Exit Conference: City of Des Moines

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2021 through December 31, 2021 - see draft report
- Financial statement January 1, 2021through December 31, 2021 – see report
- Annual Comprehensive Financial Report opinion letter – see letter
- Attestation for January 1, 2021 through December 31, 2021 – see report

Audit Highlights

We thank Beth Anne Wroe, Finance Director, Jeff Friend, Deputy Finance Director, and City staff for their assistance and cooperation with fulfilling audit requests. We thank the City for its commitment to accountability and transparency in governmental financial reporting.

Communications required by audit standards

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the schedule of uncorrected items. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: https://portal.sao.wa.gov/SAOPortal.

Management Representation Letter

We have included a copy of representations received from management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be $79,000 and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in August 2023 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs

The estimated cost for the next audit based on current rates is $ $72,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, CFE, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Wendy Choy, Assistant Director of Local Audit, (425) 502-7067, Wendy.Choy@sao.wa.gov

Ngan Kim-Hoang Nguyen, CPA, CFE, Audit Manager, (253) 893-6628, Ngan.Nguyen@sao.wa.gov

Rebecca Nyanjui, Assistant Audit Manager, (253) 893-6840, Rebecca.Nyanjui@sao.wa.gov

Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Des Moines

For the period January 1, 2021 through December 31, 2021

Published (Inserted by OS)

Report No. 1032068

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Office of the Washington State Auditor
Pat McCarthy

Issue Date – (Inserted by OS)

Mayor and City Council
City of Des Moines
Des Moines, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Des Moines from January 1, 2021 through December 31, 2021.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements
- Parks, Recreation and Senior Services Departments – cash receipting
- Payroll – overtime
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Des Moines
January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
Fiscal Year 2019	1027336	2019-001

Finding Caption:

The City did not have adequate internal controls over cash receipting in the Parks, Recreation and Senior Services Department.

Background:

The City did not have procedures in place to assess and monitor the former employee's conflicts of interest in the Parks, Recreation and Senior Services Department. In addition, the City did not have adequate independent oversight over Parks, Recreation, and Senior Services cash receipts.

Inadequate internal controls over the City's cash receipting activities and lack of proper oversight increase the risk that a loss or misappropriation of public funds could occur and not be detected by management quickly, if at all. Specifically, we identified 33 checks, totaling $8,140, made out to the City that were deposited into a Des Moines Legacy Foundation bank account.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

In 2021, the Deputy Finance Director was assigned the task of reviewing and updating the City's cash receipting policy and procedures. This task was completed with the culmination of the City Council adopting a new Cash Handling Policy in 2022. The policy is based on best practices and guidance from the Association of Public Treasurers of the United States and Canada. The Finance Director had previously written memos for departments that receive cash and developed training based on research which included guidance from the Association of Public Treasurers of the United States and Canada.

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, http://portal.sao.wa.gov/ReportSearch.

That report includes a finding for a material weakness in internal controls over financial reporting regarding financial statement preparation.

Other reports

We issued an examination report on the City's compliance with Coronavirus State and Local Fiscal Recovery Funds Program requirements as part of the American Rescue Plan Act of 2021. That report is available on our website, http://portal.sao.wa.gov/ReportSearch.

INFORMATION ABOUT THE CITY

The City of Des Moines serves approximately 33,100 citizens in south King County.

The City has a council-manager form of government. The seven Council Members are elected to staggered, four-year terms. Every two years, the Council selects one of its members as Mayor. The City's 2021 general operating expenditures were approximately $37.3 million. Approximately 195 full- and part-time employees provide police, community development, parks and recreation, engineering, streets, surface water management, Municipal Court and certain administrative services. The City also operates a marina on Puget Sound. Other entities provide additional services such as fire, emergency medical, water, sewer, solid waste and library.

Contact information related to this report	
Address:	City of Des Moines 21630 11th Avenue S. Des Moines, WA 98188
Contact:	Jeff Friend, Deputy Finance Director
Telephone:	(206) 870-6510
Website:	www.desmoineswa.gov

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Des Moines at http://portal.sao.wa.gov/ReportSearch.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- Find your audit team
- Request public records
- Search BARS manuals (GAAP and cash), and find reporting templates
- Learn about our training workshops and on-demand videos
- Discover which governments serve you — enter an address on our map
- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov

Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Des Moines

For the period January 1, 2021 through December 31, 2021

Published September 30, 2022

Report No. 1031256

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Office of the Washington State Auditor
Pat McCarthy

September 30, 2022

Council
City of Des Moines
Des Moines, Washington

Report on Financial Statements

Please find attached our report on the City of Des Moines financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

City of Des Moines
January 1, 2021 through December 31, 2021

2021-001 The City's internal controls were inadequate for ensuring proper revenue recognition for grant funds received in advance.

Background

State and federal agencies, the City Council, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the City's financial reporting is reliable and its financial statements are accurate.

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding.

Description of Condition

In 2021, the City received $4,514,939 of American Rescue Plan Act of 2021 (ARPA) grant advance funds and incurred eligible ARPA expenditures of $998,081. We found a deficiency in internal controls that represents a material weakness. Specifically, the City did not properly evaluate whether it had met eligibility requirements, including incurring eligible expenditures, as required to recognize the grant funds received as revenue.

Cause of Condition

The City typically receives grant funding on a reimbursement basis, under which it incurs eligible expenditures before receiving grant funding. City employees were not familiar with the revenue recognition criteria for the unspent ARPA funds, which should be reported as unearned revenue, a liability, until the applicable eligibility requirements are met.

Effect of Condition

We found the following errors in the City's financial statements:

- American Rescue Plan Fund Intergovernmental Revenue and Restricted Fund balances were overstated by $3,516,858 each, and the Unearned Revenue was understated by the same amount.
- The Governmental Activities Operating Grants and Contributions revenue and Restricted Net Position were overstated by $3,516,858, and the Unearned Revenue was understated by the same amount.

The City subsequently corrected these errors in the financial statements.

Recommendation

We recommend the City improve its controls to ensure it properly classifies and reports grant funds received in advance in accordance with GAAP. This includes evaluating whether the City has met revenue recognition criteria.

City's Response

The City acknowledges and accepts this finding. In 2021, the City received the first tranche of ARPA funding in the amount of approximately $4.5M. Prepaid grants are not typical as most grants are reimbursement grants. Knowing this was not a typical grant, the City researched what the appropriate accounting treatment would be, including reaching out the Washington State Auditor's Office (SAO). The input from the SAO was misinterpreted by the City.

The ARPA funds were coded to the appropriate revenue code, which identifies it as federal funding. However, the City only expended $998,081 of these funds in 2021. The remaining amount of the funding should have been reported as unearned revenue for financial reporting purposes.

The error has been corrected. To prevent similar reporting errors in the future, the City will not rely solely on consultation with the SAO but also consult with the Governmental Accounting Standards Board on issues that are of concern. Discussing the same issue with two separate authorities would provide clarity and help prevent future confusion.

In regards to the assertion in this report's "Description of Condition" that states "the City did not properly evaluate whether it had met eligibility requirements, including incurring eligible expenditures, as required to recognize the grant fund received as revenue." The City would like to clarify that this finding concerns an *error in how revenue was reported; the calculation for which takes into account what portion of the proceeds has been expended. In this sense, the SAO is correct and the City agrees. However; the reader should know that the City does indeed properly evaluate whether ARPA funds are expended on costs that are eligible. It is the City's position that to assert otherwise is grossly inaccurate.*

Furthermore, it should be noted that the City had never received a prepaid grant in modern memory. The unique circumstances of the COVID-19 pandemic-related funding allocations are unlikely to be replicated in the future.

For the benefit of our residents, this matter does not represent any misuse of public funds. Rather, it represents a reporting error involving how the received funds were coded.

The City appreciates the opportunity to respond to the SAO's conclusions. The City would like to thank the audit staff for the open communication throughout the audit.

Auditor's Remarks

We appreciate the City's commitment to resolving the issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The Budgeting, Accounting and Reporting System (BARS) manual, 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Paragraph 15.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Paragraph 10.

City of Des Moines

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Des Moines
January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 01/01/2020 - 12/31/2020	**Report Ref. No.:** 1029684	**Finding Ref. No.:** 2020-001

Finding Caption:

The City did not have adequate internal controls over financial statement preparation for ensuring accurate financial reporting

Background:

The City utilizes managerial funds to assist with accounting for individual operations however for financial reporting purposes these managerial funds are consolidated as prescribe by GAAP. Transactions such as transfers in and out between managerial funds need to be eliminated in order to avoid double counting the transaction. When preparing its 2020 financial statements in accordance with GAAP, the City did not have a process in place to ensure transfers between managerial funds were eliminated during consolidation.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

Coding in the ACFR spreadsheet was corrected. Transfers reported in the ACFR were reviewed to ensure they were correct and tied throughout the ACFR.

<table>
<tr><td>Audit Period:
01/01/2020 - 12/31/2020</td><td>Report Reference No.: 1029684</td><td>Finding Ref. No.:
2020-002</td><td>CFDA Number(s):
21.019</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
U.S. Department of the Treasury</td><td colspan="2">Pass-Through Agency Name:
Washington State Department of Commerce</td></tr>
<tr><td colspan="4">Finding Caption:
The City charged the Coronavirus Relief Fund for payroll expenditures that lacked support.</td></tr>
<tr><td colspan="4">Background:
The City received the new Coronavirus Relief Fund program funds while trying to react quickly to the COVID-19 pandemic. As such, the City did not sufficiently train employees responsible for managing the program on Treasury’s guidance for charging salary, wage and benefits to this specific program.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)</td></tr>
<tr><td>☐ Fully Corrected</td><td>☒ Partially Corrected</td><td>☐ Not Corrected</td><td>☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
Training has been provided to staff regarding the Treasury’s guidance for charging salary, wage and benefits to this specific program. In addition, the Finance Department has implemented a new financial management system, which includes project accounting. Project accounting has been set up for grants to track actual costs of salary, wage and benefits. The City is no longer using the forecasted pay rate to charge salary, wage and benefits to grants.
The City is working with the Department of Commerce to provide additional supporting documentation, which complies with the Treasury’s guidance for this specific grant.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

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*

City of Des Moines
January 1, 2021 through December 31, 2021

Council
City of Des Moines
Des Moines, Washington

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, each major fund and the aggregate remaining fund information of the City of Des Moines, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2022.

REPORT ON 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) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 to be material weaknesses.

REPORT ON 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 financial statements. 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*.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. 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 the response.

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 City'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. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Des Moines
January 1, 2021 through December 31, 2021

Council
City of Des Moines
Des Moines, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Des Moines, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Des Moines, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Development, Capital and Construction and American Rescue Plan Act funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

FINANCIAL SECTION

City of Des Moines
January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Des Moines, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Des Moines for the fiscal year ended December 31, 2021. We encourage readers to consider the information furnished in our letter of transmittal which can be found starting on page 1 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Des Moines exceeded its liabilities and deferred inflows at fiscal year-end by $249,498,293 (net position), an increase of $11,897,446 or 5% from 2020. Of this amount, a majority of net position ($200,987,725) is a net investment in capital assets. An additional $20,498,082 or 8.2% of net position is restricted for purposes of public safety, transportation, recreation & senior services, and debt service. The remaining $28,012,486, or 11.2%, of net position ($15,094,334 for governmental activities and $12,918,151 for business-type activities) represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

- In 2021, the City of Des Moines was awarded $9,029,878 in funds from the federal government via the American Rescue Plan Act. Of this award, $4,514,939 (50%) was received in 2021 with the remaining balance expected to be received in 2022. In September of 2021, the City Council approved various uses of these funds which include replacing revenue lost by recreation programs, providing utility assistance to qualifying residents, and funding marina infrastructure.

- At December 31, 2021, the City's governmental activities reported combined ending net position of $208,355,948, an increase of $8,351,148 from 2020. Approximately 7.2% of this amount ($15,094,334) is available for spending at the City's discretion (unrestricted net position).

- The City of Des Moines' net investment in capital assets increased by $6,849,654 during 2021. The increase includes capital asset additions of $9,929,943 for governmental activities and additions of $2,124,639 business-type activities, offset by depreciation of $4,130,584 for governmental activities and $882,425 for business-type activities as well as miscellaneous asset disposals. Debt payments on long-term liabilities used for investment in capital asset projects also factor into the increase.

- Overall program revenue from governmental activities and business activities decreased $346,048 and $1,018,193; respectively, as impacts from the COVID-19 pandemic have eased but various government service programs have remained closed.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City of Des Moines's basic financial statements which are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The financial statements are presented in conformity with Governmental Accounting Standards Board (GASB), which establishes Generally Accepted Accounting Principles (GAAP) for governmental entities. The government-wide financial statements are designed to provide readers with a broad overview of the City of Des Moines' finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows as well as liabilities and deferred inflows with the difference between the two groups 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 government'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 the related cash flows*. Thus, revenues and expenses are reported in this statement 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 of Des Moines that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from activities that are supported by fees and charges (Business-Type Activities). The governmental activities of the City of Des Moines include general government, judicial, public safety, transportation, natural and economic environment, social services, culture and recreation and interest on long-term debt. The business-type activities include the Marina and Surface Water Management Utility.

The government-wide financial statements can be found following the Independent Auditor's Report on Financial Statements.

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 of Des Moines, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Des Moines maintains fourteen individual governmental funds. The City’s four major governmental funds – the General Fund, the Development Fund, the Capital & Construction Fund, and the American Rescue Plan Act Fund are presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. The remaining governmental funds are combined in this statement into a single column labeled ‘Other Governmental’. Individual fund data for each of the other governmental funds can be found in *Combining Statements* later in this report.

