	<u>51,648</u>	<u>229,454</u>	<u>-</u>	<u>-</u>	<u>11,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,380,958</u>	<u>525,761</u>	<u>(352,873)</u>	<u>763</u>	<u>(1,499)</u>	<u>(50,709)</u>	<u>398,554</u>	<u>2,030,316</u>	<u>3,014</u>	<u>13,636</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	137,191	-	-	-	-	-	2,694	-	-	-
Transfers out	(4,831,595)	(342,977)	(1,457)	-	-	-	(414,904)	(2,030,316)	(40,000)	-
Total other financing sources (uses)	<u>(4,694,404)</u>	<u>(342,977)</u>	<u>(1,457)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(412,210)</u>	<u>(2,030,316)</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balances	686,554	182,784	(354,330)	763	(1,499)	(50,709)	(13,656)	-	(36,986)	13,636
Fund balances, beginning	5,812,850	688,483	7,079,997	9,424	62,099	606,143	(788,502)	-	384,592	108,676
Fund balances, ending	<u>\$ 6,499,404</u>	<u>\$ 871,267</u>	<u>\$ 6,725,667</u>	<u>\$ 10,187</u>	<u>\$ 60,600</u>	<u>\$ 555,434</u>	<u>\$ (802,158)</u>	<u>\$ -</u>	<u>\$ 347,606</u>	<u>\$ 122,312</u>

City of Ames
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Non-Major Special Revenue Funds
For the Year Ended June 30, 2018

	Library Donations	Project Share	Police & Fire Donations	CDBG	Animal Shelter Donations	Public Art Donations	Developers' Projects	Economic Development & Loans	Total Non-Major Special Revenue Funds
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,704,294
Intergovernmental	14,181	-	-	419,165	-	-	-	-	7,812,099
Investment income	3,547	-	-	-	2,083	-	404	-	3,063
Miscellaneous	231,841	16,646	-	385	74,436	-	-	-	390,477
Total revenues	249,569	16,646	-	419,550	76,519	-	404	-	20,909,933
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	-	188,768
Public safety	-	-	-	-	31,720	-	-	-	90,607
Public works	-	-	-	-	-	-	-	-	4,927,659
Health and social services	-	15,760	-	-	-	-	-	-	1,293,038
Culture and recreation	226,167	-	-	-	-	173	-	-	608,373
Community and economic development	-	-	-	265,509	-	-	-	-	2,424,064
Capital outlay	-	-	-	-	-	-	26,817	-	3,232,961
Total expenditures	226,167	15,760	-	265,509	31,720	173	26,817	-	12,765,470
Excess (deficiency) of revenues over (under) expenditures	23,402	886	-	154,041	44,799	(173)	(26,413)	-	8,144,463
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	139,885
Transfers out	-	-	-	-	-	-	-	-	(7,661,249)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(7,521,364)
Net change in fund balances	23,402	886	-	154,041	44,799	(173)	(26,413)	-	623,099
Fund balances, beginning	352,250	10,768	2,833	949,502	208,836	173	214,066	541,961	16,244,151
Fund balances, ending	\$ 375,652	\$ 11,654	\$ 2,833	\$ 1,103,543	\$ 253,635	\$ -	\$ 187,653	\$ 541,961	\$ 16,867,250

Non-Major Enterprise Funds

Enterprise funds are used to report activities for which a fee is charged to external users for goods or services.

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

Transit Fund - to account for operations of transit services.

Storm Sewer Utility Fund - to account for the fees paid by residents for the maintenance of the City's storm sewer system.

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

Homewood Golf Course Fund - to account for the operations of a nine-hole golf course.

Resource Recovery Fund - to account for the operation of the City-owned resource recovery plant.

City of Ames
Combining Statement of Net Position
Non-Major Enterprise Funds
June 30, 2018

	Parking	Transit	Storm Sewer Utility	Ames / ISU Ice Arena	Homewood Golf Course	Resource Recovery	Total Non-Major Enterprise Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 222,444	\$ 2,298,311	\$ 2,167,110	\$ 230,777	\$ 119,336	\$ 617,751	\$ 5,655,729
Investments	182,758	1,883,628	1,769,314	187,111	97,077	510,211	4,630,099
Accrued interest receivable	922	9,941	8,443	956	470	3,005	23,737
Accounts receivable, net	5,066	125,581	203,679	20,225	-	115,747	470,298
Due from other funds	-	12,608	15,931	-	804	1,273	30,616
Intergovernmental receivable	1,253	2,631,374	-	20,153	-	443,081	3,095,861
Inventories	9,433	299,731	-	3,763	1,475	-	314,402
Prepaid items	1,262	18,450	-	-	6,432	-	26,144
Total current assets	423,138	7,279,624	4,164,477	462,985	225,594	1,691,068	14,246,886
Noncurrent assets:							
Capital assets:							
Land	910,547	41,500	627,606	-	193,250	531,517	2,304,420
Land improvements	623,538	175,441	2,428,761	63,578	127,581	172,379	3,591,278
Buildings	-	26,523,651	-	1,870,329	87,003	11,342,409	39,823,392
Equipment	56,130	29,157,982	8,390	316,275	5,700	7,924,555	37,469,032
Construction in progress	-	21,306	316,901	-	-	-	338,207
Less accumulated depreciation	(616,431)	(25,038,280)	(313,298)	(1,186,715)	(178,713)	(13,582,976)	(40,916,413)
Total noncurrent assets	973,784	30,881,600	3,068,360	1,063,467	234,821	6,387,884	42,609,916
Total assets	1,396,922	38,161,224	7,232,837	1,526,452	460,415	8,078,952	56,856,802
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	99,124	1,537,111	44,951	43,884	17,950	257,790	2,000,810
LIABILITIES							
Current liabilities:							
Accounts payable	4,191	245,228	20,096	46,666	3,210	54,492	373,883
Accrued payroll	11,520	155,283	10,584	2,205	3,926	1,671	185,189
Accrued compensated absences	1,807	22,854	1,245	792	233	3,425	30,356
Due to other funds	14,741	30,721	115,824	3,617	7,447	73,542	245,892
Retainage payable	-	14,116	31,992	2,242	-	-	48,350
Accrued interest	-	-	-	-	-	2,166	2,166
Intergovernmental payable	456	13,146	749	123	506	51,326	66,306
Accrued landfill post-closure costs	-	-	-	-	-	17,357	17,357
Bonds payable, net	-	-	-	-	-	145,855	145,855
Unearned revenue	6,700	-	-	-	-	-	6,700
Total current liabilities	39,415	481,348	180,490	55,645	15,322	349,834	1,122,054
Noncurrent liabilities:							
Accrued compensated absences	33,054	408,674	18,983	13,824	2,809	46,849	524,193
Accrued other post-employment benefits	19,525	165,746	13,684	4,189	3,344	62,570	269,058
Net pension liability	349,724	5,132,242	156,602	144,949	65,453	870,137	6,719,107
Accrued landfill post-closure costs	-	-	-	-	-	119,731	119,731
Bonds payable, net	-	-	-	-	-	894,353	894,353
Total noncurrent liabilities	402,303	5,706,662	189,269	162,962	71,606	1,993,640	8,526,442
Total liabilities	441,718	6,188,010	369,759	218,607	86,928	2,343,474	9,648,496
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to OPEB	478	4,062	335	103	82	1,533	6,593
Deferred inflows related to pensions	4,165	76,165	4,640	5,166	3,052	33,099	126,287
	4,643	80,227	4,975	5,269	3,134	34,632	132,880
NET POSITION							
Net investment in capital assets	973,784	30,881,600	3,068,360	1,063,467	234,821	5,347,676	41,569,708
Unrestricted	75,901	2,548,498	3,834,694	282,993	153,482	610,960	7,506,528
Total net position	\$ 1,049,685	\$ 33,430,098	\$ 6,903,054	\$ 1,346,460	\$ 388,303	\$ 5,958,636	\$ 49,076,236

City of Ames
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2018

	Parking	Transit	Storm Sewer	Ames / ISU Ice Arena	Homewood Golf Course	Resource Recovery	Total Non-Major Enterprise Funds
Operating revenues:							
Charges for services	\$ 829,993	\$ 6,746,369	\$ 1,817,030	\$ 504,884	\$ 184,601	\$ 2,719,456	\$12,802,333
Operating expenses:							
Cost of goods and services	828,108	9,218,962	378,054	555,072	226,401	3,752,597	14,959,194
Administration	67,321	1,963,416	8,704	-	-	240,643	2,280,084
Depreciation	10,183	2,687,912	47,993	102,065	8,061	534,149	3,390,363
Total operating expenses	905,612	13,870,290	434,751	657,137	234,462	4,527,389	20,629,641
Operating income (loss)	(75,619)	(7,123,921)	1,382,279	(152,253)	(49,861)	(1,807,933)	(7,827,308)
Non-operating revenues (expenses):							
Intergovernmental	-	3,352,964	1,139	-	-	20,000	3,374,103
Reimbursements	-	66,258	-	542	-	284,840	351,640
Investment income	3,980	45,914	33,157	3,532	1,829	11,812	100,224
Interest expense	-	-	-	-	-	(22,608)	(22,608)
Gain on disposal of capital assets	-	8,375	-	-	-	3,703	12,078
Miscellaneous	-	11,185	50	48,999	64,077	495	124,806
Total non-operating revenues	3,980	3,484,696	34,346	53,073	65,906	298,242	3,940,243
Income (loss) before capital contributions and transfers	(71,639)	(3,639,225)	1,416,625	(99,180)	16,045	(1,509,691)	(3,887,065)
Capital contributions	-	1,288,110	-	20,000	-	-	1,308,110
Transfers in	-	1,821,696	-	20,000	-	487,697	2,329,393
Change in net position	(71,639)	(529,419)	1,416,625	(59,180)	16,045	(1,021,994)	(249,562)
Net position, beginning (as previously reported)	1,123,472	33,977,756	5,487,935	1,406,101	372,626	6,987,515	49,355,405
Net position restatement	(2,148)	(18,239)	(1,506)	(461)	(368)	(6,885)	(29,607)
Net position, beginning (as restated)	1,121,324	33,959,517	5,486,429	1,405,640	372,258	6,980,630	49,325,798
Net position, ending	\$ 1,049,685	\$33,430,098	\$ 6,903,054	\$ 1,346,460	\$ 388,303	\$ 5,958,636	\$49,076,236

