

AMES NATIONAL CORP
Form 11-K
June 27, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK
PURCHASE, SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-32637

A. Full title of the Plan and the address of the Plan, if different from that of the issuer named below:

Ames National Corporation 401(k) Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the Plan and the address of its principal executive office:

Ames National Corporation
405 Fifth Street
Ames, Iowa 50010

REQUIRED INFORMATION

1. Financial statements and schedules of the Ames National Corporation 401(k) Profit Sharing Plan prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974 are attached hereto.
2. A written consent of Independent Registered Public Accounting Firm is attached hereto as Exhibit 23 and is incorporated herein by this reference.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 27, 2011

AMES NATIONAL CORPORATION
401(k) PROFIT SHARING PLAN

By: First National Bank, Ames, Iowa,
Trustee

By: /s/ Steven J. McLaughlin
Name: Steven J. McLaughlin
Title: Vice President and Senior Trust
Officer

AMES NATIONAL CORPORATION
401(k) PROFIT SHARING PLAN
Ames, Iowa

FINANCIAL STATEMENTS
December 31, 2010 and 2009

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Report of Independent Registered Public Accounting Firm

The Plan Administrator
Ames National Corporation 401(k) Profit Sharing Plan
Ames, Iowa

We have audited the accompanying statements of net assets available for benefits of Ames National Corporation 401(k) Profit sharing Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Ames National Corporation 401(k) Profit Sharing Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Clifton Gunderson, LLP

West Des Moines, Iowa
June 27, 2011

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AMES NATIONAL CORPORATION
 401 (K) PROFIT SHARING PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 December 31, 2010 and 2009

	2010	2009
CASH	\$265,380	\$576,566
PARTICIPANT-DIRECTED INVESTMENTS	23,975,284	20,354,926
RECEIVABLES		
Accrued interest and dividends	23,815	27,713
Contributions receivable from employer	223	143
Notes receivable from participants	117,341	139,623
NET ASSETS AVAILABLE FOR BENEFITS	\$24,382,043	\$21,098,971

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AMES NATIONAL CORPORATION
401 (K) PROFIT SHARING PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Years Ended December 31, 2010 and 2009

	2010	2009
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Investment income:		
Interest	\$94,062	\$132,323
Dividends	501,941	413,109
Net appreciation in fair value of investments	1,801,549	1,471,013
Total investment income	2,397,552	2,016,445
Interest income from notes receivable from participants	6,297	7,887
Contributions:		
Employer	487,681	730,710
Participants	698,042	684,000
Total contributions	1,185,723	1,414,710
Total additions	3,589,572	3,439,042
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to participants	305,327	640,889
Operating expenses	1,173	1,400
Total deductions	306,500	642,289
NET INCREASE	3,283,072	2,796,753
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	21,098,971	18,302,218
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$24,382,043	\$21,098,971

The accompanying notes are an integral part of the financial statements.

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AMES NATIONAL CORPORATION
401 (k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - DESCRIPTION OF PLAN

The Ames National Corporation 401(k) Profit Sharing Plan (the Plan) is sponsored by Ames National Corporation and its subsidiaries: First National Bank, Ames, Iowa (the Plan trustee); Boone Bank & Trust Co., Boone, Iowa; Randall-Story State Bank, Story City, Iowa; State Bank & Trust Co., Nevada, Iowa; and United Bank & Trust NA, Marshalltown, Iowa (collectively, the Companies). The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General and eligibility

The Plan is a defined contribution plan covering employees of the Companies who have completed six months of employment with a minimum of 500 hours of service and are age 21 or older. Employees are eligible to begin making salary deferral contributions to the Plan on January 1, or July 1, following their eligibility date and will also be eligible for the employer matching contribution at that time. To be entitled to employer nondiscretionary contributions, a participant must complete 1,000 hours of service during the plan year and must be employed by the Companies on the last day of the Plan year. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute up to 100% of their annual compensation as defined by the Plan subject to the Internal Revenue Service limitations for 2010 and 2009. In 2010, the Plan was restated and provided a matching contribution up to 3% of the participant's compensation and a nondiscretionary contribution of 3% of the participants' compensation. In 2009, the Companies provided a matching contribution up to 2% of the participant's compensation and a nondiscretionary contribution of 5% of the participants' compensation and made additional discretionary contributions based on profits. In 2009, the discretionary contributions were determined by the Boards of Directors. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. All Plan investments were participant-directed into investment options offered by the Plan.