The City of Des Moines adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Des Moines maintains two 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 an enterprise funds to account for the Marina and Surface Water Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally to the City’s various functions. The City uses internal service funds to account for it equipment maintenance and replacement, facility repair and replacement, computer equipment and software replacement, self-insurance programs and unemployment compensation. As these internal activities predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Data from the internal service funds are combined into a single, aggregated presentation in the basic proprietary fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the proprietary fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The statement of net position may serve as a useful indicator of the City’s financial position. The overall financial position has increased for the City of Des Moines over the prior year. Changes in net position from 2020 to 2021 show an increase in total net position of $11,897,446 which includes a prior period adjustment of $12,811. The following schedule is the condensed version of the government-wide statement of net position with a comparison to 2020:

City of Des Moines
Statement of Net Position (in thousands)

	Governmental Activities		Business Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current assets	$ 46,396,409	$ 42,490,752	$ 14,285,419	$ 12,883,486	$ 60,681,828	$ 55,374,238
Capital assets	176,051,917	170,252,559	31,203,602	29,961,386	207,255,519	200,213,945
Other assets	14,838,652	4,045,351	1,250,276	281,000	16,088,928	4,326,351
Total assets	237,286,979	216,788,662	46,739,297	43,125,872	284,026,275	259,914,534
Deferred outflows	1,464,860	1,414,595	235,117	266,540	1,699,977	1,681,135
Current liabilities	5,387,451	3,063,861	1,780,473	1,285,337	7,167,924	4,349,198
Noncurrent liabilities	14,340,611	13,378,214	2,981,836	4,325,767	17,322,447	17,703,981
Total liabilities	19,728,062	16,442,075	4,762,309	5,611,104	24,490,371	22,053,179
Deferred inflows	10,667,829	1,756,382	1,069,760	185,261	11,737,589	1,941,643
Net position:						
Investment in capital assets	172,842,966	167,310,822	28,144,759		200,987,725	194,138,071
Restricted	21,671,258	17,459,763	79,435	-	21,750,693	17,459,763
Unrestricted	13,841,722	15,234,215	12,918,151	10,768,798	26,759,874	26,003,013
Total net position	$208,355,947	$200,004,800	$ 41,142,345	$ 37,596,047	$ 249,498,292	$237,600,847

The largest portion of the City's net position (80.5%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment) less any related outstanding debt to acquire those assets. The City of Des Moines uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position (8.2%) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of unrestricted net position (11.3%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Net position from activity throughout the year was $11,897,446. This increase represents the degree to which ongoing revenues have exceeded increases in ongoing expenses through cost containment measures and increasing revenues. The net position also increased by $12,811 in prior period adjustments.

The net position for investment in capital assets increased by $6,849,654 in 2021. A major part of this increase was due to acquisition of capital assets ($26,586,600), offset by depreciation ($5,013,009) and capital asset disposals ($14,532,018).

Restricted net position increased $4,290,930 due primarily to an increase in Net Pension Assets in 2021. The net effect of the increase in Net Pension Assets on restricted net position was $4,580,246.

Unrestricted net position and current assets have increased as the overall financial health held steady through the COVID-19 pandemic. Despite a decrease in governmental activity program revenues in 2021, current assets such as cash and investments on hand at December 31 has increased over the prior year.

The changes to deferred inflows/outflows are primarily related to actuarial activity related to pensions. Deferred inflows/outflows are affected by such things as the difference between actuarially expected and actual experience, differences between expected and actual investment earnings and changes in actuarial assumptions.

See the FINANCIAL ANALYSIS OF THE CITY'S FUNDS section for more information relating to specific funds.

Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses and related changes in net position for both governmental-type and business-type activities:

City of Des Moines
Changes in Net Position (in thousands)

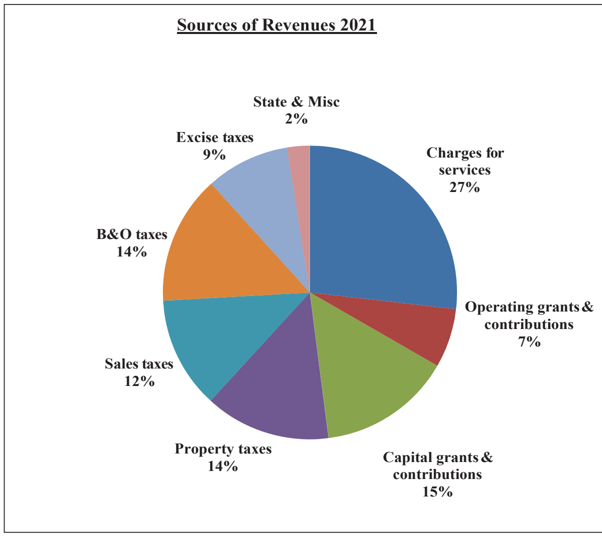
	Governmental Activities		Business Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	$ 10,316,258	$ 10,469,612	$ 9,322,278	$ 8,600,513	$ 19,638,536	$ 19,070,125
Operating grants & contributions	2,507,868	2,321,794	570,953	137,670	3,078,821	2,459,464
Capital grants & contributions	5,638,584	6,017,352	58,943	195,798	5,697,527	6,213,150
General revenues:						
Property taxes	5,318,999	5,191,679	-	-	5,318,999	5,191,679
Other taxes	13,746,478	12,247,515	-	-	13,746,478	12,247,515
Miscellaneous revenue	1,176,821	445,662	-	-	1,176,821	445,662
Investment and misc	(134,093)	228,171	(37,429)	175,476	(171,522)	403,647
Total revenues	38,570,915	36,921,785	9,914,745	9,109,457	48,485,660	46,031,242
Program expenses:						
General government	6,450,331	7,455,194	-	-	6,450,331	7,455,194
Public safety	10,520,726	10,279,581	-	-	10,520,726	10,279,581
Transportation	6,406,029	5,098,069	-	-	6,406,029	5,098,069
Natural & economic environment	2,704,865	2,250,829	-	-	2,704,865	2,250,829
Social services	851,254	653,687	-	-	851,254	653,687
Culture and recreation	2,963,459	2,844,857	-	-	2,963,459	2,844,857
Interest on long term debt	254,480	241,004	-	-	254,480	241,004
Marina	-	-	3,220,697	3,454,690	3,220,697	3,454,690
Surface water management	-	-	3,229,184	3,380,182	3,229,184	3,380,182
Total expenses	30,151,144	28,823,221	6,449,881	6,834,872	36,601,025	35,658,093
Changes in net position	8,419,771	8,098,564	3,464,864	2,274,585	11,884,635	10,373,149
Transfers	(82,474)	(279,000)	82,474	279,000	-	-
Total changes in net position	8,337,297	7,819,564	3,547,338	2,553,585	11,884,635	10,373,149
Net position - beginning	200,004,800	192,226,218	37,596,047	35,046,669	237,600,847	227,272,887
Prior period adjustments	13,850	(40,982)	(1,040)	(4,207)	12,810	(45,189)
Restated net position - beginning	200,018,650	192,185,236	37,595,007	35,042,462	237,613,657	227,227,698
Net position - ending	$208,355,947	$200,004,800	$ 41,142,345	$ 37,596,047	$ 249,498,292	$237,600,847

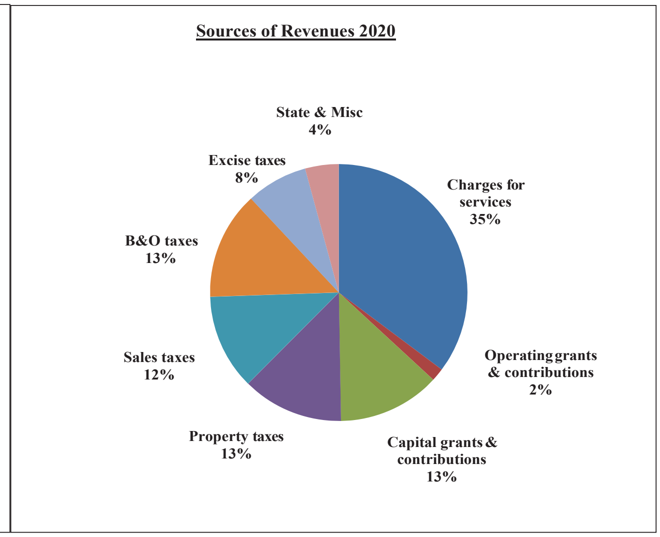
Governmental Activities

Governmental activities increased net position by $8,337,297. The primary reason for the increase is an increase of $3,905,608 in current assets and an increase of $5,799,359 in capital assets. The City continues to follow sound fiscal management practices in matching ongoing expenses to ongoing revenues to ensure a sustainable financial plan into the future. In 2021, total revenues increased $1,649,130 (4.5%) from 2020.Total revenue exceeded expenditures by $8,337,297. Sales tax revenue increased $457,562 or 14.7% from 2020 while B&O taxes increased $90,721 or 10% primarily due to increased activity as the State's stay at home orders related to the COVID-19 pandemic quarantine ceased as the pandemic began to recede. Capital grant revenue also slightly decreased in 2021 by $378,768 or 6.3%. Capital grant activity fluctuates from year to year based on grant awards and construction projects. The City continues to receive state and county funding for the north marina parking lot bulkhead, acquisition of Midway Park, and other various projects. Overall expenditures increased by $1,327,923 or 4.6%.

See the FINANCIAL ANALYSIS OF THE CITY'S FUNDS section for more information relating to specific funds.

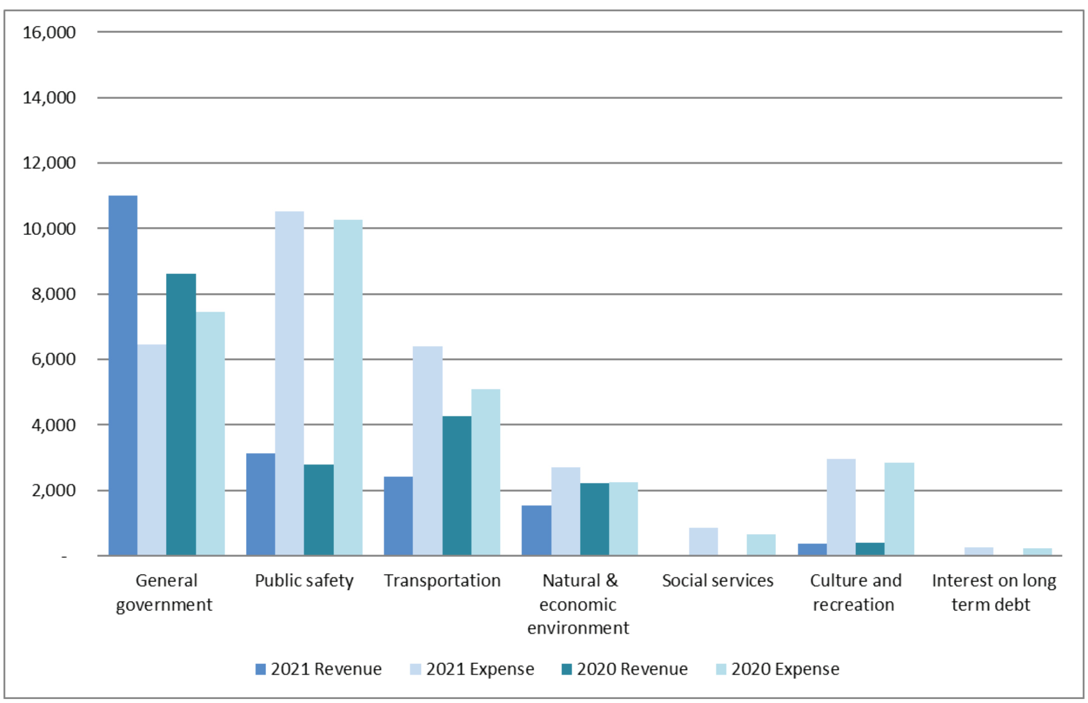
GOVERNMENTAL ACTIVITIES – REVENUES BY SOURCE





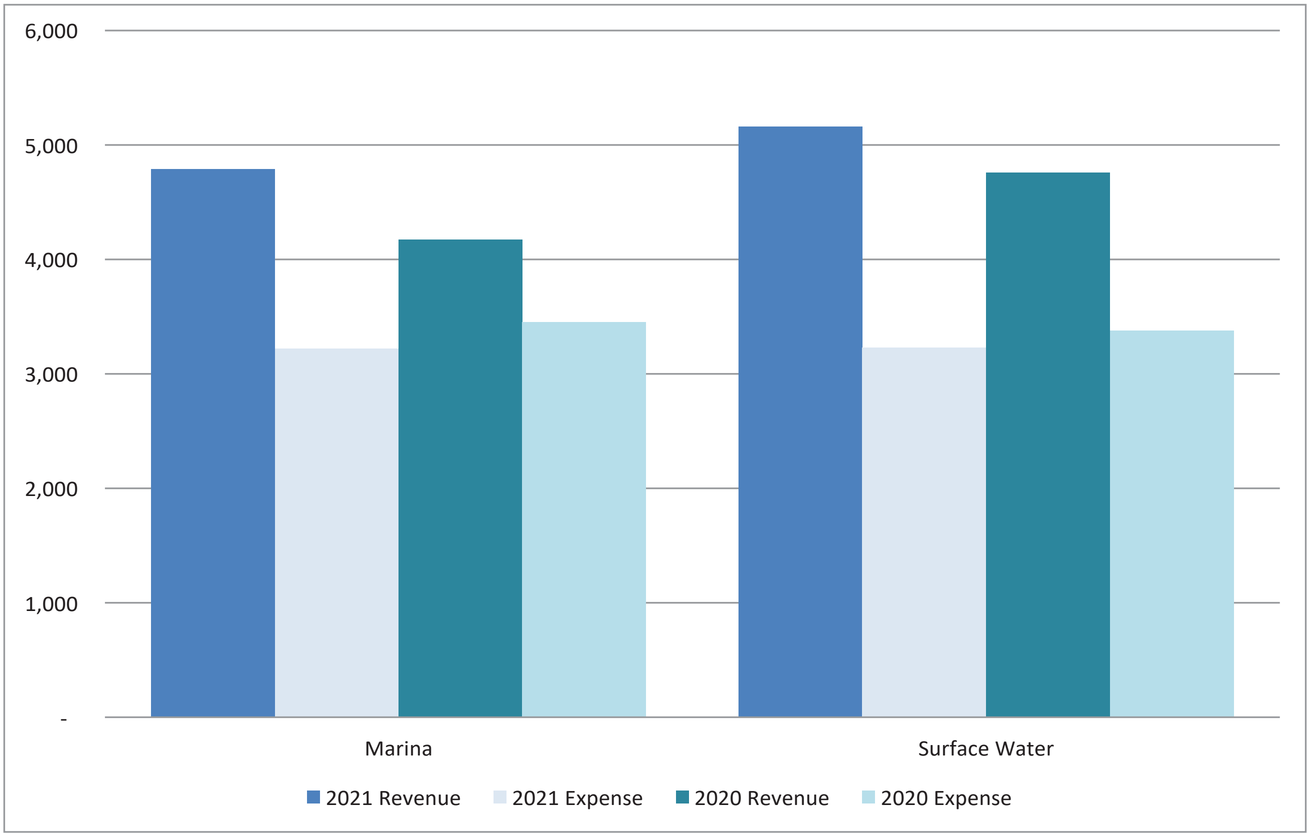
GOVERNMENTAL ACTIVITIES – EXPENSES AND PROGRAM REVENUES

(In thousands)



Business-type activities. Business-type activities increased the City of Des Moines's net position by $3,547,338 as compared to 2020. This increase is due to operating income of $2,872,397, capital grant contributions of $58,943 and other non-operating revenue, expenses and transfers of $614,958.