City of Ames
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2018

	Parking	Transit	Storm Sewer Utility	Ames / ISU Ice Arena	Homewood Golf Course	Resource Recovery	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 829,432	\$ 6,985,681	\$ 2,287,365	\$ 497,075	\$ 184,594	\$ 2,903,829	\$ 13,687,976
Payments to suppliers	(139,382)	(2,750,712)	(14,248)	(212,763)	(72,789)	(2,070,412)	(5,260,306)
Payments to employees	(581,653)	(7,785,038)	(245,683)	(263,937)	(105,139)	(1,381,205)	(10,362,655)
Payments to other funds for services provided	(169,359)	(563,107)	(139,362)	(35,794)	(44,175)	(658,499)	(1,610,296)
Net cash provided by (used for) operating activities	(60,962)	(4,113,176)	1,888,072	(15,419)	(37,509)	(1,206,287)	(3,545,281)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES							
Operating grants	-	3,352,964	1,139	-	-	20,000	3,374,103
Reimbursements	-	66,258	-	542	-	284,840	351,640
Miscellaneous income	-	11,185	50	48,999	64,077	495	124,806
Transfers in	-	1,821,696	-	20,000	-	487,697	2,329,393
Net cash provided by non-capital financing activities	-	5,252,103	1,189	69,541	64,077	793,032	6,179,942
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	-	(1,855,338)	(726,002)	(40,934)	-	(97,595)	(2,719,869)
Proceeds from the sale of capital assets	-	9,875	-	-	-	3,703	13,578
Principal paid on capital debt	-	-	-	-	-	(135,000)	(135,000)
Interest paid on capital debt	-	-	-	-	-	(28,687)	(28,687)
Capital contributions	-	1,288,110	-	20,000	-	-	1,308,110
Net cash used for capital and related financing activities	-	(557,353)	(726,002)	(20,934)	-	(257,579)	(1,561,868)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	(227,584)	(986,025)	(246,166)	(126,866)	(55,343)	(1,196,457)	(2,838,441)
Proceeds from sale of investments	368,617	1,597,060	398,714	205,484	89,639	1,937,896	4,597,410
Interest on investments	3,505	39,765	27,497	2,956	1,538	10,611	85,872
Net cash provided by investing activities	144,538	650,800	180,045	81,574	35,834	752,050	1,844,841
Net increase in cash and cash equivalents	83,576	1,232,374	1,343,304	114,762	62,402	81,216	2,917,634
Cash and cash equivalents, beginning	138,868	1,065,937	823,806	116,015	56,934	536,535	2,738,095
Cash and cash equivalents, ending	<u>\$ 222,444</u>	<u>\$ 2,298,311</u>	<u>\$ 2,167,110</u>	<u>\$ 230,777</u>	<u>\$ 119,336</u>	<u>\$ 617,751</u>	<u>\$ 5,655,729</u>

City of Ames
Combining Statement of Cash Flows (continued)
Non-Major Enterprise Funds
For the Year Ended June 30, 2018

	Parking	Transit	Storm Sewer Utility	Ames / ISU Ice Arena	Homewood Golf Course	Resource Recovery	Total Non-Major Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (75,619)	\$ (7,123,921)	\$ 1,382,279	\$ (152,253)	\$ (49,861)	\$ (1,807,933)	\$ (7,827,308)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:							
Depreciation expense	10,183	2,687,912	47,993	102,065	8,061	534,149	3,390,363
(Increase) decrease in accounts receivable	(1,929)	(83,138)	(5,524)	(7,471)	-	146,501	48,439
(Increase) decrease in due from other funds	-	(10,264)	(2,750)	-	(7)	54,361	41,340
Increase in intergovernmental receivable	463	332,714	478,609	(153)	-	(16,489)	795,144
(Increase) decrease in inventories	7,454	(25,938)	-	(265)	1,170	-	(17,579)
Decrease in prepaid items	(1,262)	(17,150)	-	-	(1,468)	-	(19,880)
Increase in deferred outflows of resources	(1,459)	(56,613)	(4,028)	(4,701)	(2,703)	(30,051)	(99,555)
Increase (decrease) in accounts payable	(3,255)	(94,533)	(87,733)	33,235	(421)	(18,440)	(171,147)
Increase (decrease) in accrued payroll	(5,083)	(8,481)	8,380	(1,309)	107	(1,643)	(8,029)
Increase (decrease) in accrued compensated absences	(5,843)	38,745	(662)	3,084	(17)	480	35,787
Increase (decrease) in due to other funds	1,554	6,755	50,332	2,385	3,128	6,097	70,251
Increase (decrease) in retainage payable	-	(16,894)	11,675	-	-	(7,338)	(12,557)
Increase (decrease) in intergovernmental payable	(336)	5,759	(209)	(18)	(221)	(127,953)	(122,978)
Decrease in accrued landfill post-closure costs	-	-	-	-	-	(1,076)	(1,076)
Increase (decrease) in unearned revenue	905	-	-	(185)	-	-	720
Increase in post-employment benefits	513	4,359	360	110	88	1,646	7,076
Increase in pension liability	12,194	226,459	6,045	6,366	2,242	36,142	289,448
Decrease in deferred inflows of resources	558	21,053	3,305	3,691	2,393	25,260	56,260
Total adjustments	14,657	3,010,745	505,793	136,834	12,352	601,646	4,282,027
Net cash provided by (used for) operating activities	\$ (60,962)	\$ (4,113,176)	\$ 1,888,072	\$ (15,419)	\$ (37,509)	\$ (1,206,287)	\$ (3,545,281)

Internal Service Funds

Internal service funds are used to account for services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Fleet Services Fund - to account for capital equipment other than those accounted for in other funds. A central garage is used and appropriate charges are made to other City departments for maintenance and replacement.

Information Technology Fund - to account for all information technology services provided to City departments.

Risk Management Fund - to account for the self-insured workers' compensation insurance and all other insurance premiums and claims payments, other than for health insurance.

Health Insurance Fund - to account for self-insured health insurance claims payments and stop-loss premiums.

City of Ames
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Fleet Services	Information Technology	Risk Management	Health Insurance	Total Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,123,935	\$ 1,243,156	\$ 1,223,532	\$ 2,856,314	\$ 10,446,937
Investments	4,195,821	1,017,771	995,613	2,338,311	8,547,516
Accrued interest receivable	20,383	5,126	4,743	10,973	41,225
Accounts receivable, net	32,630	1,500	14,827	2,336	51,293
Due from other funds	868,040	204,778	-	-	1,072,818
Intergovernmental receivable	2,605	2,257	-	1,041	5,903
Inventories	93,480	-	-	-	93,480
Prepaid items	3,172	111,746	-	-	114,918
Total current assets	<u>10,340,066</u>	<u>2,586,334</u>	<u>2,238,715</u>	<u>5,208,975</u>	<u>20,374,090</u>
Noncurrent assets:					
Capital assets:					
Land improvements	-	192,433	-	-	192,433
Buildings	884,494	-	-	-	884,494
Equipment	16,193,415	2,626,058	-	-	18,819,473
Less accumulated depreciation	(8,304,320)	(1,674,246)	-	-	(9,978,566)
Total noncurrent assets	<u>8,773,589</u>	<u>1,144,245</u>	<u>-</u>	<u>-</u>	<u>9,917,834</u>
Total assets	<u>19,113,655</u>	<u>3,730,579</u>	<u>2,238,715</u>	<u>5,208,975</u>	<u>30,291,924</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	152,565	93,249	25,690	28,282	299,786
LIABILITIES					
Current liabilities:					
Accounts payable	94,251	137,367	78,852	25,370	335,840
Accrued payroll	13,650	1,659	-	-	15,309
Accrued compensated absences	2,469	4,426	211	298	7,404
Due to other funds	248,265	126,122	191	16,479	391,057
Claims payable	-	-	787,946	600,000	1,387,946
Intergovernmental payable	13,901	410	-	2,389	16,700
Total current liabilities	<u>372,536</u>	<u>269,984</u>	<u>867,200</u>	<u>644,536</u>	<u>2,154,256</u>
Noncurrent liabilities:					
Accrued compensated absences	33,250	87,943	2,320	3,328	126,841
Accrued other post-employment benefits	46,678	39,953	1,768	4,362	92,761
Net pension liability	518,924	330,326	72,594	85,372	1,007,216
Total noncurrent liabilities	<u>598,852</u>	<u>458,222</u>	<u>76,682</u>	<u>93,062</u>	<u>1,226,818</u>
Total liabilities	<u>971,388</u>	<u>728,206</u>	<u>943,882</u>	<u>737,598</u>	<u>3,381,074</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to OPEB	1,144	979	43	107	2,273
Deferred inflows related to pensions	8,039	872	17,665	5,428	32,004
	<u>9,183</u>	<u>1,851</u>	<u>17,708</u>	<u>5,535</u>	<u>34,277</u>
NET POSITION					
Net investment in capital assets	8,773,589	1,144,245	-	-	9,917,834
Unrestricted	9,512,060	1,949,526	1,302,815	4,494,124	17,258,525
Total net position	<u>\$ 18,285,649</u>	<u>\$ 3,093,771</u>	<u>\$ 1,302,815</u>	<u>\$ 4,494,124</u>	<u>\$ 27,176,359</u>