Participant accounts

Each participant's account is credited with (a) the participant's contribution, (b) the Companies' matching contribution, (c) an allocation of the Companies' nondiscretionary contribution and (d) Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Forfeited balances of terminated participants' nonvested balances are used to reduce future contributions from the Companies.

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AMES NATIONAL CORPORATION
401 (k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Vesting

In 2010 and 2009, participants are immediately vested in their voluntary contributions and the employer matching contributions and earnings thereon. Vesting in the Companies' nondiscretionary and, in 2009, discretionary contributions and earnings thereon is based on years of continuous service established after reaching 1,000 hours of credited service in a year. A participant is 100% vested in the Companies' nondiscretionary and discretionary contributions after three years of credited service with no vesting prior to that time.

Payment of benefits

On termination of service due to death, disability, retirement or any other reason, a participant or their beneficiaries may elect to receive an amount equal to the value of the participant's vested interest in his or her account in a lump sum amount. Benefits related to the nondiscretionary contribution are immediately vested on termination of service due to death, disability and normal retirement. Benefits related to the nondiscretionary contribution for other reasons are paid only if the participant is employed on the last day of the Plan year and has 1,000 hours of service.

Notes Receivable from Participants

Participants may borrow from their fund accounts up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Notes receivable from participants at December 31, 2010, mature through 2020 and the interest rates (as determined by the Plan Administrator) range from 2.75% to 7.75%. Principal and interest are paid ratably through monthly payroll deductions, generally, over five years. However, repayment of notes receivable from participants for the purchase of a primary residence may exceed five years. The notes receivable from participants are secured by the balance in the participant's account.

Forfeited accounts

The forfeitures are used to reduce contributions from the Companies. During the years ended December 31, 2010 and 2009, forfeitures from nonvested account balances reduced employer contributions by approximately \$5,400 and \$5,600, respectively. Forfeitures for nonvested account balances as of December 31, 2010 and 2009 were approximately \$20,000 and \$5,300, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Plan year ends on December 31. Significant accounting policies followed by the Plan are presented below.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

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AMES NATIONAL CORPORATION
401 (k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investments

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements.

Purchases and sales of investment securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes realized gains and losses on investments sold as well as unrealized gains and losses on investments held during the year.

Notes Receivable from Participants

Notes receivable from participants are stated at the amount of unpaid principal balance plus any accrued but unpaid interest. Payments of notes receivable from participants are applied to the specific accounts comprising the balance. Delinquent and unpaid notes receivable are reclassified as a distribution against the participant's vested balance.

Payment of benefits

Benefits are recorded when paid.

Reclassifications

Certain reclassifications have been made to the prior financial statements to conform to the current period presentation. These reclassifications had no effect on net assets available for benefits.

Recent accounting pronouncements

In January 2010, the FASB issued guidance which modifies certain aspects contained in the Fair Value Measurements and Disclosure topic of FASB ASC 820. This standard enhances information reported to users of the financial statements by providing additional and enhanced disclosures about the fair value measurements. This standard was effective for the Plan as of January 1, 2010, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which will be effective on January 1, 2011. The adoption of this standard did not have any impact on the Plan's financial position or results of operations.

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AMES NATIONAL CORPORATION
401 (k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

The Plan adopted a new accounting standard, Reporting Loans to Participants by Defined Contribution Pension Plans, which provides clarification of how loans to participants should be classified and measured by defined contribution pension benefit plans. This guidance requires that loans to participants be reported as notes receivable from participants in the statement of net assets available for benefits and be measured at their unpaid principal balance plus any accrued but unpaid interest. The Plan adopted this standard in its December 31, 2010 financial statements and has reclassified loans from participants of \$117,127 and \$139,323 from participant-directed investments to notes receivable from participants as of December 31, 2010 and 2009, respectively. The Plan reclassified accrued interest receivable of \$214 and \$300 from accrued interest and dividends to notes receivable from participants as of December 31, 2010 and 2009, respectively. The Plan also reclassified interest income from participant loans of \$6,297 and \$7,887 from investment income to interest income from notes receivable from participants for the years ended December 31, 2010 and 2009, respectively. Net assets of the Plan were not affected by the adoption of this standard.

NOTE 3 - FINANCIAL INSTRUMENT RISK

The Plan maintains all its cash in a non-interest bearing deposit account at First National Bank, Ames, Iowa. As of December 31, 2010 and 2009, the balance in the Plan's non-interest bearing transaction deposit account is fully insured by the FDIC.

NOTE 4 - ADMINISTRATIVE EXPENSES

Certain administrative functions are performed by officers or employees of the Companies. No such officer or e