ENTERPRISE ACTIVITIES – EXPENSES AND PROGRAM REVENUE COMPARISON
(In thousands)



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Des Moines uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Des Moines' *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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of $30,961,549. The City had $7,065,760 in unassigned fund balance. Total governmental fund balances decreased $978,258 from the prior year, including a prior period adjustment of $3,340 to correct the recognition of business license revenue for 2021 received in 2020 and the reallocation of some capital costs between the capital funds and enterprise funds. In 2021, the General Fund's ending fund balance was $7,163,952. The General Fund's ending fund balance increased by $599,177 in 2021 from current year revenue exceeding current year expenditures. Ending fund balance decreased by $1,109,358 for the Development Fund and $1,261,880 for the Capital and Construction Fund. The American Rescue Plan Act fund, created during 2021, has an ending fund balance of negative $250,611 while the ending fund balance for Other Governmental Funds increased $1,038,614.

General Fund

The General Fund is the primary operating fund of the City of Des Moines. The General Fund ended the year with unassigned fund balance of $7,077,095, which fully funds the city council's reserve policy for a minimum fund balance level of 16.67%, of recurring operating expenditures, which equals $3,724,272. Ending unassigned fund balance in the General Fund was 32.1% of operating expenditures. Overall, revenues decreased by 7.3% or $1,774,133 compared to 2020, expenditures decreased by 4.9% or $1,116,813 compared to 2020, other financing uses from net transfers and insurance recoveries were $293,685 in 2021, for a net change in fund balance of $604,977 for 2021.

General Fund tax revenue increased by $968,990 or 6.9%. Property tax increased $147,710 or 2.9% as the assessed valuation of all the property in the City increased. Sales tax revenue increased $457,562 or 14.7% due to a combination of increased business in the City as pandemic restrictions eased and inflationary pressures. Business & Occupation (B&O) taxes overall increased $90,721 or 10.0% as some businesses opened or reopened without having to suffer mandated closures that were typical of the prior year. Utility taxes increased $83,685 or 2.3% due to an increase in consumption. Gambling taxes increased by $927 or 3.4% reflecting a consistent level of activity at gambling establishments compared to the prior year. Leasehold taxes increased by $15,782 or 7.9% in 2021 due to the utilization of public property for private activities during the year.

License and permit revenues increased by $22,444 or 1.5% remaining consistent with the prior year's level of revenue.

Charges for services decreased by $2,211,442 or 43.6%. In 2021, the City implemented a new indirect cost allocation. In 2020, other funds paid the General Fund various interfund payments for administrative services. In 2021, a payment amount of $2,259,197 was removed from the budget during the City's budget amendment process to ensure appropriate payment for the cost of services provided by the General Fund.

Development Fund. Fund balance was $3,553,588 at year-end and decreased by $1,109,358 (or 23.7%) during the year. The change is normal and expected due to the nature of the work performed. Permit fee rates are reevaluated every few years with fund balance providing a cushion to absorb any yearly deficits that might arise.

Construction Fund. Fund balance was $13,914,084 at year-end and decreased by $1,259,420 or 8.3% during the year. The change is normal and expected based on the nature of the construction fund as resources are set aside during the design phase in anticipation of construction. The City received additional grant funding for the north marina parking lot bulkhead.

American Rescue Plan Act Fund The City of Des Moines created the American Rescue Plan Act (ARPA) fund after being awarded $9,029,878 by the federal government in order to track revenues and expenditures related to the ARPA grant. The City received $4,514,939 (50%) of the award in 2021 of which $998,081 was recognized as revenue. The fund has a fund balance of negative $250,611 in the American Rescue Plan Act fund.

Proprietary Funds. The City of Des Moines's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Marina – Unrestricted net position was $3,957,936 at the end of the year; an increase of $1,535,844 from the prior year. Operating revenue increased $464,095 or 10.7%. Operating revenue increased due to fewer pandemic restrictions resulting in higher revenue for charges for services. Operating expenses decreased by $215,401 or 6.5% due to decrease of interfund administrative services charged to the marina.

Surface Water Management – Unrestricted net position totaled $7,834,484; an increase of $645,189 from the prior year. Operating revenue decreased by $11,568 or 1.2%. Operating expenses decreased by $150,998 or 4.4% due to a decrease in depreciation expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

The entire focus of the 2021 budget process and recommendations were a function of the challenges presented by the COVID-19 virus pandemic. Due to the unknowns with the recovery of the global, national, and regional economies the City of Des Moines took a very conservative approach when forecasting revenues and planning for program expenditures for the 2021 fiscal year. The City of Des Moines continues to focus on adopting strong, solvent, and sustainable budgets using sound budgetary policies. The budget that was approved by the Des Moines City Council for 2021 reflects the policy choices of the City Council guided by principles that safeguard the public trust and public resources; that provides for actions that enhance the safety, quality of life and overall general well-being of the city; and, that maximizes the efficient use of budgetary resources.

When the City of Des Moines adopted the 2021 budget it was done so with an anticipated decrease, during the year, of $362,961, or 8.0%, in budgetary fund balance from $4,536,182 to $4,173,221. This planned decrease did not impact the city's required ending fund balance policy of 16.67% set by the Des Moines City Council. This planned decrease was, in part, the necessity to retain staffing in the Parks and Recreation programs even though it was uncertain when city facilities would be available for in-person classes and events.

The 2021 adopted budget anticipated increases in revenue for property, sales, business & occupation and utility taxes but an overall decrease in revenues of 3.6%. The 2021 adopted budget anticipated an overall 3.2% decrease in expenditures. The City planned for an increase for salaries and personnel benefits. This increase was for cost-of-living increases, in order, to retain staff that provide essential services. City resources were used to continue the emergency management program, law enforcement, parks and recreation programs and the continued implementation of a new enterprise resource program by the finance department.

In 2021, the City was awarded $9 million through the American Rescue Plan Act. Fifty percent (50%) of these funds were received in 2021 with the balance expected in 2022. On September 16, 2021, proposed uses for these federal funds, for 2021 and subsequent years, were approved by the Des Moines City Council. Use of these federal funds, which support the City's fiscal goals, were included in the amendments to the 2021 Annual Budget. The 2021 revised General Fund budget included American Rescue Plan funding to support general fund programs primarily related to law enforcement and parks and recreations programs. Another major revision to the General Fund budget was to remove approximately $2.25 million in revenue and expenditures for intra-fund transfers between departments for indirect cost allocations. The information is available to departments to manage operating costs and rates but actual entries between departments were eliminated in 2021.

As the City of Des Moines continued to navigate through the public health crisis that extended beyond 2020 and into 2021. The results for the revised 2021 budget were total actual revenues received of $23,537,240, which were over the revised budget by $1,026,985 (4.56%) and in total actual expenditures of $22,938,063 that were less than the revised budget by $1,240,458 (5.13%). This puts the City of Des Moines in a good position to continue to operate and respond to the COVID-19 pandemic.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Des Moines's total capital assets for its governmental and business-type activities as of December 31, 2021 was $207,255,519 (net of accumulated depreciation); an increase of $7,041,574 from 2020. Investment in capital assets includes such things as land and construction in progress, which are not subject to depreciation. The other capital assets, buildings and structures, machinery and equipment, park facilities, sidewalks, roads, highways, and bridges are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled $176,051,917, an increase of $5,799,359 from 2020. Business-type capital assets (net of depreciation) totaled $31,203,602, an increase of $1,242,214 from 2020.

In addition to the effects of depreciation, these changes in total capital assets are a result of acquisitions for improvements, infrastructure, building & structures, machinery and equipment, and construction in progress. In 2021, the largest components of these changes are related to increases in construction work in progress for ongoing capital projects including the Midway Park Acquisitions, North Bulkhead, and College Way. More information on the City's capital assets can be found in Note 5.

City of Des Moines Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	$ 95,722,062	$ 95,565,651	$ 3,807,527	$ 3,807,526	$ 99,529,589	$ 99,373,177
Construction work in progress	16,364,298	17,038,102	3,145,321	2,217,591	19,509,619	19,255,693
Buildings and structures	8,121,528	6,655,833	5,964,643	1,658,500	14,086,171	8,314,333
Other improvements	8,275,768	6,871,586	2,591,728	7,558,714	10,867,496	14,430,300
Infrastructure	43,878,725	41,173,207	15,403,969	14,621,538	59,282,694	55,794,745
Machinery and equipment	3,441,554	2,948,180	259,949	97,517	3,701,503	3,045,697
Intangible Assets	247,981	-	30,465	-	278,446	-
Total capital assets	$176,051,917	$170,252,559	$ 31,203,602	$ 29,961,386	$ 207,255,519	$200,213,945

Long-term debt. At the end 2021, the City had total bonded debt and loans outstanding of $10,572,385. Of this amount, $10,278,490 is general obligation bonds (North Bulkhead, Transportation, Marina Improvements, and SCORE bonded debt); and $293,895 are governmental loans (Public Work Trust Fund Loans).

City of Des Moines Bonds and Loans

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	$ 6,938,648	$ 7,329,380	$ 3,339,842	$ 4,006,647	$ 10,278,490	$ 11,336,027
Loans & Notes	293,895	361,898	-	-	293,895	361,898
Total	$ 7,232,543	$ 7,691,278	$ 3,339,842	$ 4,006,647	$ 10,572,385	$ 11,697,925

On July 30, 2018, S&P Global Ratings assigned its rating of "AA+" for the Limited Tax General Obligation & Refunding Bonds, Series 2018. On March 6, 2019, Moody's Investors Service upgraded the City's limited tax general obligation bond rating to Aa3 from A1. More information on the City's long-term debt can be found in Note 10.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The COVID-19 pandemic has dragged on for two years. Beginning in 2020, the United States and countries around the world began initiating shutdowns in response to the deadly COVID-19 virus that we knew almost nothing about. Companies shifted millions of employees to telework, schools, offices and businesses closed and in-person events cancelled. Everyone hoped these actions would be temporary in nature and as we found out, they were not. However, the pandemic seems to be receding but in its wake it's left inflationary pressures, supply chain challenges, and staffing challenges in the public and private sectors.

During this the past two years, the COVID-19 pandemic has forced significant changes in the operation and provision of services by local government, generalized across our country and locally, specific to Des Moines. Process and recommendations for the 2022 budget were greatly impacted by the COVID-19 pandemic and related policies. The budget will reflect the policy choices of the City Council, guided by principles that safeguard the public trust and public resources; that provides for actions that enhance the safety, quality of life and overall general well-being of the city; and, that maximizes the efficient use of budgetary resources.

The 2022 budget is a sustainable budget, despite the exceptional impacts of COVID-19. The City of Des Moines financial strategy is to honor the commitment to utilize structural revenues to finance structural expenditures. As well as, maintain the legally established (by City Council) contingency reserves. The City is required to maintain 16.67% of recurring expenditures as ending fund balance in the general fund. <u>This is not a surplus</u> but rather an insurance against risk (known and unknown). In this pandemic, risk is difficult to assess with the huge degree of uncertainty that COVID-19 exhibits in its transmission dynamic.

The City of Des Moines will continue to monitor the changing economic environment and the status of the COVID-19 pandemic and adapt processes and policies to address issues as they present themselves.

The Marina and the Surface Water Management Utility will implement their annual rate increases based on moorage and surface water management fees.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beth Anne Wroe, Finance Director, 21630 11th Ave. S., Suite A, Des Moines, Washington, 98198.

Statement of Net Position
December 31, 2021

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	$ 16,997,640	$ 6,539,945	$ 23,537,585
Restricted cash & cash equivalents:			
Customer deposits/vendor retainage	996,638	251,513	1,248,151
Unspent donations	8,015	-	8,015
Restricted for capital funding	475,000	-	475,000
Investments	23,173,986	6,488,127	29,662,113
Receivables (net of allowances):			
Interest	68,771	28,852	97,623
Taxes	2,372,895	-	2,372,895
Customer accounts	1,926,350	391,823	2,318,173
Grants	187,782	534,147	721,929
Special assessments	8,117	-	8,117
Internal balances	5,270	(5,270)	-
Prepaids	158,012	150	158,162
Inventories	17,933	56,132	74,065
Total current assets	46,396,409	14,285,419	60,681,828
Noncurrent assets:			
Restricted cash - debt reserve	-	281,000	281,000
Net pension asset	13,219,257	969,276	14,188,533
Investment in joint venture	1,619,395	-	1,619,395
Capital assets not being depreciated:			
Land	95,722,062	3,807,527	99,529,589
Construction in progress	16,364,298	3,145,321	19,509,619
Capital assets, net of accumulated depreciation:			
Buildings and structures	8,121,528	5,964,643	14,086,171
Other improvements	8,275,768	2,591,728	10,867,496
Infrastructure	43,878,725	15,403,969	59,282,694
Machinery and equipment	3,441,554	259,949	3,701,503
Intangible Assets	247,981	30,465	278,446
Total noncurrent assets	190,890,569	32,453,878	223,344,447
Total assets	237,286,979	46,739,297	284,026,275
Deferred outflows of resources:			
Loss on debt refunding	22,531	55,198	77,729
Deferred outflow related to Other Post-employment Benefits	28,913	-	28,913
Deferred outflow related to pensions	1,413,416	179,919	1,593,335
Total deferred outflows of resources	1,464,860	235,117	1,699,977
Liabilities			
Current liabilities:			
Accounts payable	3,676,875	846,284	4,523,159
Payable from restricted assets	996,023	241,508	1,237,531
Accrued interest payable	13,538	10,413	23,951
Compensated absences - current	148,159	27,756	175,915
Loans - current	55,481	-	55,481
Bonds - current	365,770	654,512	1,020,282
Capital Lease - Current	24,613	-	24,613
Total OPEB liabilities - current	106,992	-	106,992
Total current liabilities	5,387,451	1,780,473	7,167,924
Noncurrent liabilities:			
Unearned Revenues	3,516,858	-	3,516,858
Compensated absences	1,640,570	202,968	1,843,538
Net pension liabilities	618,878	93,538	712,416
Total OPEB liabilities - noncurrent	1,679,174	-	1,679,174
Loans	238,414	-	238,414
Bonds	6,572,878	2,685,330	9,258,208
Capital Lease	73,839	-	73,839
Total noncurrent liabilities	14,340,611	2,981,836	17,322,447
Total liabilities	19,728,062	4,762,309	24,490,371
Deferred Inflows of Resources			
Deferred revenues	53,852	-	53,852
Debt refunding	482,115	-	482,115
Deferred inflows related to pensions	10,131,862	1,069,760	11,201,622
Total deferred inflows of resources	10,667,829	1,069,760	11,737,589
Net Position			
Net investment in capital assets	172,842,966	28,144,759	200,987,725
Restricted for:			
Public safety	591,018	-	591,018
Transportation	16,070,544	-	16,070,544
Culture and recreation	378,184	-	378,184
Pensions	4,500,811	79,435	4,580,246
General obligation debt	130,701	-	130,701
Unrestricted	13,841,722	12,918,151	26,759,874
Total net position	$ 208,355,947	$ 41,142,345	$ 249,498,292