City of Ames
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Fleet Services	Information Technology	Risk Management	Health Insurance	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 4,022,897	\$ 2,518,592	\$ 2,497,165	\$ 9,763,227	\$18,801,881
Operating expenses:					
Cost of goods and services	2,227,521	2,433,299	2,215,933	9,331,184	16,207,937
Depreciation	1,068,201	205,057	-	-	1,273,258
Total operating expenses	3,295,722	2,638,356	2,215,933	9,331,184	17,481,195
Operating income (loss)	727,175	(119,764)	281,232	432,043	1,320,686
Non-operating revenues:					
Investment income	79,578	20,583	15,322	43,553	159,036
Gain (loss) on disposal of capital assets	6,039	(28,713)	-	-	(22,674)
Total non-operating revenues	85,617	(8,130)	15,322	43,553	136,362
Income before transfers	812,792	(127,894)	296,554	475,596	1,457,048
Transfers in	4,371	-	-	-	4,371
Change in net position	817,163	(127,894)	296,554	475,596	1,461,419
Net position, beginning (as previously reported)	17,473,623	3,226,061	1,006,456	4,019,008	25,725,148
Net position restatement	(5,137)	(4,396)	(195)	(480)	(10,208)
Net position, beginning (as restated)	17,468,486	3,221,665	1,006,261	4,018,528	25,714,940
Net position, ending	\$18,285,649	\$ 3,093,771	\$ 1,302,815	\$ 4,494,124	\$27,176,359

City of Ames
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Fleet Services	Information Technology	Risk Management	Health Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 3,690,959	\$ 2,565,851	\$ 2,497,365	\$ 9,765,407	\$18,519,582
Payments to suppliers	(1,036,091)	(1,042,692)	(1,487,775)	(9,021,993)	(12,588,551)
Payments to employees	(821,803)	(975,255)	(107,611)	(172,470)	(2,077,139)
Payments to other funds for services provided	(451,762)	(179,257)	(6,982)	(10,674)	(648,675)
Net cash provided by operating activities	<u>1,381,303</u>	<u>368,647</u>	<u>894,997</u>	<u>560,270</u>	<u>3,205,217</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	4,371	-	-	-	4,371
Net cash used for non-capital financing activities	<u>4,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,371</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,622,714)	(483,808)	-	-	(2,106,522)
Proceeds from the sale of capital assets	89,463	-	-	-	89,463
Net cash used for capital and related financing activities	<u>(1,533,251)</u>	<u>(483,808)</u>	<u>-</u>	<u>-</u>	<u>(2,017,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(3,842,100)	(1,020,120)	(198,923)	(1,421,987)	(6,483,130)
Proceeds from sale of investments	6,223,032	1,652,284	122,815	2,303,186	10,301,317
Interest on investments	68,053	17,627	12,215	36,765	134,660
Net cash provided by (used for) investing activities	<u>2,448,985</u>	<u>649,791</u>	<u>(63,893)</u>	<u>917,964</u>	<u>3,952,847</u>
Net increase in cash and cash equivalents	2,301,408	534,630	831,104	1,478,234	5,145,376
Cash and cash equivalents, beginning	<u>2,822,527</u>	<u>708,526</u>	<u>392,428</u>	<u>1,378,080</u>	<u>5,301,561</u>
Cash and cash equivalents, ending	<u>\$ 5,123,935</u>	<u>\$ 1,243,156</u>	<u>\$ 1,223,532</u>	<u>\$ 2,856,314</u>	<u>\$10,446,937</u>

City of Ames
Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2018

	Fleet Services	Information Technology	Risk Management	Health Insurance	Total Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 727,175	\$ (119,764)	\$ 281,232	\$ 432,043	\$ 1,320,686
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,068,201	205,057	-	-	1,273,258
(Increase) decrease in accounts receivable	(27,381)	(1,500)	200	(2,336)	(31,017)
(Increase) decrease in due from other funds	(323,649)	(36,376)	-	128	(359,897)
Decrease in intergovernmental receivable	19,092	143,706	-	4,388	167,186
Decrease in inventories	(10,929)	-	-	-	(10,929)
(Increase) decrease in prepaid items	465	(21,429)	511,323	-	490,359
(Increase) decrease in deferred outflows of resources	(5,951)	486	(18,154)	(5,267)	(28,886)
Increase (decrease) in accounts payable	75,418	119,149	6,050	(125,122)	75,495
Increase (decrease) in accrued payroll	(539)	219	(351)	-	(671)
Increase (decrease) in accrued compensated absences	1,200	3,073	2,531	(863)	5,941
Increase (decrease) in due to other funds	(148,475)	122,290	(203)	(1,003)	(27,391)
Decrease in retainage payable	(10,004)	-	-	-	(10,004)
Increase in claims payable	-	-	91,411	250,000	341,411
Increase (decrease) in intergovernmental payable	(9,671)	400	-	(909)	(10,180)
Decrease in unearned revenue	-	(58,571)	-	-	(58,571)
Increase in post-employment benefits	1,227	1,051	46	115	2,439
Increase in pension liability	21,853	12,560	3,290	4,511	42,214
Increase (decrease) in deferred inflows of resources	3,271	(1,704)	17,622	4,585	23,774
Total adjustments	654,128	488,411	613,765	128,227	1,884,531
Net cash provided by operating activities	\$ 1,381,303	\$ 368,647	\$ 894,997	\$ 560,270	\$ 3,205,217

Fiduciary Funds

Agency Funds

Agency funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

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

Flex Benefits Fund - to hold Section 125 flex benefits withheld from employees.

City of Ames
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018

	<u>Payroll Clearing</u>	<u>Flex Benefits</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 220,641	\$ 54,578	\$ 275,219
Accounts receivable, net	458	\$ -	458
Investments	177,485	-	177,485
Total assets	<u>\$ 398,584</u>	<u>\$ 54,578</u>	<u>\$ 453,162</u>
LIABILITIES			
Accounts payable	\$ -	\$ 54,578	\$ 54,578
Due to other governments	398,584	-	398,584
Total liabilities	<u>\$ 398,584</u>	<u>\$ 54,578</u>	<u>\$ 453,162</u>

City of Ames
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Total Agency Funds			
	Balance	Additions	Deductions	Balance
	07/01/17			06/30/18
ASSETS				
Cash and cash equivalents	\$ 167,605	\$ 30,566,318	\$ 30,458,704	\$ 275,219
Accounts receivable, net	-	458	-	458
Investments	255,793	71,932	150,240	177,485
Total assets	\$ 423,398	\$ 30,638,708	\$ 30,608,944	\$ 453,162

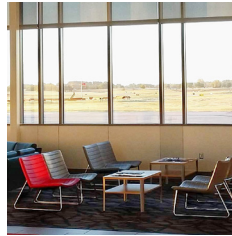
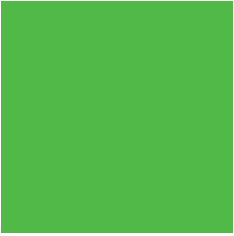
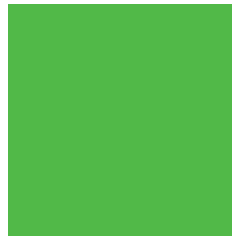
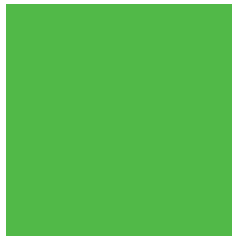
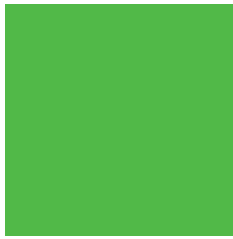
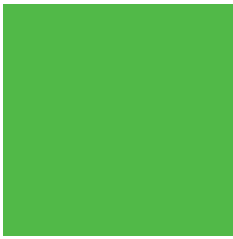
LIABILITIES				
Accounts payable	\$ 56,455	\$ 31,979,446	\$ 31,981,323	\$ 54,578
Due to other governments	366,943	19,601,654	19,570,013	398,584
Total liabilities	\$ 423,398	\$ 51,581,100	\$ 51,551,336	\$ 453,162

	Payroll Clearing Fund			
	Balance	Additions	Deductions	Balance
	07/01/17			06/30/18
ASSETS				
Cash and cash equivalents	\$ 111,218	\$ 29,195,025	\$ 29,085,602	\$ 220,641
Accounts receivable, net	-	458	-	458
Investments	255,787	71,932	150,234	177,485
Total assets	\$ 367,005	\$ 29,267,415	\$ 29,235,836	\$ 398,584

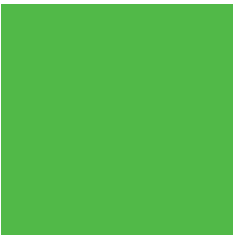
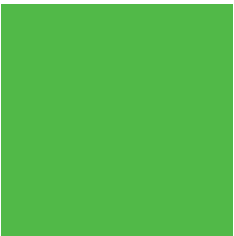
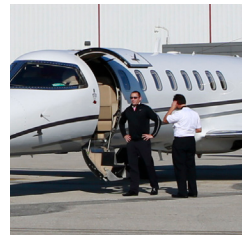
LIABILITIES				
Accounts payable	\$ 62	\$ 30,946,007	\$ 30,946,069	\$ -
Due to other governments	366,943	19,601,654	19,570,013	398,584
Total liabilities	\$ 367,005	\$ 50,547,661	\$ 50,516,082	\$ 398,584

	Flexible Benefits Fund			
	Balance	Additions	Deductions	Balance
	07/01/17			06/30/18
ASSETS				
Cash and cash equivalents	\$ 56,387	\$ 1,371,293	\$ 1,373,102	\$ 54,578
Investments	6	-	6	-
Total assets	\$ 56,393	\$ 1,371,293	\$ 1,373,108	\$ 54,578

LIABILITIES				
Accounts payable	\$ 56,393	\$ 1,033,439	\$ 1,035,254	\$ 54,578
Total liabilities	\$ 56,393	\$ 1,033,439	\$ 1,035,254	\$ 54,578



STATISTICAL SECTION



STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	131
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	136
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	140
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	146
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	148