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

Statement of Activities
For the Year Ended December 31, 2021

		Program Revenue			Net (Expenses) Revenue and Changes in Net Position Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Net (Expense) Revenue
Primary government:							
Governmental activities:							
General government	$ 6,450,331	$ 4,981,916	$ 1,382,169	$ 4,629,371	$ 4,543,125	$ -	$ 4,543,125
Public safety	10,520,726	2,122,235	1,016,570	-	(7,381,921)	-	(7,381,921)
Transportation	6,406,029	1,628,454	-	790,322	(3,987,253)	-	(3,987,253)
Natural & economic environment	2,704,865	1,492,472	-	57,248	(1,155,145)	-	(1,155,145)
Social services	851,254	-	-	-	(851,254)	-	(851,254)
Culture and recreation	2,963,459	91,181	109,129	161,643	(2,601,506)	-	(2,601,506)
Interest on long-term debt	254,480	-	-	-	(254,480)	-	(254,480)
Total governmental activities	30,151,144	10,316,258	2,507,868	5,638,584	(11,688,434)	-	(11,688,434)
Business-type activities:							
Marina	3,220,697	4,768,049	21,787	-	-	1,569,139	1,569,139
Surface water management	3,229,184	4,554,229	549,166	58,943	-	1,933,154	1,933,154
Total business-type activities	6,449,881	9,322,278	570,953	58,943	-	3,502,293	3,502,293
Total primary government	$ 36,601,025	$19,638,536	$ 3,078,821	$ 5,697,527	(11,688,434)	3,502,293	(8,186,141)
General revenues:							
Taxes:							
Property taxes					5,318,999	-	5,318,999
Sales taxes					4,739,337	-	4,739,337
B&O taxes					5,461,557	-	5,461,557
Excise taxes					3,545,584	-	3,545,584
Other taxes					-	-	-
Interest and investment earnings					(134,093)	(37,429)	(171,522)
Gain (loss) on sale of capital assets					15,450	-	15,450
Insurance Recoveries					19,568	-	19,568
Grants and contributions not restricted to specific programs					27,068	-	27,068
Miscellaneous revenue					1,114,735	-	1,114,735
Transfers					(82,474)	82,474	-
Total general revenues and transfers					20,025,731	45,045	20,070,776
Change in net position					8,337,297	3,547,338	11,884,635
Net position - beginning					200,004,800	37,596,047	237,600,847
Change in accounting principle					-	-	
Prior period adjustment - Note 17					13,850	(1,040)	12,810
Net position - ending					$ 208,355,947	$ 41,142,345	$ 249,498,292

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

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Development Fund	Capital & Construction	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 963,532	$ 478,163	$ 8,523,382	$ 783,047	$ 3,809,187	$ 14,557,311
Restricted cash:						
Customer deposits & retainage	279,050	365,619	333,108	-	615	978,392
Unspent donations	8,015	-	-	-	-	8,015
Restricted for capital funding	-	-	475,000	-	-	475,000
Investments	5,676,833	3,259,473	5,751,530	2,483,200	2,680,252	19,851,288
Receivables (net of allowance):						
Interest	22,767	7,362	19,754	-	4,683	54,566
Taxes	1,805,408	-	354,049	-	213,439	2,372,896
Customers	1,525,526	75,473	42,692	-	274,145	1,917,836
Grants	49,337	21,128	117,317	-	-	187,782
Special assessments & loans	8,117	-	-	-	-	8,117
Prepaid items	157,801	210	-	-	-	158,011
Total assets	$10,496,386	$4,207,428	$15,616,832	$ 3,266,247	$ 6,982,321	$ 40,569,214
LIABILITIES, DEFFERED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 1,868,483	$ 280,518	$ 1,245,184	$ -	$ 179,770	$ 3,573,955
Unearned revenue	-	-	-	3,516,858	-	3,516,858
Deposits & retainage payable	279,050	365,619	333,110	-	615	978,394
Total liabilities	2,147,533	646,137	1,578,294	3,516,858	180,385	8,069,207
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	1,184,901	7,703	124,454	-	221,400	1,538,458
FUND BALANCES						
Restricted for:						
General government	-	-	-	-	-	-
Public safety	-	-	-	240,000	351,018	591,018
Transportation	-	-	10,819,653	125,000	5,125,891	16,070,544
Natural & economic development	-	-	-	347,000	-	347,000
Social services	-	-	-	240,000	-	240,000
Culture and recreation	86,857	-	241,327	50,000	-	378,184
General obligation debt	-	-	-	-	130,701	130,701
Committed for:						
General government	-	-	2,853,104	-	-	2,853,104
Natural & economic development	-	-	-	-	984,261	984,261
Assigned for:						
Natural & economic development	-	3,553,588	-	-	-	3,553,588
Unassigned	7,077,095	-	-	(1,252,611)	(11,335)	5,813,149
Total fund balances	7,163,952	3,553,588	13,914,084	(250,611)	6,580,536	30,961,549
Total liabilities, deferred inflows of resources, and fund balances	$10,496,386	$4,207,428	$15,616,832	$ 3,266,247	$ 6,982,321	$ 40,569,214

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021

Amounts reported in the statement of net position are different because:		
Fund balances of governmental funds:		$ 30,961,549
Capital assets are not financial resources, and therefore not reported in the fund financial statements.		
Capital assets net of depreciation		176,051,917
Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Net pension assets	$ 13,219,257	
Investment in joint venture	1,619,395	
		14,838,652
Deferred outflows of resources for pensions, OPEB, and loss on refunding are not available to pay for current period expenditures and, therefore, are not reported in governmental funds		1,464,860
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Proceeds from new debt and repayments of existing debts are recorded as resources and expenditures for fund reporting but are additions and reductions of liabilities for government wide reporting		(15,055,161)
Deferred inflows in governmental funds is susceptible to full accrual and therefore not reported in the Statement of Activities. Other expenses are suspectible to full accrual and are reported in the Statement of Activities but not in the governmental funds.		(5,612,514)
Internal service funds are used by management to charge the cost of certain activities, such as equipment management and insurance to individual funds. These assets and liabilities of certain internal service funds are included in the statement of net position.		5,706,645
Net position		$ 208,355,948

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Development Fund	Capital & Construction	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 14,993,094	$ -	$ 2,342,092	$ -	$ 1,704,929	$ 19,040,115
Licenses and permits	1,464,304	875,581	-	-	613,668	2,953,553
Intergovernmental revenues	1,509,033	57,248	4,914,110	998,081	667,980	8,146,452
Charges for services	2,864,774	952,273	337,826	-	119,230	4,274,103
Fees and penalties	1,449,709	1,519	-	-	141,135	1,592,363
Investment Earnings	546	(52,318)	(43,863)	(10,672)	(23,141)	(129,448)
Miscellaneous	370,996	31,737	-	-	358,309	761,042
Total revenues	22,652,456	1,866,040	7,550,165	987,409	3,582,110	36,638,180
Expenditures						
Current:						
General government	6,910,275	-	-	-	14,934	6,925,209
Public safety	11,448,010	-	-	-	125,513	11,573,523
Transportation	329,264	1,218,706	151	-	2,085,907	3,634,028
Natural & economic environment	767,526	1,721,692	-	100,000	95,157	2,684,375
Social services	811,860	-	-	-	-	811,860
Culture and recreation	2,055,785	-	-	-	182,093	2,237,878
Capital outlay:						
General government	17,756	-	-	-		17,756
Transportation	-	-	836,258	-	12,011	848,269
Culture and recreation	688	-	8,140,328	-	-	8,141,016
Debt service:						
Principal	-	-	-	-	313,017	313,017
Interest and other charges	-	-	-	-	165,817	165,817
Total expenditures	22,341,164	2,940,398	8,976,737	100,000	2,994,449	37,352,748
Excess (deficiency) of revenues over (under) expenditures	311,292	(1,074,358)	(1,426,572)	887,409	587,661	(714,568)
Other Financing Sources (Uses)						
Transfers in	875,000	-	499,748	-	496,331	1,871,079
Insurance recovery	9,784	-	-	-	-	9,784
Transfers out	(591,099)	(35,000)	(335,056)	(1,138,020)	(45,378)	(2,144,553)
Total other financing sources and uses	293,685	(35,000)	164,692	(1,138,020)	450,953	(263,690)
Net change in fund balances	604,977	(1,109,358)	(1,261,880)	(250,611)	1,038,614	(978,258)
Fund balances - beginning	6,564,775	4,662,946	15,173,504	-	5,541,922	31,943,147
Prior period adjustment - Note 17	(5,800)	-	2,460	-	-	(3,340)
Fund balances - ending	$ 7,163,952	$ 3,553,588	$ 13,914,084	$ (250,611)	$ 6,580,535	$ 30,961,548

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021

Amounts reported in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (978,258)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	9,576,155	
Depreciation expense	(3,754,980)	
		5,821,175
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase in property tax receivable and other receivables	111,337	
Increase in joint venture equity interest	226,688	
Decrease in deferred court revenue	(257,937)	
		80,088
The net effect of various transactions involving the City's pension plans are:		
Reduction in pension liability and expense	3,525,938	
Increase in pension contribution revenue	139,992	
		3,665,930
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Decreases in governmental fund bonds payable	115,000	
Decreases in governmental fund loans payable	99,565	
		214,565
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 the governmental funds.		
Increases in governmental fund compensated absences payable	126,579	
Increases in governmental fund interest payable	(88,663)	
Decrease in internal balances	31,681	
		69,597
The net revenue of certain activities of internal service funds is reported on the statement of activities		(535,800)
Change in net position		$ 8,337,297

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

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget
Taxes	$ 14,321,858	$ 14,859,974	$ 14,993,094	$ 133,120
Licenses and permits	1,372,250	1,298,750	1,464,304	165,554
Intergovernmental revenues	885,986	1,333,659	1,509,033	175,374
Charges for services	5,374,426	2,896,329	2,864,774	(31,555)
Fines and penalties	1,512,700	1,380,850	1,449,709	68,859
Investment earnings	33,000	33,000	546	(32,454)
Miscellaneous	202,402	299,693	370,996	71,303
Total revenues	23,702,622	22,102,255	22,652,456	550,201
Expenditures				
Current:				
General government	6,995,413	6,922,233	6,910,275	(11,958)
Public safety	12,547,000	11,012,175	11,448,010	435,835
Transportation	298,876	269,562	329,264	59,702
Natural & economic environment	799,075	738,136	767,526	29,390
Social services	631,500	557,714	811,860	254,146
Culture and recreation	2,702,983	2,416,953	2,055,785	(361,168)
Capital outlay:				
General government	-	-	17,756	17,756
Culture and recreation	20,000	20,000	688	(19,312)
Total expenditures	23,994,847	21,936,773	22,341,164	404,391
Excess (deficiency) of revenues over (under) expenditures	(292,225)	165,482	311,292	145,810
Other Financing Sources (Uses)				
Transfers in	-	408,000	875,000	467,000
Insurance recoveries	-	-	9,784	9,784
Transfers out	(679,748)	(2,241,748)	(591,099)	1,650,649
Total other financing sources and uses	(679,748)	(1,833,748)	293,685	2,127,433
Net change in fund balances	(971,973)	(1,668,266)	604,977	2,273,243
Fund balances - beginning	3,804,796	3,417,819	6,564,775	3,146,956
Prior period adjustment - Note 17	-	-	(5,800)	(5,800)
Fund balances - ending	$ 2,832,823	$ 1,749,553	$ 7,163,952	$ 5,414,399

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

Development Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
Revenues				
Licenses and permits	$ 994,150	$ 938,150	$ 875,581	$ (62,569)
Intergovernmental revenues	67,000	68,000	57,248	(10,752)
Charges for services	1,558,309	1,412,949	952,273	(460,676)
Fines and penalties	1,000	1,000	1,519	519
Investment earnings	20,000	30,000	(52,318)	(82,318)
Miscellaneous	2,400	2,400	31,737	29,337
Total revenues	2,642,859	2,452,499	1,866,040	(586,459)
Expenditures				
Current:				
Transportation	1,321,921	1,397,966	1,218,706	(179,260)
Natural & economic environment	1,790,575	2,065,449	1,721,692	(343,757)
Total expenditures	3,112,496	3,463,415	2,940,398	(523,017)
Excess (deficiency) of revenues over (under) expenditures	(469,637)	(1,010,916)	(1,074,358)	(63,442)
Other Financing Sources (Uses)				
Transfers out	-	(35,000)	(35,000)	-
Total other financing sources and uses	-	(35,000)	(35,000)	-
Net change in fund balances	(469,637)	(1,045,916)	(1,109,358)	(63,442)
Fund balances - beginning	1,577,638	2,062,525	4,662,946	2,600,421
Fund balances - ending	$ 1,108,001	$ 1,016,609	$ 3,553,588	$ 2,536,979

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

Capital and Construction Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with
Revenues	Original	Final	Amounts	Final Budget
Taxes	$ 1,200,000	$ 1,700,000	$ 2,342,092	$ 642,092
Intergovernmental revenues	4,164,500	5,593,500	4,914,110	(679,390)
Charges for services	2,849,305	2,849,305	337,826	(2,511,479)
Investment earnings	29,000	38,000	(43,863)	(81,863)
Total revenues	8,242,805	10,180,805	7,550,165	(2,630,640)
Expenditures				
Current:				
Transportation	-	-	151	151
Capital outlay:				
Transportation	1,465,000	1,616,000	836,258	(779,742)
Culture and recreation	8,024,000	10,543,000	8,140,328	(2,402,672)
Total expenditures	9,489,000	12,159,000	8,976,737	(3,182,263)
Excess (deficiency) of revenues over (under) expenditures	(1,246,195)	(1,978,195)	(1,426,572)	551,623
Other Financing Sources (Uses)				
Transfers in	261,000	1,843,000	499,748	(1,343,252)
Transfers out	302,297	341,297	(335,056)	(676,353)
Total other financing sources and uses	563,297	2,184,297	164,692	(2,019,605)
Net change in fund balances	(682,898)	206,102	(1,261,880)	(1,467,982)
Fund balances - beginning	3,862,843	4,149,258	15,173,504	11,024,246
Prior period adjustment - Note 17	-	-	2,460	2,460
Fund balances - ending	$ 3,179,945	$ 4,355,360	$ 13,914,084	$ 9,558,724

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

American Rescue Plan Act Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget
Revenues				
Intergovernmental revenues	$ -	$ 4,514,939	$ 998,081	$ (3,516,858)
Investment earnings	-	1,250	(10,672)	(11,922)
Total revenues	-	4,516,189	987,409	(3,528,780)
Expenditures				
Current:				
Natural & economic environment	-	497,000	100,000	(397,000)
Social services	-	50,000	-	(50,000)
Total expenditures	-	547,000	100,000	(447,000)
Excess (deficiency) of revenues over (under) expenditures	-	3,969,189	887,409	(3,081,780)
Other Financing Sources (Uses)				
Transfers out	-	(662,400)	(1,138,020)	(475,620)
Total other financing sources and uses	-	(662,400)	(1,138,020)	(475,620)
Net change in fund balances	-	3,306,789	(250,611)	(3,557,400)
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ 3,306,789	$ (250,611)	$ (3,557,400)