City of Ames
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 101,940,741	\$ 115,002,627	\$ 110,348,921	\$ 111,810,541	\$ 112,305,532	\$ 116,792,110	\$ 120,231,602	\$ 129,469,743	\$ 137,632,652	\$ 141,703,409
Restricted	9,681,837	14,864,552	15,338,746	20,794,194	12,081,140	18,009,657	19,525,973	19,116,323	20,842,946	21,714,454
Unrestricted	20,852,226	10,530,303	15,638,160	12,237,776	21,194,735	15,726,615	(2,573,072)	871,100	783,394	1,139,151
Total governmental activities	<u>132,474,804</u>	<u>140,397,482</u>	<u>141,325,827</u>	<u>144,842,511</u>	<u>145,581,407</u>	<u>150,528,382</u>	<u>137,184,503</u>	<u>149,457,166</u>	<u>159,258,992</u>	<u>164,557,014</u>
Business-type activities										
Net investment in capital assets	233,486,481	239,942,242	243,495,813	251,498,597	272,253,133	277,649,147	303,949,791	317,734,901	320,823,796	308,134,898
Restricted	1,559,234	2,717,216	2,708,889	2,814,032	1,001,294	1,015,822	1,027,652	2,262,200	2,425,524	2,458,169
Unrestricted	143,372,402	169,009,627	218,617,981	249,745,121	268,805,782	310,375,526	261,830,409	258,217,652	304,183,289	353,749,237
Total business-type activities	<u>378,418,117</u>	<u>411,669,085</u>	<u>464,822,683</u>	<u>504,057,750</u>	<u>542,060,209</u>	<u>589,040,495</u>	<u>566,807,852</u>	<u>578,214,753</u>	<u>627,432,609</u>	<u>664,342,304</u>
Primary government										
Net investment in capital assets	335,427,222	354,944,869	353,844,734	363,309,138	384,558,665	394,441,257	424,181,393	447,204,644	458,456,448	449,838,307
Restricted	11,241,071	17,581,768	18,047,635	23,608,226	13,082,434	19,025,479	20,553,625	21,378,523	23,268,470	24,172,623
Unrestricted	164,224,628	179,539,930	234,256,141	261,982,897	290,000,517	326,102,141	259,257,337	259,088,752	304,966,683	354,888,388
Total primary government	<u>\$ 510,892,921</u>	<u>\$ 552,066,567</u>	<u>\$ 606,148,510</u>	<u>\$ 648,900,261</u>	<u>\$ 687,641,616</u>	<u>\$ 739,568,877</u>	<u>\$ 703,992,355</u>	<u>\$ 727,671,919</u>	<u>\$ 786,691,601</u>	<u>\$ 828,899,318</u>

City of Ames
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 2,518,339	\$ 2,492,116	\$ 2,629,067	\$ 2,559,365	\$ 2,755,166	\$ 2,915,560	\$ 4,165,152	\$ 2,686,082	\$ 3,136,291	\$ 4,044,800
Public safety	13,011,464	13,133,701	14,281,351	15,144,853	15,589,369	15,943,465	12,730,107	15,524,747	17,292,304	18,202,532
Public works	13,090,595	13,780,841	16,339,571	14,938,688	15,352,458	12,721,868	12,482,265	13,650,452	13,698,162	15,667,470
Health and social services	1,159,050	1,151,848	1,250,292	1,159,849	1,005,458	1,078,118	1,161,242	1,180,361	1,342,880	1,293,038
Culture and recreation	6,668,942	7,043,477	7,703,519	8,818,851	9,082,953	8,536,548	9,857,775	9,770,521	9,872,288	10,989,672
Community and economic development	3,850,712	3,042,375	4,262,698	2,875,118	2,366,904	2,477,986	2,972,753	2,898,115	3,461,393	3,257,359
Interest	1,571,257	1,471,758	1,469,661	1,298,010	1,369,323	2,174,303	1,577,883	1,635,789	1,592,039	1,532,790
Total governmental activities	<u>41,870,359</u>	<u>42,116,116</u>	<u>47,936,159</u>	<u>46,794,734</u>	<u>47,521,631</u>	<u>45,847,848</u>	<u>44,947,177</u>	<u>47,346,067</u>	<u>50,395,357</u>	<u>54,987,661</u>
Business-type activities:										
Mary Greeley Medical Center	153,741,531	146,809,782	146,292,855	155,374,830	160,369,431	161,792,473	168,891,942	176,918,607	182,728,675	185,267,383
Electric	39,716,298	41,642,821	48,241,832	50,159,375	52,411,173	54,791,141	53,024,205	54,906,155	58,618,483	60,617,830
Sewer	6,485,535	6,923,605	6,719,787	7,956,963	9,122,173	7,848,323	7,435,226	7,229,003	7,574,949	8,558,520
Water	6,514,499	6,827,194	7,099,299	6,630,919	6,856,515	6,894,305	6,866,001	7,383,824	8,122,396	11,766,957
Parking	766,381	819,988	805,253	767,154	846,825	876,916	888,452	900,939	887,679	891,229
Transit	7,685,829	8,682,833	10,010,387	10,002,499	10,629,183	11,391,087	11,859,395	12,216,003	13,208,178	13,794,474
Storm sewer	1,080,705	782,489	917,771	918,495	655,522	467,378	644,411	557,890	1,231,885	420,171
Ice arena	511,334	565,303	526,660	521,670	606,215	578,163	584,702	605,291	602,774	651,714
Golf course	218,708	218,021	230,698	232,689	211,279	206,620	253,997	243,309	258,459	227,798
Resource recovery	3,914,713	3,855,039	4,310,188	4,184,929	4,375,362	4,670,459	4,577,441	4,320,344	4,619,859	4,485,732
Total business-type activities	<u>220,635,533</u>	<u>217,127,075</u>	<u>225,154,730</u>	<u>236,749,523</u>	<u>246,083,678</u>	<u>249,516,865</u>	<u>255,025,772</u>	<u>265,281,365</u>	<u>277,853,337</u>	<u>286,681,808</u>
Total expenses	<u>262,505,892</u>	<u>259,243,191</u>	<u>273,090,889</u>	<u>283,544,257</u>	<u>293,605,309</u>	<u>295,364,713</u>	<u>299,972,949</u>	<u>312,627,432</u>	<u>328,248,694</u>	<u>341,669,469</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	1,367,765	1,308,062	1,404,478	118,459	130,627	163,655	134,239	172,126	203,609	158,792
Public safety	2,387,020	2,371,581	2,571,060	2,864,844	3,194,059	3,433,170	3,652,787	3,345,400	3,768,480	3,421,439
Public works	5,181,523	5,865,263	5,231,237	6,601,518	6,026,315	295,874	715,898	277,437	268,565	2,737,534
Culture and recreation	1,059,095	1,326,197	1,490,008	2,031,204	1,980,793	1,974,037	2,029,655	1,939,498	2,135,274	2,131,253
Other activities	73,674	34,005	24,163	7,630	11,140	15,925	23,015	24,615	25,660	21,132
Operating grants and contributions	2,437,772	2,524,027	2,758,176	1,091,752	1,192,687	6,940,124	7,173,301	8,521,814	8,681,507	8,546,037
Capital grants and contributions	2,901,619	6,256,045	4,742,929	4,985,082	3,211,001	3,516,122	1,632,753	6,822,367	6,664,323	3,285,174
Total governmental activities	<u>15,408,468</u>	<u>19,685,180</u>	<u>18,222,051</u>	<u>17,700,489</u>	<u>15,746,622</u>	<u>16,338,907</u>	<u>15,361,648</u>	<u>21,103,257</u>	<u>21,747,418</u>	<u>20,301,361</u>

City of Ames
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services										
Mary Greeley Medical Center	156,095,243	156,880,212	160,115,058	171,389,850	175,011,409	174,265,003	184,201,460	181,534,863	189,944,553	194,988,247
Electric	50,432,375	50,113,108	57,545,144	57,195,559	57,353,200	60,016,205	56,636,062	58,511,422	64,339,637	68,660,541
Sewer	5,126,681	5,171,859	5,402,162	6,188,602	6,648,263	7,491,746	8,267,051	8,370,811	8,856,136	9,175,876
Water	6,742,803	7,516,283	7,650,007	8,824,494	9,125,922	9,647,203	9,584,813	9,987,307	10,502,276	10,620,863
Parking	792,023	762,746	872,625	779,976	883,899	870,246	891,983	925,177	899,705	829,993
Transit	4,507,801	4,626,529	5,588,406	4,828,097	5,108,154	5,463,677	5,814,552	6,337,415	6,576,578	6,746,369
Storm sewer	878,597	984,077	957,122	1,155,583	1,136,621	1,179,495	1,215,233	1,241,840	1,700,529	1,817,030
Ice arena	444,671	433,628	472,015	475,743	471,760	507,203	532,001	544,300	481,831	504,884
Golf course	234,701	246,357	220,388	235,824	220,643	256,221	248,853	268,440	191,186	184,601
Resource recovery	3,444,001	3,676,954	4,374,268	3,583,946	3,731,936	3,469,877	3,687,927	3,031,997	3,314,210	2,719,456
Operating grants and contributions	2,681,074	2,922,399	2,567,137	2,751,186	2,723,226	3,059,305	3,161,366	3,405,067	5,062,412	4,961,244
Capital grants and contributions	1,345,340	5,819,635	5,541,433	8,991,024	8,604,246	4,708,511	3,304,381	1,474,384	4,752,319	1,728,763
Total business-type activities	232,725,310	239,153,787	251,305,765	266,399,884	271,019,279	270,934,692	277,545,682	275,633,023	296,621,372	302,937,867
Total program revenues	248,133,778	258,838,967	269,527,816	284,100,373	286,765,901	287,273,599	292,907,330	296,736,280	318,368,790	323,239,228
Net (expense) / revenue										
Governmental activities	(26,461,891)	(22,430,936)	(29,714,108)	(29,094,245)	(31,775,009)	(29,508,941)	(29,585,529)	(26,242,810)	(28,647,939)	(34,686,300)
Business-type activities	12,089,777	22,026,712	26,151,035	29,650,361	24,935,601	21,417,827	22,519,910	10,351,658	18,768,035	16,256,059
Total net (expense) / revenue	(14,372,114)	(404,224)	(3,563,073)	556,116	(6,839,408)	(8,091,114)	(7,065,619)	(15,891,152)	(9,879,904)	(18,430,241)
General revenues										
Governmental activities:										
Taxes										
Property taxes	21,436,807	22,215,888	22,821,388	23,485,295	23,913,389	25,273,931	25,988,892	27,114,273	28,166,804	29,680,915
Sales taxes	6,246,630	5,954,773	6,117,664	6,935,154	6,655,355	6,648,615	7,996,943	7,831,295	7,711,124	7,681,519
Hotel / motel taxes	1,822,205	1,142,162	1,416,830	1,518,571	1,760,462	1,845,940	2,113,310	2,272,323	2,435,756	2,412,667
Unrestricted grants and contribution:	15,842	15,842	15,990	17,040	17,726	17,819	19,108	20,527	20,565	22,146
Investment income	1,508,776	673,003	499,004	436,302	18,067	544,414	455,916	699,289	211,126	689,377
Other income	-	-	-	314,699	120,071	118,097	133,787	450,340	251,997	1,214,979
Gain on disposal of assets	-	-	-	127,182	16,084	25,501	63,228	140,825	118,389	6,039
Transfers	307,267	351,946	(228,423)	(223,314)	12,751	(18,401)	117,020	(13,399)	(465,996)	(1,604,405)
Total governmental activities	31,337,527	30,353,614	30,642,453	32,610,929	32,513,905	34,455,916	36,888,204	38,515,473	38,449,765	40,103,237
Business-type activities:										
Investment income	(8,598,734)	11,575,051	17,372,875	4,197,199	13,003,757	26,013,566	8,201,914	1,001,761	27,543,163	18,271,065
Other income	-	-	-	-	40,761	66,660	64,714	40,083	417,879	427,961
Gain on disposal of assets	1,311	1,151	18,421	5,164,193	35,091	551,139	25,700	-	48,479	12,078
Special item	-	-	9,382,844	-	-	-	-	-	-	-
Transfers	(307,267)	(351,946)	228,423	223,314	(12,751)	18,401	(117,020)	13,399	465,996	1,604,405
Total business-type activities	(8,904,690)	11,224,256	27,002,563	9,584,706	13,066,858	26,649,766	8,175,308	1,055,243	28,475,517	20,315,509
Total primary government	22,432,837	41,577,870	57,645,016	42,195,635	45,580,763	61,105,682	45,063,512	39,570,716	66,925,282	60,418,746
Change in net position										
Governmental activities	4,875,636	7,922,678	928,345	3,516,684	738,896	4,946,975	7,302,675	12,272,663	9,801,826	5,416,937
Business-type activities	3,185,087	33,250,968	53,153,598	39,235,067	38,002,459	48,067,593	30,695,218	11,406,901	47,243,552	36,571,568
Total change in net position	\$ 8,060,723	\$41,173,646	\$54,081,943	\$42,751,751	\$38,741,355	\$53,014,568	\$37,997,893	\$23,679,564	\$57,045,378	\$41,988,505

City of Ames
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	\$ 190,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,933,392	-	-	-	-	-	-	-	-	-
Nonspendable	-	68,171	97,918	96,235	73,623	68,428	90,538	141,713	172,236	237,381
Assigned	-	74,962	124,097	147,752	382,930	253,059	296,803	725,077	809,033	580,004
Unassigned	-	7,248,755	7,751,289	7,924,363	7,902,465	9,046,946	10,332,050	11,137,621	11,270,733	10,824,689
Total general fund	<u>\$ 7,123,991</u>	<u>\$ 7,391,888</u>	<u>\$ 7,973,304</u>	<u>\$ 8,168,350</u>	<u>\$ 8,359,018</u>	<u>\$ 9,368,433</u>	<u>\$ 10,719,391</u>	<u>\$ 12,004,411</u>	<u>\$ 12,252,002</u>	<u>\$ 11,642,074</u>
All other governmental funds										
Reserved	\$ 11,630,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Non-major special revenue funds	10,376,299	-	-	-	-	-	-	-	-	-
Nonspendable	-	2,063,375	1,999,501	1,976,152	2,019,699	1,998,143	2,007,044	2,023,387	2,059,985	2,038,896
Restricted	-	17,214,109	16,940,269	24,621,403	47,672,976	30,630,963	31,882,923	30,000,397	31,507,537	32,769,654
Committed	-	6,239,090	5,577,769	1,399,913	1,547,185	1,461,826	1,397,635	2,013,730	1,978,585	1,988,318
Assigned	-	678,764	1,259,956	316,669	-	-	-	71,393	-	-
Unassigned	-	-	(470,818)	(308,456)	(669,214)	(448,098)	(1,811,003)	(2,479,002)	(2,741,760)	(1,309,206)
Total all other governmental funds	<u>\$ 22,006,403</u>	<u>\$ 26,195,338</u>	<u>\$ 25,306,677</u>	<u>\$ 28,005,681</u>	<u>\$ 50,570,646</u>	<u>\$ 33,642,834</u>	<u>\$ 33,476,599</u>	<u>\$ 31,629,905</u>	<u>\$ 32,804,347</u>	<u>\$ 35,487,662</u>

Note: GASB Statement 54 was implemented in 2010. Prior to 2010, fund balance information in the GASB 54 format is not readily available.

City of Ames
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 29,505,642	\$ 29,312,823	\$ 30,355,882	\$ 31,908,563	\$ 32,319,668	\$ 33,755,016	\$ 36,080,369	\$ 37,207,916	\$ 38,313,146	\$ 39,760,873
Special assessments	136,817	301,709	238,106	217,885	306,761	16,590	362,306	222,895	298,227	564,860
Licenses and permits	1,071,936	1,068,920	1,138,714	1,327,206	1,707,463	1,892,634	2,017,035	1,687,317	2,059,688	1,635,289
Intergovernmental	7,889,894	11,276,398	11,408,113	9,098,425	9,084,528	10,658,992	8,277,965	14,500,743	10,983,498	11,815,543
Charges for services	3,451,677	3,643,428	3,969,212	4,039,097	3,298,578	3,393,715	3,517,164	3,596,467	3,798,813	3,914,432
Fines and forfeitures	214,672	180,059	196,748	214,641	111,014	146,485	138,720	93,652	67,584	65,504
Investment income	1,345,607	664,464	635,176	320,693	70,115	419,786	404,297	529,364	169,673	530,341
Miscellaneous	875,643	412,881	476,659	3,027,255	1,219,633	863,337	825,429	852,639	930,506	1,856,014
Total revenues	44,491,888	46,860,682	48,418,610	50,153,765	48,117,760	51,146,555	51,623,285	58,690,993	56,621,135	60,142,856
EXPENDITURES										
Current:										
General government	2,293,741	2,286,774	2,398,630	2,405,265	2,906,491	2,720,623	3,308,736	2,655,547	3,520,312	3,806,110
Public safety	12,917,525	13,250,208	14,252,764	14,938,537	15,287,766	15,839,280	16,237,949	16,664,555	17,097,771	17,703,682
Public works	5,499,791	5,980,354	5,463,593	5,538,204	5,388,832	5,434,191	5,488,851	5,871,433	5,868,576	6,202,540
Health and social services	1,159,726	1,156,893	1,252,377	1,159,849	1,005,458	1,078,118	1,161,242	1,180,361	1,342,880	1,293,038
Culture and recreation	6,327,050	6,685,162	6,869,276	7,224,794	7,088,894	7,179,033	7,613,063	8,263,043	8,648,567	9,072,955
Community and economic development	3,851,231	3,053,279	4,266,580	2,870,859	2,363,783	2,481,609	2,875,879	2,909,942	3,464,575	3,249,583
Debt service:										
Principal	6,109,953	6,483,396	5,741,838	7,385,280	9,713,723	7,671,776	7,364,829	13,142,882	10,481,762	8,657,150
Interest and fiscal charges	1,681,184	1,595,367	1,595,755	1,389,368	1,440,738	1,815,272	1,765,082	1,995,674	2,064,652	2,067,672
Capital outlay	15,349,040	13,676,401	12,643,534	10,884,449	13,972,053	22,817,899	14,294,598	24,428,030	12,119,780	11,983,901
Total expenditures	55,189,241	54,167,834	54,484,347	53,796,605	59,167,738	67,037,801	60,110,229	77,111,467	64,608,875	64,036,631
Excess (deficiency) of revenues over (under) expenditures	(10,697,353)	(7,307,152)	(6,065,737)	(3,642,840)	(11,049,978)	(15,891,246)	(8,486,944)	(18,420,474)	(7,987,740)	(3,893,775)
OTHER FINANCING SOURCES (USES)										
Transfers in	7,413,364	8,546,195	7,625,145	8,476,754	8,695,389	8,725,886	9,917,519	13,410,870	10,665,237	10,451,681
Transfers out	(7,107,780)	(8,194,249)	(7,484,112)	(8,627,749)	(8,794,765)	(8,753,037)	(9,879,039)	(13,474,329)	(10,940,973)	(12,060,457)
General obligation bonds issued	5,825,000	11,165,000	6,690,000	6,675,000	30,455,000	-	9,395,000	11,435,000	6,890,605	6,985,000
Premium on general obligation bonds	85,108	247,038	197,459	12,885	1,302,774	-	238,187	901,045	475,349	602,484
Refunding bonds issued	6,995,000	-	5,980,000	-	2,090,000	-	-	5,150,000	2,130,000	3,990,000
Premium on refunding bonds	210,985	-	-	-	57,213	-	-	436,214	189,555	326,513
Payment to refunded bond escrow	(7,150,000)	-	(7,250,000)	-	-	-	-	-	-	(4,328,059)
Total other financing sources (uses)	6,271,677	11,763,984	5,758,492	6,536,890	33,805,611	(27,151)	9,671,667	17,858,800	9,409,773	5,967,162
Net change in fund balances	\$ (4,425,676)	\$ 4,456,832	\$ (307,245)	\$ 2,894,050	\$ 22,755,633	\$ (15,918,397)	\$ 1,184,723	\$ (561,674)	\$ 1,422,033	\$ 2,073,387
Debt service as a percentage of non-capital expenditures	19.5%	19.6%	15.9%	19.2%	23.0%	21.0%	20.0%	28.2%	24.2%	20.1%