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

Statement of Net Position
Proprietary Funds
December 31, 2021

	Enterprise Funds			
	Marina	Surface Water Management	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	$ 3,082,791	$ 3,457,154	$ 6,539,945	$ 2,440,328
Restricted cash equivalents:				
Customer deposits and retainage	191,293	60,220	251,513	18,244
Investments	2,338,566	4,149,561	6,488,127	3,322,698
Receivables (net of allowances):				
Interest	8,475	20,377	28,852	14,204
Customers	136,410	255,413	391,823	8,516
Grants	12,780	521,367	534,147	-
Interfund loan receivable	-	-	-	-
Prepaid expenses	-	150	150	-
Inventory	56,132	-	56,132	17,933
Total current assets	5,826,447	8,464,242	14,290,689	5,821,923
Noncurrent assets:				
Restricted cash - debt reserve	281,000	-	281,000	-
Net pension asset	402,327	566,949	969,276	-
Capital assets not being depreciated				
Land	3,226,925	580,601	3,807,527	-
Construction work in progress	496,232	2,649,089	3,145,321	144,471
Capital assets net of accumulated depreciation:				
Buildings and structures	5,964,643	-	5,964,643	-
Other improvements	2,285,340	306,388	2,591,728	-
Infrastructure	69,650	15,334,319	15,403,969	-
Machinery and equipment	248,993	10,956	259,949	2,325,731
Intangible Assets	23,745	6,720	30,465	29,028
Total noncurrent assets	12,998,855	19,455,022	32,453,878	2,499,230
Total assets	18,825,302	27,919,264	46,744,567	8,321,153
Deferred Outflows of Resources				
Deferred loss on refunding	55,198	-	55,198	-
Deferred pension outflows	78,551	101,368	179,919	-
Total deferred outflows	133,749	101,368	235,117	-
Liabilities				
Current liabilities:				
Accounts payable	417,994	428,290	846,284	102,304
Deposits & retainage payable	181,288	60,220	241,508	18,244
Accrued interest payable	10,413	-	10,413	-
Compensated absences - current portion	8,633	19,123	27,756	583
Bonds - current portion (net premium)	654,512	-	654,512	-
Total current liabilities	1,272,840	507,633	1,780,473	121,131
Noncurrent liabilities:				
Compensated absences	135,557	67,411	202,968	19,361
Net pension liabilities	38,824	54,714	93,538	-
Bonds payable (net premium)	2,685,330	-	2,685,330	-
Total noncurrent liabilities	2,859,711	122,125	2,981,836	19,361
Total liabilities	4,132,551	629,758	4,762,309	140,492
Deferred Inflows of Resources				
Deferred pension inflows	455,405	614,355	1,069,760	-
Total deferred inflows	455,405	614,355	1,069,760	-
Net Position				
Investment in capital assets	9,256,686	18,888,073	28,144,759	2,499,230
Restricted - Debt reserve	281,000	-	281,000	-
Restricted - Capital improvements	850,000	-	850,000	-
Restricted - Pensions	25,473	53,962	79,435	-
Unrestricted	3,957,936	7,834,484	11,792,420	5,681,432
Total net position	$ 14,371,095	$ 26,776,519	$ 41,147,614	$ 8,180,661
Adjustment to reflect the consolidation of internal service funds related to enterprise funds	168	(5,437)	(5,269)	
Net position of business-type activities	$ 14,371,263	$ 26,771,082	$ 41,142,345	

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Enterprise Funds			
	Marina	Surface Water Management	Total	Internal Service Funds
Operating Revenues				
Charges for services	1,335,221	4,554,229	5,889,450	1,401,645
Moorage, rents and misc	3,464,509	-	3,464,509	-
Total operating revenues	4,799,730	4,554,229	9,353,959	1,401,645
Operating Expenses				
Depreciation	425,509	411,496	837,005	461,346
Salaries and benefits	674,632	1,118,897	1,793,529	229,220
Supplies	1,143,452	76,915	1,220,367	345,315
Services	844,106	1,621,876	2,465,982	879,436
Total operating expenses	3,087,699	3,229,184	6,316,883	1,915,317
Operating income (loss)	1,712,031	1,325,045	3,037,076	(513,671)
Nonoperating Revenues (Expenses)				
Interest revenue	(8,341)	(29,088)	(37,429)	(4,644)
Intergovernmental revenues	21,787	549,166	570,953	-
Gain (loss) on disposal of capital assets	-	-	-	(211,412)
Insurance repair recovery	-	-	-	9,784
Interest expense	(132,998)	-	(132,998)	-
Investment in capital assets	-	-	-	(6,857)
Total nonoperating revenues (expenses)	(119,552)	520,078	400,526	(213,129)
Income (loss) before contributions and transfers	1,592,479	1,845,123	3,437,602	(726,800)
Capital contributions	-	58,943	58,943	-
Transfers in	-	82,474	82,474	191,000
Change in net position	1,592,479	1,986,540	3,579,019	(535,800)
Total Net position - beginning	12,778,616	24,791,019	37,569,635	8,716,461
Prior period adjustment - Note _	-	(1,040)	(1,040)	-
Total Net position - ending	$ 14,371,095	$ 26,776,519	$ 41,147,614	$ 8,180,661
Change in Net Position from this statement	1,592,479	1,986,540	3,579,019	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds	(21,217)	(10,464)	(31,681)	
Change in Net position of business-type activities	$ 1,571,262	$ 1,976,076	$ 3,547,338	

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Enterprise Funds			
	Marina	Surface Water Management	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash received from customers and users	$ 4,765,228	$ 4,561,431	$ 9,326,659	$ 1,393,149
Cash payments to employees and retirees	(1,005,856)	(1,497,711)	(2,503,567)	(230,759)
Cash payments to suppliers	(1,760,805)	(1,448,753)	(3,209,558)	(1,215,136)
Net cash provided (used) by operating activities	1,998,567	1,614,967	3,613,534	(52,746)
Cash Flows From Noncapital Financing Activities				
Insurance repair recovery	-	-	-	9,784
Operating grants and contributions	9,290	113,930	123,220	-
Transfers In (Out)	-	82,474	82,474	140,000
Net cash provided (used) by noncapital financing activities	9,290	196,404	205,694	149,784
Cash Flows From Capital Financing Activities				
Proceeds from disposition of capital assets	-	-	-	(211,412)
Acquisition and construction of capital assets	(381,374)	(1,639,941)	(2,021,315)	(378,193)
Principal paid on debt	(666,805)	-	(666,805)	-
Interest paid on debt	(132,998)	-	(132,998)	-
Net cash provided (used) by capital financing activities	(1,181,177)	(1,639,941)	(2,821,118)	(589,605)
Cash Flows From Investing Activities				
Purchase of investments	-	(450,000)	(450,000)	(63,034)
Investment sales and income	569,038	50,102	619,140	71,423
Net cash provided (used) by investing activities	569,038	(399,898)	169,140	8,389
Net increase (decrease) in cash and cash equivalents	1,395,718	(228,468)	1,167,250	(484,178)
Cash and cash equivalents, January 1	2,159,366	3,745,842	5,905,208	2,942,750
Cash and cash equivalents, December 31	$ 3,555,084	$ 3,517,374	$ 7,072,458	$ 2,458,572
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 1,712,031	$ 1,325,045	$ 3,037,076	$ (513,672)
Adjustments to reconcile operating income (loss) to net cash provided (used) operating activities:				
Depreciation	425,509	411,494	837,003	461,346
(Increase) decrease in customer receivables	(8,759)	7,201	(1,558)	(5,490)
(Increase) decrease in grantor receivables	-	3	3	-
(Increase) decrease in deferred outflows	25,771	5,652	31,423	-
(Increase) decrease in inventory	(25,744)	-	(25,744)	(3,006)
(Increase) decrease in pension assets	(402,327)	(566,949)	(969,276)	-
Increase (decrease) in accounts payable and deposits	204,993	250,037	455,030	9,615
Increase (decrease) in compensated absences	4,566	(5,309)	(743)	(1,539)
Increase (decrease) in pension liability	(304,611)	(329,569)	(634,180)	-
Increase (decrease) in pension inflows	367,138	517,362	884,500	-
Total adjustments	286,536	289,922	576,458	460,926
Net cash provided (used) by operating activities	$ 1,998,567	$ 1,614,967	$ 3,613,534	$ (52,746)
Non-cash activities:				
Capital contributions	-	16,476	16,476	-
Total non-cash activities	$ -	$ 16,476	$ 16,476	$ -

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

Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2021

	Custodial Funds
Assets	
Current assets:	
Cash and cash equivalents	$ 33,393
Total assets	33,393
Liabilities	
Accounts payable	5,581
Intergovernmental Payables	5,544
Total liabilities	11,125
Net Position	
Restricted for:	
Individuals, organizations, and other governments	22,268
Total net position	$ 22,268

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

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2021

	Custodial Funds
Additions:	
Contributions from nonemployer entities:	
Custodial Funds Received	
Municipal Court	$ 224,828
Fire permitting and misc fees	94,479
Other license and fees	9,299
Total Additions	328,606
Deductions:	
Custodial Funds Disbursed	
City of Normandy Park	48,637
Fire District #26	91,428
King County	2,351
State of Washington	154,375
Other licnesing	8,982
Total Deductions	305,772
Change in net position	22,834
Total Net position - beginning	(566)
Total Net position - ending	$ 22,268

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Des Moines, King County, Washington was incorporated on June 15, 1959 and operates under the laws of the State of Washington applicable to a Non-Charter Code City (Title 35A RCW) with a council/manager form of government. The City is a general purpose government and provides police, a municipal court, engineering, street construction and maintenance, planning and zoning, parks and recreation services, and general administrative functions. Fire protection for the City of Des Moines is provided by South King Fire and Rescue, an entity established on September 21, 2005 when voters approved the merger of King County Fire Protection District No. 26 and the Federal Way Fire Department. The City also owns and operates a marina and a surface water management utility.

The financial statements of the City of Des Moines have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

As required by the generally accepted accounting principles the financial statements present the City, the primary government, and all funds controlled by the City. The joint venture discussed below is included in the City reporting entity because of the significance of their operational or financial relationships with the joint venture.

Joint Ventures – Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 as modified by GASB Statements No. 34 and No. 61, the South Correctional Entity Facility (SCORE) is included in the accompanying government-wide statement of net position as a joint venture. (Refer to Note 8).

B. Basic Financial Statements

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Net Activities, and fund financial statements which provide a more detailed level of financial information.

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position reports the assets, deferred outflows of resources, deferred inflows of resources and liabilities of the primary government. The net position section of this statement represents the residual amount of assets and their associated liabilities, and deferred outflow and deferred inflow of resources. The net position section is divided into three categories. The first category is *Net Investment in Capital Assets*, which includes all capital assets, net of accumulated depreciation, less the outstanding balances of any borrowing (bonds and/or loans) used for acquisition, construction, or improvement of those assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Position*, which includes those assets, net of their related debt that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is *Unrestricted Net Position*, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, such as cash.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. 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 that are restricted to meeting the operational or capital requirements or a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are instances where the interfund activity can be treated as if it were an arm's length transaction. For instance, the Marina fund paying the Development fund for the purchase of a permit needed to complete construction work at the Marina.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

1. The General Fund (or current expense) is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

2. The Development Fund is a special revenue fund of the City and is used to account for revenue generated by fee based development related activities, including permitting, plan review, etc., and the associated cost of providing the services.

3. The Capital & Construction Fund is a capital projects fund of the City and is used to account for all costs for capital projects of the City and associated revenue sources to fund the capital projects.

4. The American Rescue Plan Act Fund is a special revenue fund of the City and is used to account for grant proceeds and expenditures of the City related to the American Rescue Plan Act grant.

The City reports the following major enterprise funds:

1. The Marina Fund is used to account for operating and capital expenses of operating the City owned marina, along with associated revenue and debt service for the marina.

2. The Surface Water Management fund is used to account for operating and capital expenses of the citywide surface water management system and associated revenues.

Additionally, the City reports the following fund types:

1. Debt service funds account for the accumulation of resources for, and the repayment of general long-term debt principal and interest.

2. Internal service funds account for equipment rental operations, equipment replacement, facility replacement, computer replacement, self-insurance and unemployment insurance provided to other departments of the City, or to other cities, on a cost reimbursement basis.

C. Measurement focus, basis of accounting, and financial statement presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenue, expenditures or expenses, as appropriate. The City resources are allocated to, and accounted for in, individual funds according to the purpose for which they are spent and how they are controlled.

The *basis of accounting* refers to the timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The *modified accrual basis* of accounting is followed in all governmental funds of the City. Under the modified accrual basis of accounting, revenues are recognized when they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter (60 days) to pay current liabilities. For derived tax revenues, such as sales tax and utility business and occupation taxes, revenues are recognized in the period when the underlying exchange has occurred. For imposed non-exchange taxes, such as property taxes, revenues are recognized when the use of resources is permitted, or when resources are available. Grant revenue is recognized in the period in which the expenditure occurs and the eligibility requirements have been met. Non-exchange transactions, such as contributions, are recognized when the donation eligibility requirements have been satisfied. Those specific major revenue sources accrued are:

Property taxes – King County collects property taxes and remits to the City daily or monthly. December collections, remitted in January, are recognized as revenues in the current year even though received in the subsequent year since they are considered to be measurable and available. Property taxes remaining uncollected at year-end are reported as “unavailable revenue”, since they are not considered to be available.

Sales Tax Revenues – The State of Washington collects all sales taxes. The City of Des Moines’ portion is remitted to the City by the State monthly. The sales tax received in January and February is recognized as revenue in the current year even though received in subsequent year because of when the underlying transaction occurred and the resources are considered to be measurable and available.

Grant Revenues – On cost reimbursement grants, grant revenue is recognized when the eligible expenditure is incurred.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred, except for the un-matured interest and principal on general long-term debt, which is recognized when due, and for compensated absences which are recorded as expenditures when paid from expendable available fund resources. Purchases of capital assets from governmental funds are reported as expenditures during the year incurred and the asset is capitalized and reported on the government-wide statement of net position. Long-term liabilities, including compensated absences not currently due and payable, are also reported on the government-wide statement of net position.

The *accrual basis* of accounting is followed in all proprietary funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

The two broad fund categories and six fund types are presented in this report are described below:

1. Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund and fiduciary fund financial statements. 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 revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current 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 assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

2. Proprietary Fund Types

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

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 revenue of the City's marina fund, surface water management utility fund and internal service funds are charges to customers for sales and services, vehicle and equipment replacement and operations, computer replacement, facility repair and insurance. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, or as capital contributions.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or governments on a cost reimbursement basis. The City has on custodial fund. This fund is not included in the government-wide financial statements since that are not assets of the City available to support City programs. The custodial fund primarily accounts for fiduciary activities related to court remittances due to King County and the City of Normandy Park, court fines and building code fees due to the State of Washington, and permit and plan review fees due to King County Fire Protection District 26.