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Utilities	Multi-Residential¹	Other Property¹	Less: Military Tax Exemption	Total Taxable Value	Total Direct Tax Rate	Estimated Actual Assessed Value	Taxable Value as a Percentage of Estimated Actual Assessed Value
2009	\$1,005,587,549	\$ 815,275,464	\$ 107,483,480	\$ 16,390,291	\$ -	\$ -	\$ 2,941,902	\$1,941,794,882	\$11.0624	\$3,224,629,664	60.22%
2010	1,081,452,054	825,225,818	110,467,400	16,557,530	-	-	2,927,086	2,030,775,716	10.8582	3,327,852,693	61.02%
2011	1,145,943,933	834,382,923	132,671,800	16,025,529	-	-	2,849,302	2,126,174,883	10.8458	3,431,600,584	61.96%
2012	1,203,280,867	821,428,238	129,708,000	16,640,931	-	-	2,797,446	2,168,260,590	10.8437	3,453,383,950	62.79%
2013	1,274,315,462	817,189,995	132,577,960	18,490,587	-	-	2,727,070	2,239,846,934	10.7213	3,485,543,532	64.26%
2014	1,343,486,699	836,448,468	130,392,785	18,309,505	-	-	2,667,806	2,325,969,651	10.8578	3,536,735,367	65.77%
2015	1,420,669,916	791,068,230	125,969,430	18,255,332	-	-	2,606,690	2,353,356,218	10.8554	3,604,369,966	65.29%
2016	1,552,353,357	757,802,880	120,629,790	16,686,705	-	-	2,514,090	2,444,958,642	10.6294	3,789,598,226	64.52%
2017	1,647,904,615	696,992,705	136,333,800	16,846,075	106,897,191	441,500	2,350,188	2,603,065,698	10.3733	4,052,418,330	64.23%
2018	1,731,394,279	705,942,764	137,021,310	19,179,323	109,617,206	609,200	2,323,334	2,701,440,748	10.3759	4,180,898,134	64.61%

Source: Story County Auditor

¹ Fiscal year 2017 is the first fiscal year to have these classifications.

**City of Ames
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	City Direct Rates				Overlapping Rates ¹				Total Direct & Overlapping Rates
	General ²	Public Transit	Employee Benefits	Debt Service	Total Direct Tax Rate ³	Ames School District ⁴	Consolidated County ⁵	Area Vocational ⁶	
2009	5.79037	0.62329	0.49436	4.15437	11.06239	13.62557	6.52666	0.56386	31.77848
2010	5.81420	0.62580	0.47270	3.94549	10.85819	13.58764	6.67330	0.56778	31.68691
2011	6.14501	0.61862	0.51112	3.57104	10.84579	14.65339	6.57299	0.56008	32.63225
2012	6.00441	0.63491	0.67239	3.53194	10.84365	14.51772	6.34859	0.59018	32.30014
2013	5.83418	0.65737	0.70627	3.52343	10.72125	14.47262	6.58192	0.58466	32.36045
2014	5.85539	0.64949	0.75345	3.59946	10.85779	14.34904	6.50266	0.69120	32.40069
2015	5.83299	0.65719	0.78331	3.58189	10.85538	14.34759	6.39469	0.65724	32.25490
2016	5.77474	0.65200	0.71216	3.49047	10.62937	14.20276	6.72830	0.67574	32.23617
2017	5.60071	0.64261	0.71908	3.41087	10.37327	14.34101	6.21998	0.72334	31.65760
2018	5.65041	0.65194	0.72660	3.34694	10.37589	14.34129	6.24271	0.67458	31.63447

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 taxpayers.

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 rate.

⁴ School district board of education sets the rate.

⁵ Story County board of supervisors, the county and city's assessors board, county agricultural extension board, and county hospital board set the rate.

⁶ Area community college sets the rate.

Source: Story County Auditor

**City of Ames
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Iowa State University Research	\$ 61,764,958	1	2.29%			
Barilla America, Inc.	33,167,250	2	1.23%	30,569,300	1	1.57%
Campus Investors IS, LLC	32,311,823	3	1.20%	9,693,274	7	0.50%
Clinic Building Company, Inc.	25,235,880	4	0.93%	15,938,043	3	0.82%
GPT Ames Owner LLC ¹	21,346,650	5	0.79%	13,440,000	4	0.69%
Threshold NGM LP 51%	19,019,520	6	0.70%	28,922,048	2	1.49%
Wal-Mart Stores, Inc.	18,810,000	7	0.70%			
Dayton Park, LLC	18,556,724	8	0.69%			
CB at Ames, LLC	16,506,726	9	0.61%			
University West Property Owner, LLC	15,714,689	10	0.58%			
Midwest Centers				12,717,722	5	0.65%
Ball Plastics Container Corp				10,024,000	6	0.52%
CPMI-CRE Coralville LTD Partnership				9,244,085	8	0.48%
SUSA Holding of Story County, Inc.				8,775,000	9	0.45%
BRHC Ames LLC				8,715,509	10	0.45%
	<u>\$ 262,434,220</u>		<u>9.72%</u>	<u>\$ 148,038,981</u>		<u>7.62%</u>

¹ Formerly Cycloneball, LLC

Source: Story County Auditor

**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	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2009	\$ 21,484,466	\$ 21,089,753	98.16%	\$ 8,062	\$ 21,097,815	98.20%
2010	22,054,085	21,869,568	99.16%	152	21,869,720	99.16%
2011	23,064,211	22,514,535	97.62%	3,546	22,518,081	97.63%
2012	23,516,201	23,178,276	98.56%	5,943	23,184,219	98.59%
2013	24,018,714	23,540,944	98.01%	1,970	23,542,914	98.02%
2014	25,261,403	24,795,918	98.16%	2,516	24,798,434	98.17%
2015	25,557,159	24,772,538	96.93%	13	24,772,551	96.93%
2016	26,000,394	25,108,284	96.57%	-	25,108,284	96.57%
2017	27,044,391	25,919,190	95.84%	-	25,919,190	95.84%
2018	28,137,151	27,044,258	96.12%	-	27,044,258	96.12%

Sources: Story County Auditor and City Finance Department

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

Fiscal Year	Governmental Activities		Business-Type Activities			Total Outstanding Debt	Percentage of Personal Income ²	Population ³	Per Capita
	General Obligation Bonds ¹	General Obligation Bonds ¹	Revenue Bonds ¹	Notes Payable	Loans Payable				
2009	\$39,883,464	\$ 3,329,193	\$21,516,866	\$ 3,197,834	\$ -	\$67,927,357	5.17%	56,510	\$1,202
2010	44,714,741	2,673,753	20,421,954	5,813,116	726,804	74,350,368	5.65%	56,657	1,312
2011	44,448,603	2,442,080	19,077,870	4,395,970	683,896	71,048,419	5.56%	58,965	1,205
2012	43,633,557	2,203,850	83,391,700	2,933,922	535,182	132,698,211	9.63%	58,965	2,250
2013	67,647,632	4,660,760	89,571,199	1,611,285	4,167,950	167,658,826	12.08%	58,965	2,843
2014	59,811,442	4,191,151	86,942,752	568,517	8,884,606	160,398,468	11.47%	58,965	2,720
2015	61,891,291	4,001,571	84,078,724	122,457	14,519,773	164,613,816	11.77%	58,965	2,792
2016	66,260,584	5,399,300	100,601,136	-	35,976,370	208,237,390	14.66%	58,965	3,532
2017	64,987,720	6,534,531	96,160,114	-	66,093,486	233,775,851	14.35%	58,965	3,965
2018	63,331,642	5,682,156	91,617,054	-	66,796,145	227,426,997	12.60%	58,965	3,857

¹ Presented net of original issuance discounts and premiums and deferred charges

² Personal income is presented on page 146

³ United States Census Bureau

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

Fiscal Year	General Obligation Bonds¹	Less: Amounts Available in Debt Service Fund²	Total	Percentage of Estimated Actual Assessed Value of Property³	Per Capita⁴
2009	\$43,212,657	\$ 1,990,754	\$41,221,903	1.28%	\$ 729
2010	47,388,494	2,467,664	44,920,830	1.35%	793
2011	46,890,683	1,942,412	44,948,271	1.31%	762
2012	45,837,407	1,658,922	44,178,485	1.28%	749
2013	72,308,392	1,260,206	71,048,186	2.04%	1,205
2014	64,002,593	603,260	63,399,333	1.79%	1,075
2015	65,892,862	594,468	65,298,394	1.81%	1,107
2016	71,659,884	773,472	70,886,412	1.87%	1,202
2017	71,522,251	1,173,608	70,348,643	1.74%	1,193
2018	69,013,798	987,953	68,025,845	1.63%	1,154

¹ General bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums and deferred charges

² Amount restricted for debt service payments

³ See page 136 for property value data

⁴ See page 146 for population data

City of Ames
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Primary Government
Debt repaid with property taxes:			
Ames Community School District	\$16,510,000	98.22%	\$ 16,216,122
Gilbert Community School District	16,295,000	50.86%	8,287,637
Des Moines Area Community College ¹	22,355,000	6.19%	1,383,775
Nevada Community School District	6,394,000	0.15%	9,591
Story County	6,365,443	60.62%	3,858,732
Other debt:			
Ames Community School District revenue bonds	13,042,000	98.22%	12,809,852
Gilbert Community School District revenue bonds	9,795,000	50.86%	4,981,737
Des Moines Area Community College revenue bonds	2,535,000	6.19%	156,917
Nevada Community School District revenue bonds	12,510,000	6.19%	774,369
Nevada Community School District capital notes	1,113,000	0.15%	1,670
Subtotal, overlapping debt			48,480,402
City direct debt			63,331,641
Total direct and overlapping debt			<u>\$ 111,812,043</u>

¹ 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.

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

Source: Debt outstanding provided by each governmental unit. Applicable percentages calculated based on assessed value data from the Story County Auditor.

**City of Ames
Legal Debt Margin
June 30, 2018**

Legal debt margin for the fiscal year ended June 30, 2018:

Assessed value	\$ 4,180,898,134
Debt limit (5% of actual value)	\$ 209,044,907
Debt applicable to limit:	
General obligation bonds	65,480,000
Legal debt margin	\$ 143,564,907
Percentage of net debt margin available	68.68%
Percentage of net debt margin exhausted	31.32%

Year	Debt Limit	Outstanding Debt	Percentage of Net Debt Margin Available
2018	\$ 209,044,907	\$ 65,480,000	68.68%
2017	202,620,917	68,230,000	66.33%
2016	189,479,911	68,825,000	63.68%
2015	180,218,498	64,110,000	64.43%
2014	176,836,768	62,260,000	64.79%
2013	174,277,177	70,385,000	59.61%
2012	172,669,198	45,240,000	73.80%
2011	171,580,029	46,185,000	73.08%
2010	166,392,635	46,735,000	71.91%
2009	161,231,483	42,700,000	73.52%

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

**City of Ames
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Hospital Revenue Bond

Fiscal Year	Gross Revenues³	Less: Operating Expenses	Net Available Revenue	Debt Service¹		Coverage
				Principal	Interest	
2009	\$ 156,095,243	\$ 140,766,706	\$ 15,328,537	\$ 1,060,000	\$ 1,025,413	7.35
2010	156,880,212	133,553,941	23,326,271	1,090,000	993,613	11.20
2011	160,115,058	132,028,206	28,086,852	1,340,000	954,863	12.24
2012	171,389,850	139,964,878	31,424,972	1,375,000	3,069,633	7.07
2013	175,011,409	145,546,625	29,464,784	1,915,000	3,682,094	5.26
2014	174,265,003	145,968,125	28,296,878	2,755,000	3,869,900	4.27
2015	184,201,460	147,149,250	37,052,210	2,825,000	3,803,608	5.59
2016	181,534,863	153,761,276	27,773,587	2,890,000	3,735,480	4.19
2017	189,926,814	162,011,472	27,915,342	3,070,000	3,172,934	4.47
2018	194,988,247	164,723,116	30,265,131	3,150,000	3,090,047	4.85

Electric Revenue Bond

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ -	\$ -	\$ -	\$ -	\$ -	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	58,511,422	51,059,004	7,452,418	800,000	161,946	7.75
2017	64,339,637	53,697,044	10,642,593	625,000	343,556	10.99
2018	68,660,541	56,603,627	12,056,914	655,000	312,306	12.46

**City of Ames
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years**

Sewer Capital Loan Note

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service ²		Coverage
				Principal	Interest	
2009	\$ -	\$ -	\$ -	\$ -	\$ -	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	6,643,819	7,083,679	(439,860)	-	3,019	(145.70)
2014	7,491,746	5,809,744	1,682,002	128,000	20,300	11.34
2015	8,267,051	5,334,578	2,932,473	131,000	38,999	17.25
2016	8,370,811	4,751,416	3,619,395	134,000	44,520	20.27
2017	8,856,136	5,147,061	3,709,075	169,000	42,951	17.50
2018	9,175,876	5,934,923	3,240,953	172,000	51,001	14.53

Water Capital Loan Note

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ -	\$ -	\$ -	\$ -	\$ -	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	9,584,813	5,560,459	4,024,354	-	64,982	61.93
2016	9,987,307	5,771,458	4,215,849	-	454,561	9.27
2017	10,502,276	6,141,051	4,361,225	-	857,786	5.08
2018	10,824,699	6,211,833	4,612,866	2,870,000	1,294,591	1.11

¹ Debt service payments do not include payments to refund revenue bonds.

² 2013 was the year of issuance. Accordingly no principal payments were scheduled. Further, there was not any debt outstanding in the previous nine years that was secured by pledged revenues.

³ Prior year gross revenues were restated to accurately reflect operating revenue.

**City of Ames
Demographic and Economic Statistics
Last Ten Calendar Years**

Calendar Year	Population¹	Per Capita Personal Income¹	Personal Income	School Enrollment²	Unemployment Rate³
2008	56,510	\$ 23,231	\$1,312,783,810	4,340	2.7%
2009	56,657	23,231	1,316,198,767	4,358	3.9%
2010	58,965	21,655	1,276,887,075	4,280	4.1%
2011	58,965	23,363	1,377,599,295	4,224	4.1%
2012	58,965	23,547	1,388,448,855	4,229	3.9%
2013	58,965	23,713	1,398,237,045	4,247	3.2%
2014	58,965	23,713	1,398,237,045	4,171	2.7%
2015	58,965	24,082	1,419,995,130	4,181	2.4%
2016	58,965	27,629	1,629,143,985	4,188	2.4%
2017	58,965	30,615	1,805,213,475	4,300	2.0%

¹ United States Census Bureau

² Ames School District

³ Iowa Workforce Development

**City of Ames
Principal Employers
Current Year and Nine Years Ago**

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Iowa State University	17,075	1	29.90%	14,374	1	29.30%
City of Ames	1,401	2	2.45%	904	4	1.84%
Mary Greeley Medical Center	1,325	3	2.32%	1,409	2	2.87%
Iowa Department of Transportation	1,025	4	1.80%	1,062	3	2.17%
McFarland Clinic, P.C.	986	5	1.73%	520	8	1.06%
Danfoss ¹	925	6	1.62%	650	6	1.33%
USDA	857	7	1.50%			
Hy-Vee Food Stores	805	8	1.41%	733	5	1.49%
Ames Community School District	635	9	1.11%	650	6	1.33%
Workiva	455	10	0.80%			
Wal-Mart						
3M Company				430	10	0.88%
Ames Laboratories				466	9	0.95%
Total			<u>44.64%</u>			<u>43.22%</u>

¹ Formerly Sauer-Danfoss

Sources: United States Department of Labor, City of Ames, and company inquiries.

City of Ames
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Management services	22.50	23.50	22.50	22.25	23.25	23.25	23.25	23.25	24.25	24.25
Finance	40.75	40.75	40.75	40.75	40.75	40.75	40.75	40.75	40.75	40.75
Planning and housing	10.50	10.50	10.50	8.00	8.00	8.00	7.00	7.00	7.00	7.00
Administrative services ¹	-	-	-	-	-	-	6.50	6.00	6.00	5.00
Fleet services/facilities	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Transit	75.70	75.70	75.95	75.95	75.95	75.95	81.55	84.05	84.05	84.05
Fire/inspections	68.00	68.00	68.00	68.50	68.50	68.50	65.00	65.00	68.00	70.00
Police/animal control/parking	74.65	74.65	77.65	77.65	77.65	77.65	77.65	77.65	79.65	80.65
Library	31.00	31.00	31.00	31.50	31.50	31.50	35.25	35.50	35.75	35.75
Parks and recreation	20.50	20.50	20.50	19.50	19.50	19.50	19.50	19.50	25.00	25.00
Water and pollution control	41.50	41.50	41.50	41.50	41.50	41.25	40.05	40.05	40.30	40.30
Electric	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00
Public works:										
Administration	3.00	3.00	3.00	3.00	3.00	3.00	1.50	2.00	2.00	2.00
Engineering	13.00	13.00	13.00	14.00	14.00	14.00	14.00	15.75	15.75	14.75
Resource recovery	15.00	15.00	15.00	15.00	15.00	15.00	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	22.00	22.00
Utility maintenance	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Other	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	8.00	10.00
Hospital	1,088.50	1,044.00	1,055.00	1,064.00	1,092.00	1,082.00	1,050.00	1,071.00	1,067.00	1,082.00
Total	<u>1,638.10</u>	<u>1,594.60</u>	<u>1,607.85</u>	<u>1,615.10</u>	<u>1,644.10</u>	<u>1,633.85</u>	<u>1,610.50</u>	<u>1,636.00</u>	<u>1,642.00</u>	<u>1,660.00</u>

¹ Administrative services was formed with employees from the planning and housing, fire/inspections, and public works administration divisions.