D. Budget and Budgetary Accounting

1. Scope of Budget

The City of Des Moines budgets in accordance with the Revised Code of Washington (RCW) 35A.33 for the general fund and special revenue funds. For governmental funds, there are no substantial differences between the budgetary basis and Generally Accepted Accounting Principles (GAAP). Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the annual budgeted governmental funds only. Budgets established for proprietary funds are "management budgets" and are not legally required to be reported and, as such, are not reported in the Annual Financial Report.

The annual budget is proposed by the City Manager and adopted by the City Council with the legal budgetary control at the fund level; i.e., expenditures and other financing sources may not exceed budgeted appropriations at the fund level. The City Manager may authorize transfers within funds; however, the City Council must approve by ordinance any amendments that increase the total for the fund. Any unexpended appropriation balances lapse at the end of the fiscal year.

The City prepares the annual budget on the modified accrual basis, which conforms to GAAP. The Annual Financial Report includes budgetary comparisons for those governmental funds with legally adopted budgets. Budget amounts include the adopted current year budget appropriations and any revisions made during the year.

State law establishes the budget process and the time limits under which a budget must be developed. The City follows the procedures outlined below to establish its annual budget:

1. By late July, notice is submitted to operating departments to prepare for current level service budgets and a preliminary financial forecast.

2. By late August, the finance department prepares preliminary revenue estimates to define resources available to finance coming year expenditure programs and updates salaries, benefits and other centralized cost projections.
3. By the second week of September, operating departments submit their preliminary expenditure estimates. A proposed budget is prepared for the City Manager's review. The City Manager conducts individual budget sessions with operating departments to discuss their proposed expenditures.
4. Prior to November 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1.
5. Work sessions and public hearings are conducted by the City Council from October to December to review the budget and to obtain taxpayer comments.
6. Two public hearings on the proposed budget are also held during November and December. The final hearing must begin on or before the first Monday of December and may continue until the 25th day prior to the beginning of the next fiscal year.
7. By December 31, the City Council formulates its adjustments to the proposed budget and adopts a final budget through the passage of an ordinance.
8. The final operating budget, as adopted, is published and distributed within the first three months of the following year. Copies of the adopted budget are made available to the public.

2. Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City council.

When the City council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

Original and Supplemental Appropriations

	Original Budget	Revisions	FInal Budget
General Fund and Major Special Revenue Funds:			
General Fund	$ 24,674,595	$ (496,074)	$ 24,178,521
Development Fund	3,112,496	385,919	3,498,415
American Rescue Plan Act	-	1,209,400	1,209,400
Total	27,787,091	1,099,245	28,886,336
Non-Major Special Revenue Funds:			
City Street	1,708,734	115,004	1,823,738
Pavement Program	618,000	747,000	1,365,000
Police Drug Siezure	1,000	10,000	11,000
Hotel/Motel	70,250	-	70,250
Affordable Housing Sales Tax	30,000	-	30,000
Redondo Zone	71,075	2,726	73,801
Waterfront Zone	126,116	-	126,116
PBPW Autopmation Fee	93,190	1,968	95,158
Urban Forestry	5,000	-	5,000
Abatement	1,000	-	1,000
Automated Speed Enforcement	183,000	(25,000)	158,000
Transportation Benefit District	-	950,000	950,000
Total	2,907,365	1,801,698	4,709,063
Total Budgeted Funds	$ 30,694,456	$ 2,900,943	$ 33,595,399

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and investments

It is the City's policy to invest all temporary cash surpluses. At December 31, 2021, the Washington State Local Government Investment Pool (LGIP) was holding $17,908,309 in short-term investments. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds based upon ownership of investments. For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on deposit with financial institutions in both demand and time deposit accounts, and amounts invested in the Local Government Investment Pool. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer's Office is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The City, by state law, is authorized to purchase certificates of deposit issued by Washington State depositories that participate in Washington Public Deposit Protection Commission (WPDPC), U.S. Treasury and Agency securities, banker's acceptances, and repurchase agreements.

For purposes of the statement of cash flows, all proprietary fund types and similar trust funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value or amortized cost. Adjustments are made to cost for investments amortized over the period to maturity in accordance with GASB Statement No. 72. The investment in the state investment pool is valued at amortized cost.

2. *Receivables*

Taxes receivable consist of property taxes, sales taxes, interfund taxes, business and occupation taxes, and excise taxes (See Note 4).

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. It also includes municipal court receivables.

Grants receivable are reported for grants where qualified expenditures have been made prior to the end of the year.

Other receivables include interest receivable. Accrued interest at year end consists of amounts earned by investments, notes and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of delinquent assessments and related interest and penalties as the final installment of all special assessments that were billed in 2016. As of December 31, 2021, $8,117 of governmental special assessments including penalties and interest were delinquent. Assessed property owners are responsible for debt repayment. The City guarantees the debt to the extent of the LID guarantee fund. Governmental-type special assessments are for street improvements.

3. *Interfund Receivables and Payables*

These accounts include all interfund receivables and payables. A separate schedule of interfund activity is furnished in Note 9.

4. *Inventories and Prepaids*

Government fund types recognize the cost of inventory items and prepaid expenses (expenses that benefit future periods) as expenditures in the year of purchase. In both the governmental funds and proprietary funds inventory is for fuel. Fuel inventory is valued at cost using the first in/first out (FIFO) method.

5. *Restricted assets*

In accordance with the utility bond ordinances, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of Bond Reserve Funds, resources set aside for construction in the Enterprise Funds, unspent donations in the General Fund and customer deposits in various funds.

6. ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between City funds. Interfund services provided and used, such as buying goods and services, are recorded as revenues in internal service funds and expenditures in the paying fund. Transfers between funds are included as "other financing sources or uses" in governmental type funds and as other items in proprietary fund types.

7. ***Capital assets***

Capital assets, which include property, plant, and equipment and infrastructure assets, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The government reports infrastructure assets on a network and subsystem basis. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs and street preservation activities that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are presented by asset category net of each category's accumulated depreciation.

Land and construction work in progress are not depreciated. Other assets are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Useful Lives
Land	n/a
Building and Structure	10 - 50
Other Improvements	10 - 50
Machinery, Equipment, and Vehicles	5 - 15
Infrastructure	25 - 50

8. ***Compensated absences***

The City accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned (or estimated to be earned) by the employee. All vacation and sick pay is accrued when incurred in the government-wide and proprietary statements. In governmental funds, such amounts are not accrued using the modified accrual basis of accounting but are reported as a liability in the government-wide financial statements.

A non-exempt employee may request compensatory time off in lieu of overtime payment. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked, to a maximum of forty hours. Compensatory time must be used within sixty days of the time it was earned and authorized, excluding the Police Guild. Compensatory time for the Police Guild can be carried over from year to year. Vacation leave may be accumulated up to a maximum of 240 hours (or more with City Manager approval). The employee's annual vacation is payable upon resignation, retirement or death. The City incurs a liability for sick leave up to 25% of the employee's sick leave balance or 200 hours, whichever is less for those employees with ten years of service, or upon death of the employee regardless of service and for some executive staff with less than ten years of service. For employees with at least 20 years of service, the City incurs a liability for sick leave up to 50% of the employee's sick leave balance or 400 hours, whichever is less.

9. 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 all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. 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.

For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset, minus the deferred inflows, plus the deferred outflows.

10. Deferred outflows/inflows of resources

Deferred outflows of resources is the consumption of net position by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The deferred loss on refunding 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.

Deferred inflow of resources is the acquisition of net position by the government that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The City has an item which arises under a modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred outflows and deferred inflows of resources related to pensions are reported for differences between expected and actual experience, changes of assumptions, and differences between projected and actual returns on pension plan investments.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts, when material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as professional service costs.

12. Fund balance and fund flow policies

The City updated the general fund ending balance policy with the enactment of Ordinance No. 1703 on September 27, 2018. The policy requires the City Manager to establish expenditure policies that will result in an ending fund balance or operating reserve of no less than two months (amounting to sixteen point sixty-seven percent (16.67%)) of the recurring operating expenditures for each fiscal year.

Fund balance is presented in the governmental fund financial statements and represents the difference between assets and liabilities reported within the governmental fund.

Beginning with the most restrictive constraints, fund balance amounts are reported in the following categories:

Nonspendable fund balance - includes amounts that are not in spendable form such as inventory or are required to be maintained intact such as the principal of a permanent fund.

Restricted fund balance **-** includes amounts that can be spent only for the specific purpose stipulated by external resource providers such as for grant providers, bondholders, higher levels of government, or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the City council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

Assigned fund balance – includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official designated by the governing body to which the governing body designates authority.

Unassigned fund balance - includes amounts that are available for any purpose.

The City has not adopted a specific flow of funds policy relating to the use of restricted and unrestricted resources when both are available and has not taken formal action to delegate the process of assigning fund balance to another official. Therefore the statements are prepared using the default option provided in GASB 54 which provides that when both restricted and unrestricted resources are available, restricted resources are used first.

NOTE 2–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 total fund balance and total net position as reported in the government-wide statement of net position. The details of the certain differences are presented below.

Long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following shows the detail of these capital asset changes net of accumulated depreciation:

Beginning balance of capital assets excluded from fund level:	
Land	$95,565,651
Construction in process	17,038,101
Building	6,655,833
Other improvements	6,871,586
Equipment (Includes Assets from Internal Service Funds)	2,948,181
Infrastructure	41,173,207
Current year spending in construction work in progress	9,203,446
Current year capital purchases	758,202
Current year depreciation	(4,220,624)
Prior period capitalization correction	58,335
Net adjustment to add to government-wide fund balance to arrive at *Net position-governmental activities*	**$176,051,918**

Some long-term liabilities, including bonds, loans, pension liabilities and compensated absences payable, are not due and payable in the current period and are not reported in the funds:

Beginning balance of long-term liabilities excluded from fund level:		
Compensated absences	$	(1,916,846)
Net pension liability		(2,313,816)
OPEB liability		(2,042,381)
Bonds and loans payable		(7,691,279)
Current year principal payments & other reductions in liabilities		458,735
Current year changes to compensated absences		128,118
Current year changes to pension liability		1,694,938
Current year OPEB and other expenses recognized		256,215
Current year changes to capital leases		(98,452)
Net adjustment to reduce government-wide fund balance to arrive at *Net position-governmental activities*	**$**	**(11,524,768)**

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 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. The details of certain differences are presented below.

Revenues or expenses in the statement of activities that do not provide current financial resources are not reported as revenues or expenses in the funds:

Capital outlays	$9,576,155
Current year depreciation	(3,754,980)
Net adjustment to reduce government-wide fund balance to arrive at *Net position-governmental activities*	**$5,821,175**

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits
As of December 31, 2021, the carrying amount of the City's cash demand deposits with Key Bank totaled $7,488,170 while the bank balance was $7,808,817 and the in-transit items were $(320,009.24). In addition, the City holds $8,300 in petty cash and $17,909,690 in LGIP.

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The City minimizes custodial credit risk by following the restrictions set forth in state law. The City of Des Moines' deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first $250,000 of the City's deposits. The deposit balances over $250,000 are insured by the WPDPC. State statute permits additional amounts to be assessed on a pro-rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As required by State law, all investments of the City's funds are obligations of the U.S. Government, or deposits with Washington State banks that participate in the WPDPC. All temporary investments such as the State Investment Pool are stated at amortized cost. Other investments are shown on the statement of net position at fair value as of December 31, 2021. In accordance with GASB Statement 79, the state investment pool (LGIP) is reported at amortized cost. The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

During 2021, the net decrease in the fair value of investments being held for more than one year was $162,611.24 at year-end.

As of December 31, 2021, the City had the following investments:

Issuer	Fair Value	% of Total
Local Government Investment Pool (LGIP)	$ 17,909,690	37.6%
Total LGIP*	**17,909,690**	**37.6%**
Federal Agricultural Mortgage Corp	770,003	1.6%
Federal Farm Credit Bank	9,475,640	19.9%
Federal Home Loan Bank Corp. (FHLB)	3,499,550	7.4%
Federal Home Loan Mortgage Corp. (FHLMC)	5,923,256	12.5%
United States Treasury Note/Bond	8,501,660	17.9%
Federal National Mortgage Association	1,492,005	3.1%
Total Government Securities	**29,662,113**	**62.4%**
Grand Total	**$ 47,571,803**	**100.0%**

*LGIP included with Cash & Cash Equivalent on the Basic Financial Statements.

The city measures and reports investments at fair value using the valuation input hierarch established by generally accepted accounting principles, as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other quoted prices that are not observable.
Level 3: Unobservable inputs for an asset or liability.

	12/31/2021	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury Securities	$ 8,501,660	8,501,660	-	-
Federal Agency Obligations	21,160,453	21,160,453	-	-
Total Investments Measured At Fair Value	29,662,113	29,662,113	-	-
Investments Measured at Amortized Cost				
State Local Investment Pool (LGIP)	17,909,690	17,909,690	-	-
Total Investments Measured at Amortized Cost	17,909,690	17,909,690	-	-
Total Investments	47,571,803			
*LGIP included with Cash & Cash Equivalent on the Basic Financial Statements.	(17,909,690)			
Total Investments in Statement of Net Position	**$ 29,662,113**			

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the maturity of investments. The City's investment policy limits investment maturities to eighteen months or less unless matched to a specific cash flow. The City's investment policy does not specifically address interest rate risk.

In addition to the interest rate risk disclosed above, the City includes investments with fair value highly sensitive to interest rate changes.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City investment policy allows the following types of investments in accordance with state law: demand or investment deposits in qualified public depositories located within the state; United States' government bonds, notes bills; certificates of deposits from financial institutions that participate in Washington State's Public Deposit Protection Commission's list of "Qualified Public Depositories"; bankers acceptances, repurchase agreements and the Washington State Treasurer's Office Local Government Investment Pool (LGIP). The investment policy for "credit risk" does not extend beyond the types of authorized investments and the concentration of credit risk described below. As of December 31, 2021 the City's investments in agency securities were all rated Aaa by Moody's Investor Services. The LGIP is not registered with the SEC and the fair value of the City's position in the pool is the same as the value of the pool shares. The LGIP is regulated by the state of Washington's state finance committee. Credit risk is limited as most investments are either obligations of the U.S. Government, government sponsored enterprises, insured demand deposit accounts or certificates of deposit.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific class of securities. With the exception of U.S. Treasury securities and the State Treasurer's Local Government Investment Pool (LGIP) no more than twenty-five percent of the City's total investment portfolio should be invested in a single security type.

Custodial credit risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The City minimizes custodial credit risk by following the restrictions set forth in state law. As well as, the City investment policy, with the exception of the United State Treasury securities and the LGIP, no more than 25% of the total investment portfolio shall be invested in a single institution.

Restricted assets. Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because they are maintained in a separate account and their use is limited by applicable bond covenants. The "bond debt service" account is used by the Marina fund to report resources set aside to subsidize potential deficiencies from operations that could adversely affect debt service payments.

Cash provided from customers as deposits are also restricted. Restricted assets are composed of the following (there are no permanent restrictions):

	Temporary Restrictions
Customer Deposits & Retainage	$ 1,248,152
Marina Debt Service Covenants	281,000
Restricted Capital Funding	475,000
Unspent Donations on Hand	8,015
Total	**$ 2,012,167**

Investments in Local Government Investment Pool (LGIP)

The City is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

NOTE 4 –RECEIVABLES

Taxes receivable. Taxes receivable consist of several types of taxes: property taxes, sales taxes and business & occupation taxes, excise taxes, gambling and admission taxes.

Property taxes. The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by the 10th day of the following month.

Property taxes are recorded as a receivable when levied, offset by deferred revenue. Property tax collected in advance of the fiscal year to which is applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually. Please refer to Note 1 for the property tax calendar.

The City may levy up to $3.60 per $1,000 of assessed valuation for general governmental services subject to three limitations:

a. Except as otherwise provided for, the levy for taxing districts in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor of 101% multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of that district for the preceding year.
b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or $10 per $1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
c. Of the $3.60 maximum allowed, $1.50 is allocated to the Fire District and $0.50 to the Library District. To the extent either of these districts does not assess the full limit the difference is available to the City to assess.

In November 2021, the City approved ordinance 1752 establishing the regular property tax levy for 2022 of $5,416,455 based on an assessed valuation of $5,394,605,257 using an estimated maximum rate of $1.0041 per $1,000 of assessed value.

Sales and excise taxes. The State is the collection agent for sales and real estate excise taxes in the State of Washington. The vendor has until approximately the end of the following month to remit sales tax to the State for taxable sales. The State then has approximately another month to remit the City's portion of the tax to the City. The City's basic sales tax rate is one-half of one percent plus an optional one-half of one percent.

Business & Occupation taxes. The City implemented this tax effective for 2005 with the adoption of Ordinance No. 1355 on December 2, 2004. A tax rate of two tenths of one cent ($0.002) of gross revenues was established. Businesses with annual gross receipts of $50,000 or less are exempt from taxes, but must still file an informational return, businesses earning $375,000 or more are required to file their returns and remit their taxes within 30 days from the end of each quarter. All other active businesses file annual returns.

Utility occupation taxes. The City assessed a gross revenue tax and use on certain utilities within the City. City utility taxes as follows: Sanitation tax of 18%, Cable tax of 10% and Surface Water Management tax of 15%.

Customer receivables. As of December 31, 2021, the City's funds contain no allowance for uncollectible accounts as uncollectible amounts are routinely written off and the remaining amounts are expected to be fully collected with the exception of Municipal Court receivables. As of December 31, 2021 municipal court receivables were $5,052,992 of which $4,182,794 is estimated to be uncollectible.

Special assessments and deferred inflows. Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Unavailable revenue (not received in the availability period)

Taxes	$ 147,141
Court fines	1,046,520
Customer charges	167,872
Accrued investment interest	50,830
Special assessments	7,663
Due from other government	118,433
	$ 1,538,458

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2021 was as follows:

Schedule of Capital Asset Activity

CITY OF DES MOINES, WASHINGTON
Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Reallocation	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 95,565,651	$ 156,412	$ -	$ -	$ 95,722,063
Construction in progress	17,038,101	9,203,446	(9,877,251)	-	16,364,296
Total capital assets not being depreciated	112,603,752	9,359,858	(9,877,251)		112,086,359
Capital assets, being depreciated					
Buildings & structures	11,637,247	-	-	3,986,432	15,623,679
Other improvements	20,554,151	1,722,780	-	(5,158,291)	17,118,640
Infrastructure	72,301,654	8,137,786	-	(290,127)	80,149,313
Machinery & equipment	8,755,146	553,744	(90,039)	647,442	9,866,293
Intangible Assets	-	123,067	-	814,544	937,611
Total depreciable capital assets	113,248,198	10,537,377	(90,039)	-	123,695,536
Less accumulated depreciation:					
Buildings & structures	(4,981,414)	(581,101)	-	(1,939,635)	(7,502,150)
Other improvements	(13,682,566)	(393,606)	-	5,233,300	(8,842,872)
Infrastructure	(31,128,447)	(2,623,375)	-	(2,518,766)	(36,270,588)
Machinery & equipment	(5,806,965)	(600,682)	90,039	(107,130)	(6,424,738)
Total accumulated depreciation	(55,599,392)	(4,198,764)	90,039	667,769	(59,040,348)
Less accumulated amortization:					
Intangible Assets	-	(21,861)	-	(667,769)	(689,630)
Total accumulated amortization	-	(21,861)	-	(667,769)	(689,630)
Governmental activities capital assets, net	$ 170,252,558	$ 15,676,610	$ (9,877,251)	$ -	$ 176,051,917

	Beginning Balance	Increases	Decreases	Reallocation	Ending Balance
Business-Type Activities:					
Capital assets not being depreciated:					
Land	$ 3,807,527	$ -	$ -	$ -	$ 3,807,527
Construction in progress	2,217,592	2,108,163	(1,180,434)	-	3,145,321
Total capital assets not being depreciated	6,025,119	2,108,163	(1,180,434)	-	6,952,848
Other capital assets:					
Buildings & structures	6,192,155	-	-	8,341,760	14,533,915
Other improvements	15,466,159	-	-	(8,993,561)	6,472,598
Infrastructure	25,638,074	1,150,568	-	198,507	26,987,149
Machinery & equipment	911,609	46,341	-	44,343	1,002,293
Intangible Assets				408,951	408,951
Total depreciable capital assets	48,207,997	1,196,909	-	-	49,404,906
Less accumulated depreciation:					
Buildings & structures	(4,533,655)	(283,569)	-	(3,752,048)	(8,569,272)
Other improvements	(7,907,446)	(116,644)	-	4,143,220	(3,880,870)
Infrastructure	(11,016,535)	(449,223)	-	(117,422)	(11,583,180)
Machinery & equipment	(814,092)	(18,569)	-	90,317	(742,344)
Total accumulated depreciation	(24,271,728)	(868,005)	-	-	(24,775,666)
Less accumulated amortization:					
Intangible Assets	-	(14,419)	-	(364,067)	(378,486)
Total accumulated amortization	-	(14,419)	-	(364,067)	(378,486)
Business activities capital assets, net	$ 29,961,388	$ 2,422,648	$ (1,180,434)	$ -	$ 31,203,602

The largest components of the changes in 2021 are related to increases in construction work in progress for ongoing capital projects. For Governmental type activities these projects include Midway Park Acquisition ($2,089,725), North Bulkhead ($5,231,601), and College Way ($500,000). For Business Type activities these projects include 8th Ave (264th to 265th) ($871,136) and 6th Ave/239th Pipe Replacement ($340,121).

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	$ 309,705
Public Safety	$ 292,399
Transportation	$ 2,757,483
Natural & Economic	$ 69,002
Social Services	$ 48,051
Culture & Recreation	$ 739,686
Total	$ 4,216,326
Business-Type Activities:	
Marina	$ 425,509
Surface Water Utility	$ 411,495
Total	$ 837,004

NOTE 6 – CONSTRUCTION AND OTHER CONTRACTUAL COMMITMENTS

The City of Des Moines had active construction projects as of December 31, 2021. The projects include street construction, utility construction and park facility construction contracts. There are also several consulting contracts. At year end, the City's contract commitments are as follows:

Fund Type	**Contract Commitment**	**Spent To Date**	**Remaining Commitments**
Special Revenue Funds	$ 6,657	$ 5,000	$ 1,657
Capital Projects Fund	13,549,382	4,669,260	8,880,123
Proprietary Funds	3,446,253	1,660,394	1,785,860
Internal Service Funds	216,842	216,842	-
Total	**$ 17,219,135**	**$ 6,551,495**	**$ 10,667,639**

NOTE 7 – JOINT VENTURE

SOUTH CORRECTIONAL ENTITY (SCORE)
On March 25, 2009, the Cities of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, Washington (Member Cities) entered into a SCORE Facility Interlocal Agreement (as amended and restated on October 1, 2009, the "2009 Interlocal Agreement") pursuant to chapter 39.34 RCW (Interlocal Cooperation Act) to jointly construct, equip, maintain and operate a consolidated regional misdemeanant correctional facility located in Des Moines, Washington (SCORE Facility) to serve the parties to the 2009 Interlocal Agreement and state agencies and other local governments (Subscribing Agencies) to provide correctional services essential to the preservation of the public health, safety and welfare. To carry out the purposes of the 2009 Interlocal Agreement and to operate, manage and maintain the SCORE Facility, the Member Cities formed the South Correctional Entity (SCORE), a separate governmental administrative agency pursuant to the 2009 Interlocal Agreement and RCW 39.34.030(3).

The 2009 Interlocal Agreement named the City of Des Moines as the "Host City" and the remaining Member Cities as the "Owner Cities". Pursuant to a separate "Host City Agreement" dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Host City Agreement. Pursuant to SCORE financial policies, all unexpended funds or reserve funds shall be distributed based on the percentage of the Member City's average daily population at the SCORE Facility for the last three (3) years regardless of its Owner City or Host City status.

SCORE and the SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.

SCORE, as a governmental administrative agency formed under the Interlocal Cooperation Act, is not expressly authorized to issue bonds. To finance and refinance the costs of the SCORE Facility, the City of Renton, Washington, chartered the South Correctional Entity Facility Public Development Authority as a public corporation pursuant to RCW 35.21.730 through 35.21.757 (Public Corporation Act) and Ordinance No. 5444, passed on February 2, 2009 (Charter Ordinance).

2009 Bonds. The SCORE PDA issued its Bonds, Series 2009A (2009A Bonds) and Bonds, Series 2009B (Taxable Build America Bonds—Direct Payment) (2009B Bonds, and, together the 2009 Bonds) on November 4, 2009 in the aggregate principal amount of $86,235,000. Proceeds of the 2009 Bonds were used to finance a portion of the costs of acquiring, constructing, developing, equipping and improving the SCORE Facility, to capitalize interest during construction, and to pay costs of issuance for the 2009 Bonds.

Pursuant to the 2009 Interlocal Agreement and the ordinances of each city, each Owner City (which includes the Cities of Auburn, Burien, Federal Way, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2009 Bonds as the same become due and payable (referred to as each Owner City's 2009 Capital Contribution). Each Owner City's obligation to pay its 2009 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor.

Subsequent Activities: Refunding of 2009 Bonds and Amendment and Restatement of Interlocal Agreement. Pursuant to the 2009 Interlocal Agreement, on September 5, 2018, the City of Federal Way gave its notice of intent to withdraw from SCORE effective December 31, 2019. The remaining Member Cities (including the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila) entered into an Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement), which amended and restated the 2009 Interlocal Agreement in its entirety, removed Federal Way as a Member City (effective December 31, 2019) and an Owner City (effective immediately), added the City of Des Moines as an Owner City, terminated the Host City Agreement, and made other revisions to provide for the issuance of bonds to refund the 2009 Bonds.

On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of $51,055,000 (2019 Bonds). The 2019 Interlocal Agreement became effective on the date of issuance of the 2019 Bonds. Proceeds of the 2019 Bonds were used, together with a contribution from Federal Way to fully pay its 2009 Capital Contribution, to defease and refund all of the outstanding 2009 Bonds.

As a result, Federal Way has satisfied its 2009 Capital Contribution and, as of December 31, 2019, will no longer be considered a Member City of SCORE.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each remaining Owner City (including the Cities of Auburn, Burien, Des Moines, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2019 Bonds as the same become due and payable (referred to as each Owner City's 2019 Capital Contribution). Each Owner City's obligation to pay its 2019 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor. The City of Federal Way is not obligated, under the 2019 Interlocal Agreement or otherwise, to pay debt service on the 2019 Bonds or other debt of the Authority.

The following is a summary of the debt service requirements for the 2019 Bonds:

Summary of Debt Service Requirements - Refunding Bonds, 2019 (Ref 2009A & 2009B)									
Debt Service Schedule				Debt Service Allocation to Owner Cities					
				Auburn	Burien	Des Moines	Renton	SeaTac	Tukwila
Year	Principal	Interest	Total	34.94%	4.82%	6.02%	40.96%	3.62%	9.64%
2022	$ 1,915,000	$ 1,996,100	$ 3,911,100	$ 1,366,538	$ 188,515	$ 235,448	$ 1,601,987	$ 141,582	$ 377,030
2023	1,990,000	1,919,500	3,909,500	1,365,979	188,438	235,352	1,601,331	141,524	376,876
2024	2,070,000	1,839,900	3,909,900	1,366,119	188,457	235,376	1,601,495	141,538	376,914
2025	2,155,000	1,757,100	3,912,100	1,366,888	188,563	235,508	1,602,396	141,618	377,126
2026	2,260,000	1,649,350	3,909,350	1,365,927	188,431	235,343	1,601,270	141,518	376,861
2027-2031	13,115,000	6,434,250	19,549,250	6,830,508	942,274	1,176,865	8,007,373	707,683	1,884,548
2032-2036	16,405,000	3,142,000	19,547,000	6,829,722	942,165	1,176,729	8,006,451	707,601	1,884,331
2037-2038	7,480,000	338,250	7,818,250	2,731,697	376,840	470,659	3,202,356	283,021	753,679
Totals	$ 47,390,000	$ 19,076,450	$ 66,466,450	$ 23,223,378	$ 3,203,683	$ 4,001,280	$ 27,224,659	$ 2,406,085	$ 6,407,365

The City of Des Moines reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The following summary of the Capital Contributions for the 2019 Bonds is condensed (unaudited) financial information reported as of December 31, 2021 in relation to SCORE:

South Correctional Entity (SCORE)					
Member City	2020 Percent of Equity	2020 Equity Balance	2021 Percent of Equity	2021 Apportionment	2021 Equity Balance
Auburn	43.05%	$ 12,967,700	41.93%	$ 760,941	$ 13,728,641
Burien	5.14%	1,548,383	5.30%	187,658	1,736,041
Des Moines	4.62%	1,392,707	4.95%	226,688	1,619,395
Renton	31.70%	9,546,337	31.93%	903,035	10,449,372
SeaTac	7.66%	2,306,559	8.13%	354,751	2,661,310
Tukwila	7.83%	2,357,977	7.76%	183,808	2,541,785
Grand Totals	100.00%	$ 30,119,663	100.00%	$ 2,616,881	$ 32,736,544

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, Attn: Finance Director, 20817 17th Avenue South, Des Moines, WA 98198.