Source: City Finance Department

City of Ames Operating Indicators by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Number of licenses/permits processed ¹	650	537	512	462	539	524	617	559	714	635
Police:										
Physical arrests	1,599	1,417	1,415	1,395	1,463	1,588	1,531	1,362	1,215	1,596
Parking violations	54,754	46,354	52,147	48,947	44,100	45,530	46,759	50,280	47,272	38,798
Traffic violations	2,724	3,080	2,953	4,068	3,204	2,543	2,981	2,451	2,614	2,834
Fire:										
Number of fires	162	148	175	188	137	150	107	126	89	116
Number of ambulance assists	1,927	2,099	2,211	2,178	2,325	2,471	2,464	2,442	2,663	2,646
Inspections	632	731	1,011	829	1,058	1,263	1,205	1,435	1,074	831
Library:										
Total circulation	1,386,273	1,431,023	1,388,273	1,343,758	1,222,547	1,205,620	1,255,953	1,304,434	1,280,305	1,222,360
Library visits	424,504	435,572	416,908	443,895	323,859	226,690	426,608	506,034	523,673	508,918
Parks and recreation:										
Total number of participant visits ²	244,856	254,365	303,012	320,533	287,504	294,978	279,103	293,757	255,227	280,766
Total number of activities	147	147	149	148	154	160	175	187	194	196
Resource recovery:										
Tons of refuse processed	50,057	50,614	56,789	53,731	48,244	27,878	50,035	41,646	45,598	37,124
Tipping fee per ton	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75	52.75	55.00
Other public works:										
Blocks of streets crack sealed	51	45	65	110	92	123	90	66	73	65
Blocks of streets slurry sealed	-	-	-	-	-	11	22	36	33	30
Blocks of seal coat reconstruction	14	17	8	6	7	8	4	16	-	10
Hospital:										
Total admissions	9,748	9,292	9,918	9,617	8,768	8,289	8,298	7,867	8,368	8,510
Average percent of occupancy	62.1%	59.6%	57.1%	56.3%	54.1%	52.1%	50.5%	49.3%	49.7%	50.2%
Electric:										
Kilowatt hours produced at plant	413,485,892	340,892,874	341,229,148	307,447,978	318,394,938	282,348,784	278,471,640	243,388,530	244,149,566	222,873,411
Meters in service	24,237	24,290	24,436	24,844	25,141	25,353	26,023	26,232	26,475	27,324
Transit:										
Passengers	5,002,146	5,377,155	5,447,289	5,759,883	5,892,786	6,619,182	6,711,665	6,785,479	6,658,027	6,572,065
Total miles driven	1,317,336	1,381,832	1,421,852	1,412,162	1,384,270	1,493,983	1,599,493	1,658,443	1,635,781	1,649,762
Water:										
Billion gallons per year pumped	2.029	1.961	2.074	2.151	2.082	2.131	2.022	2.110	2.131	2,245.000
Utility locates performed	5,650	5,417	6,471	6,466	6,247	6,185	6,615	8,121	7,383	7,113
Water main breaks	29	23	37	18	42	47	19	19	18	42
Wastewater:										
Billion gallons per year treated	2.438	2.385	2.501	1.906	2.093	1.936	2.389	2.690	2.427	2.141

¹ The State of Iowa took over issuing plumbing, electrical, and mechanical licenses in 2009.

² Aquatic center opened in 2010.

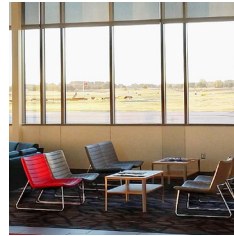
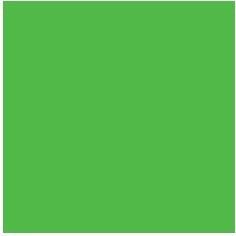
Sources: City departments and Mary Greeley Medical Center

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

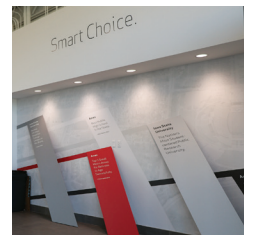
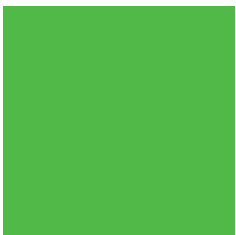
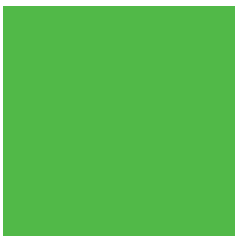
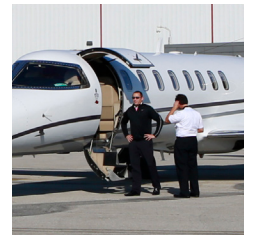
Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	11	11	11	11	11
Fire stations	3	3	3	3	3	3	3	3	3	3
Parks and recreation:										
Total number of parks	36	36	36	36	37	37	37	37	36	36
Total number of park acres	1,213	1,213	1,213	1,213	1,224	1,227	1,227	1,227	1,223	1,224
Total number of athletic fields	18	18	18	18	18	18	18	18	18	21
Other public works:										
Miles of streets	250	254	260	272	288	290	291	291	300	305
Number of traffic signals	63	70	70	70	70	67	67	67	68	69
Number of signs	9,441	9,575	9,759	9,852	9,486	9,489	9,485	9,509	9,854	10,087
Hospital:										
Beds in operation	199	199	199	199	199	199	199	199	199	199
Transit:										
Buses owned	70	72	79	84	89	93	104	105	104	105
New buses purchased	4	14	7	7	2	-	6	9	5	3
Water:										
Miles of water mains	236	240	241	241	241	243	247	254	247	249
Fire hydrants	2,586	2,619	2,650	2,648	2,663	2,700	2,771	2,847	2,906	2,948
Wells	28	28	28	28	28	28	28	28	25	24
Wastewater:										
Sanitary sewer miles	199	200	201	202	202	203	204	204	210	211
Storm sewer miles	257	257	261	263	265	260	263	271	276	277

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

Sources: City departments and Mary Greeley Medical Center



COMPLIANCE SECTION





**Independent Auditor's 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, 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, 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 (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 25, 2019. Other auditors audited the financial statements of Mary Greeley Medical Center (presented as an enterprise fund), as described in our report on the financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Other auditors also audited the financial statements of the Mary Greeley Medical Center Foundation, the discretely presented component unit. Those financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2018-A in Part II in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying schedule of findings and questioned costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
January 25, 2019



Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited the City of Ames, Iowa's (City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Dubuque, Iowa
January 25, 2019

City of Ames, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct program:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218		\$ 444,951
U.S. Department of Justice			
Direct program:			
Bulletproof Vest Partnership Program	16.607		3,146
Edward Byrne Memorial Justice Assistance Grant Program	16.738		10,860
Total U.S. Department of Justice			14,006
U.S. Department of Transportation:			
Highway Planning and Construction Cluster:			
Pass-through program from:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-0155(691) --70-85	8,571
Highway Planning and Construction	20.205	STP-U-0155(693) --70-85	542,984
Highway Planning and Construction	20.205	18MPO-AAMPO	65,451
Highway Planning and Construction	20.205	2016-017-015-16	702,400
Highway Planning and Construction	20.205	2017-006-00 -0015-FY17	133,971
Highway Planning and Construction	20.205	2017-006-01 -0015-FY18	187,999
Highway Planning and Construction	20.205	95-X018-015-15	351,200
Total Highway Planning and Construction Cluster			1,992,576
Federal Transit Cluster:			
Direct program:			
Federal Transit – Capital Investment Grants	20.500		19,048
Federal Transit – Capital Investment Grants	20.500		50,598
			69,646
Federal Transit - Formula Grants	20.507		2,085,368
Total Federal Transit Cluster			2,155,014
Pass-through program from:			
Iowa Department of Transportation:			
Metropolitan Transportation Planning and State and Non-metropolitan Planning and Research	20.505	18MPO-AAMPO	29,857

City of Ames, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation: (continued)			
Transit Services Program Cluster:			
Pass-through program from:			
Iowa Department of Transportation:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	2016-026-00 -015-FY17	\$ 143,387
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	2016-026-015-17	62,254
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	2016-026-01 -015-FY18	72,746
			<u>278,387</u>
Job Access and Reverse Commute Program	20.516	37-X022-015-17	8,704
Total Transit Services Program Cluster			<u>287,091</u>
Direct program:			
Alternatives Analysis	20.522		<u>9,348</u>
Highway Safety Cluster:			
Pass-through program from:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 17-402-M0AL, Task 01-00-00	5,286
State and Community Highway Safety	20.600	PAP 18-402-M0AL, Task 01-00-00	20,899
Total Highway Safety Cluster			<u>26,185</u>
Total U.S. Department of Transportation			<u>4,500,071</u>
U.S. Department of Health and Human Services:			
Pass-through program from:			
Iowa Department of Public Health			
Immunization Cooperative Agreements	93.268	5886I471	<u>1,835</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	5886I471	9,294
Total U.S. Department of Health and Human Services			<u>11,129</u>

City of Ames, Iowa
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Pass-through program from:			
Iowa Department of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	HMGP-DR-1998 -0033-01	\$ 1,005
Total			\$ 4,971,162

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Ames, Iowa, (City) under programs of the federal government for the year ended June 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting – when they become a demand on current available financial resources in the governmental fund types and on the full accrual basis of accounting – when expenditures are incurred in the proprietary fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. There was no assistance provided to subrecipients during the year ended June 30, 2018.

Note 3 - Indirect Cost Rate

The City has not elected to use the 10% de minimis cost rate.

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

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Federal Transit Cluster	
Federal Transit – Capital Investment Grants	20.500
Federal Transit - Formula Grants	20.507
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

Part II: Findings Related to the Financial Statements:

Material Weakness

2018-A Audit Adjustments

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – During the year ended June 30, 2018, a material audit adjustment was proposed and corrected related to recording additional unavailable revenue in the capital projects fund. Another adjustment was related to increasing electric fund receivables and revenue.

Cause – The adjustments were related to the timing of a contribution receivable receipt after yearend and staff turnover.

Effect – The effect of this condition was financial data not in accordance with generally accepted accounting principles.

Recommendation – We recommend that additional financial statement review procedures be implemented.

Views of Responsible Officials – The City agrees with the recommendation.

Part III: Findings and Questioned Costs for Federal Awards:

There were no federal findings and questioned costs to report.

Part IV: Other Findings Related to Required Statutory Reporting:

2018-IA-A **Certified Budget** – Disbursements during the year ended June 30, 2018, did not exceed the amount budgeted.

2018-IA-B **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.

2018-IA-C **Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

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

2018-IA-D **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Karen Stephan, Account Clerk Husband is owner of Scott’s Heating, Cooling & Plumbing	Services	\$ 4,241
Kylie Ploessl, Employee, Husband, Marc, is owner of Ames Lawn Care and Maintenance	Lawn Care	2,826
Jan Heuss, Employee, Daughter is owner of Heuss Printing, Inc.	Printing Services	1,190

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Heuss Printing, Inc. do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with Scott’s Heating, Cooling & Plumbing and Ames Lawn Care and Maintenance 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.

2018-IA-E **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.

2018-IA-F **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

2018-IA-G **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

2018-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of the City’s revenue bond resolutions were noted.

2018-IA-I **Annual Urban Renewal Report** – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.