NOTE 8 – LEASES

Operating Lease
The City leases a postage meter under a non-cancelable operating lease. Total cost for the lease was $7,919 for the year ended December 31, 2021. The future minimum lease payments for this lease is as follows:

Year Ending December 31	Governmental Activities
2022	$ 7,919
2023	7,919
2024	7,919
2025	3,959
Thereafter	-
Total	**$ 27,716**

Capital Lease
The City of Des Moines has entered into a lease agreement for financing secure virtual private network software with a down payment of $24,613.

This lease agreement qualifies as a capital lease for accounting purposes, therefore, it has been recorded at present value of its future minimum lease payments as of the inception date.

Asset	Governmental Activities
Barracuda SSL VPN Software	$ 123,064
Less Accumulated Amortization:	(8,204)
Total	$ 114,860

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2021 were as follows:

Year Ending December 31	Governmental Activities
2022	$ 24,613
2023	$ 24,613
2024	$ 24,613
2025	$ 24,612
Total Minimum Lease Payments	$ 98,451
Less: Interest	$ -
Present Value of Minimum Lease Payments	$ 98,451

NOTE 9 – INTERFUND ACTIVITY

Transfers between funds during the year ended December 31, 2021 are as follows:

		Transfer From (Out)				
		General Fund	Major Special Revnue Fund	Non-Major Special Revnue Fund	Major Capital and Construction Fund	Total
Transfer To (In)	General Fund	-	875,000	-	-	875,000
	Non-Major Special Revnue Fund	-	-	-	17,495	17,495
	Non-Major Debt Service	243,748	-	-	235,088	478,836
	Major Capital and Construction Fund	296,350	158,020	45,378	-	499,748
	Enterprise Fund	-	-	-	82,474	82,474
	Internal Service Fund	51,000	140,000	-	-	191,000
	Total	591,099	1,173,020	45,378	335,056	2,144,553

Transfers are used to 1) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs; 2) move investment earnings or operating subsidies from one fund to its designated, authorized purpose carried out by another fund; 3) move resources designated for construction to and from construction funds as projects are created and/or completed.

In 2021, the City of Des Moines received $4.5 million from the American Rescue Plan Act (ARPA). The City created a special revenue fund to track the revenue and expenses related to the ARPA grant. These funds account for over half the amount of interfund transfers made in 2021. Specifically, $875,000 was transferred from the ARPA fund to the General Fund for various City Council-approved initiatives.

NOTE 10 – LONG-TERM LIABILITIES

The City issues general obligation bonds to finance capital improvements such as bridges, streets, municipal buildings and enterprise facilities such as marina facilities. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund general obligation and revenue bonds.

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service for voter-approved issues, of which the City has none, would be funded by special property tax levies. Debt service for City Council authorized bonds, also called councilmanic bonds, is funded from regular property taxes or general revenues, and is generally paid from debt service funds but can be paid from other designated funds. On July 30, 2018, S&P Global Ratings assigned its rating of “AA+” for the Limited Tax General Obligation & Refunding Bonds, Series 2018. On March 6, 2019, Moody’s Investors Service upgraded the City’s limited tax general obligation bond rating to Aa3 from A1.

General Obligation Bonds outstanding at year-end are as follows:

- 2012 LTGO bonds were issued with interest rates ranging from 2.0% to 4.0% to advance refund $2,795,000 of outstanding 2002 limited tax general obligation bond and refunding bonds which had interest rates ranging from 4.1% to 4.7%. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called.

- 2018 LTGO "New Money" bonds were issued to pay or reimburse a portion of the costs of the design, construction, improvement, renovation and/or replacement of a bulkhead located near the City marina and other related public amenities and capital improvements.

- 2018 LTGO refunding bonds were issued to refund the City's outstanding 2008A and 2008B bonds. The net proceeds from the Refunding Bonds were used to purchase United States government securities. Those securities were deposited into a refunding trust account with a trust account to pay the full outstanding principal and interest on the 2008A and 2008B bonds. As a result of this transaction, the 2008A and 2008B bonds are considered to be paid in full and the liability for those bonds have been removed from the City's financial statements.

Public Works Trust Fund loans outstanding at year-end are as follows:

- 2004 loan to fund construction improvements on Pacific Highway.

- 2009 loan to provide funding for the Des Moines Transportation Gateway Project which called for arterial widening and improvements along various sections of S. 216th St.

- 2011 loan is a financing lease with the State of Washington Local Option Capital Asset Lending (LOCAL) program administered by the Washington State Treasurer's Office for energy efficiency equipment.

The City's outstanding notes from direct borrowings related to governmental activities of $361,898 contain provisions in the case of default:

- 2004 PWTFL: Delinquent payments shall be assessed a penalty equal to twelve percent (12%) per year.

- 2009 PWTFL: Delinquent payments shall be assessed a penalty equal to one percent (1%) per month or twelve percent (12%) per year.

- 2011 LOCAL: The outstanding balance due, including interest accrued and unpaid, may immediately become due if the City is unable to make payment.

Marina (proprietary) fund revenues are used to repay general obligation, revenue and refunding bonds related to improvements for the marina.

For the governmental activities, compensated absence balances and net pension liabilities are generally liquidated by the General, Streets and Equipment Operations funds while compensated absences and net pension liability balances for the proprietary funds are normally liquidated in the Marina and Surface Water Management funds. The net OPEB (other post-employment benefits) obligation is generally liquidated by the General Fund.

As described in Note 7 – Joint Venture, through an interlocal agreement the City is an owner City of the SCORE jail. The City's allocable share of SCORE debt is reflected as intergovernmental bonds in the schedule below.

The following schedule summarizes the long-term liability activity for the year ended December 31, 2021:

CHANGES IN LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

ITEM	Maturity Date	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES								
General Obligation Bonds								
2018 LTGO - New Money	12/1/2028	3.00% - 4.00%	$ 3,105,000	$ 2,890,000	$ -	$ (115,000)	$ 2,775,000	$ 115,000
2018 LTGO - Refunding	12/1/2028	3.00% - 4.00%	1,446,573	1,196,126	-	(130,014)	1,066,112	135,488
Total LTGO Bonds Payable			4,551,573	4,086,126	-	(245,014)	3,841,112	250,488
Intergovernmetnal Bonds - Backed by the Full Faith an Credit of the City								
SCORE PDA 2019 Refunding Bonds - 2019 Revised ILA	12/1/2038	3.00% - 5.00%	3,073,511	2,963,646	-	(110,768)	2,852,878	115,283
Total General Obligation Bonds Payable			7,625,084	7,049,772	-	(355,782)	6,693,990	365,771
Issuance premiums			-	279,609	-	(34,951)	244,658	34,951
Net Bonds Payable			7,625,084	7,329,381	-	(390,733)	6,938,648	400,722
Direct Borrowings								
Public Works Trust Fund Loans								
2004 PWTF Loan - Pacific Hwy Construction	7/1/2024	0.50%	2,250,000	94,475	-	(23,618)	70,857	23,618
2009 PWTF Loan - Gateway Construction	7/1/2028	0.50%	1,000,000	254,901	-	(31,862)	223,039	31,863
Total Public Works Trust Fund Loans			3,250,000	349,376	-	(55,481)	293,895	55,481
2011 WA State Local - Energy Equipment	12/1/2021	2.46%	106,138	12,521	-	(12,521)	-	-
Total Direct Placement/Borrowings			3,356,138	361,897	-	(68,002)	293,895	55,481
Employee Leave Benefits								
Compensated Absences:			-	1,916,846	1,788,728	(1,916,846)	1,788,728	148,159
Total Other Post-Employement Benefits Liabilities			-	2,042,381	1,786,166	(2,042,381)	1,786,166	106,992
Net Pension Liability			-	2,313,816	-	(1,694,938)	618,878	-
Total Governmental Funds			**$ 10,981,222**	**$ 13,964,321**	**$ 3,574,894**	**$ (6,112,899)**	**$ 11,426,316**	**$ 676,403**

Debt Service to Maturity

Following are schedules showing the debt service requirements to maturity for the City's long-term debt, excluding compensated absences, OPEB, and pensions.

Governmental Activities							
Year Ended December 31	General Obligation Bonds		Direct Placements/Borrowings		Intergovernmental Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	250,488	153,644	55,481	1,469	115,283	120,166	696,532
2023	259,594	143,626	55,481	1,192	119,798	115,554	695,245
2024	271,436	133,242	55,481	915	124,614	110,762	696,450
2025	281,911	122,384	31,863	637	129,731	105,778	672,304
2026	292,385	111,108	31,863	478	136,052		571,886
2027-2031	1,110,298	390,256	63,726	478	789,523	424,936	2,779,217
2032-2036	945,000	202,400	-	-	987,581	228,798	2,363,779
2027-2041	430,000	26,000	-	-	450,296	42,408	948,704
Totals	$ 3,841,112	$ 1,282,660	$ 293,894	$ 5,169	$ 2,852,878	$ 1,148,402	$ 9,424,117

CHANGES IN LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

ITEM	Maturity Date	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BUSINESS-TYPE ACTIVITIES:								
General Obligation Bonds								
2012 LTGO - Marina Refunding	12/1/2022	2.00% - 4.00%	$ 2,810,000	$ 580,000	$ -	$ (285,000)	$ 295,000	$ 295,000
Total 2012 LTGO - Marina Refunding			2,810,000	580,000	-	(285,000)	295,000	295,000
2018 LTGO - Refunding	12/1/2028	3.00% - 4.00%	3,838,427	3,173,874	-	(344,986)	2,828,888	359,512
Total 2018 LTGO - Refunding			3,838,427	3,173,874	-	(344,986)	2,828,888	359,512
Total General Obligation Bonds Payable			6,648,427	3,753,874	-	(629,986)	3,123,888	654,512
Issuance premiums			-	252,773	-	(36,819)	215,954	35,007
Net Bonds Payable			6,648,427	4,006,647	-	(666,805)	3,339,842	689,519
Compensated Absences			-	231,465	230,724	(231,465)	230,724	27,756
Net Pension Liability			-	727,719	-	(634,178)	93,541	-
Total Business-Type Activities			**$ 6,648,427**	**$ 4,965,831**	**$ 230,724**	**$ (1,532,448)**	**$ 3,664,107**	**$ 717,275**
TOTAL ALL FUNDS			**$ 17,629,649**	**$ 18,930,152**	**$ 3,805,618**	**$ (7,645,347)**	**$ 15,090,423**	**$ 1,299,658**

Debt Service to Maturity

Following are schedules showing the debt service requirements to maturity for the City's long-term debt, excluding compensated absences and net pension liability.

Business-Type Activities			
Year Ended December 31	General Obligation Bonds		
	Principal	Interest	Total
2022	654,512	124,956	779,468
2023	370,406	98,776	469,182
2024	388,564	83,960	472,524
2025	403,089	68,416	471,505
2026	417,615	52,594	470,209
2027-2031	889,702	53,746	943,448
Totals	$ 3,123,888	$ 482,448	$ 3,606,336

Federal Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt over $5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City has no arbitrage liability as of December 31, 2021.

NOTE 11 – RISK MANAGEMENT

The City of Des Moines maintains insurance against most normal hazards except for unemployment, where is has elected to become self-insured.

The City of Des Moines is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The amount of the City's settlements did not exceed insurance coverage in any of the past three years.

	Self-Insurance		Unemployment	
	2021	2020	2021	2020
Claims liabilities at beginning of year	-	3,513	-	866
Claims expenses:				
Current year changes in estimates	-	(3,513)	(31,828)	(48,623)
Claims payments			31,828	47,757
Claims liabilities at end of year	-	-	-	-

NOTE 12 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	(712,419)
Pension assets	$	14,188,533
Deferred outflows of resource	$	1,593,333
Deferred inflows of resources	$	(11,201,623)
Pension expense/expenditure	$	(2,665,310)

State Sponsored Pension Plans

Substantially all City of Des Moines full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%.

The City's actual PERS plan contributions were $400,889 to PERS Plan 1 and $664,544 to PERS Plan 2/3 for the year ended December 31, 2021.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and

- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),

- Washington State Counties,

- Washington State Cities (except for Seattle, Spokane, and Tacoma),

- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2021 were as follows:

PSERS Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2021		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.25%**	**7.20%**
July – December 2021		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.50%**

The City's actual plan contributions were $6,650 to PSERS Plan 2 and $4,194 to PERS Plan 1 for the year ended December 31, 2021.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	**5.33%**	**8.59%**
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	**8.77%**	**8.59%**
July – December 2021		
State and local governments	5.12	8.53%
Administrative Fee	0.18%	
Total	**5.30%**	**8.53%**
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	**8.71%**	**8.53%**

The City's actual contributions to the plan were $220,979 for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2021, the state contributed $78,170,320 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $133,992.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' 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 of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, 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 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 1,213,646	$ 712,419	$ 275,298
PERS 2/3	$ (2,103,031)	$ (7,382,150)	$ (11,729,507)
PSERS 2	$ (4,445)	$ (28,350)	$ (47,269)
LEOFF 1	$ (409,667)	$ (455,052)	$ (494,317)
LEOFF 2	$ (3,987,277)	$ (6,322,981)	$ (8,235,458)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 712,419
PERS 2/3	$ (7,382,150)
PSERS 2	$ (28,350)
LEOFF 1	$ (455,052)
LEOFF 2	$ (6,322,981)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	$ (455,052)	$ (6,322,981)
State's proportionate share of the net pension asset associated with the employer	$ (3,077,958)	$ (4,079,013)
TOTAL	$ (3,533,010)	$ (10,401,995)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.059229%	.058336%	-.000893%
PERS 2/3	.074314%	.074106%	-.000208%
PSERS 2	.018563%	.012340%	-.006223%
LEOFF 1	.013079%	.013284%	.000205%
LEOFF 2	.117807%	.108859%	-.008948%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the City recognized pension expense as follows:

	Pension Expense
PERS 1	$ (168,486)
PERS 2/3	$ (1,667,282)
PSERS 2	$ (493)
LEOFF 1	$ (71,591)
LEOFF 2	$ (757,458)
TOTAL	$ (2,665,310)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (790,547)
Contributions subsequent to the measurement date	$ 183,150	$ -
TOTAL	$ 183,150	$ (790,547)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 358,540	$ (90,498)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (6,169,746)
Changes of assumptions	$ 10,788	$ (524,255)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 72,618	$ (34,857)
Contributions subsequent to the measurement date	$ 307,184	$ -
TOTAL	$ 749,130	$ (6,819,356)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,909	$ (112)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (20,307)
Changes of assumptions	$ 4	$ (2,899)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 5,405	$ (828)
Contributions subsequent to the measurement date	$ 3,409	$ -
TOTAL	$ 11,728	$ (24,146)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (139,046)
TOTAL	$ -	$ (139,046)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 286,788	$ (33,417)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (3,014,843)
Changes of assumptions	$ 2,733	$ (300,721)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 248,876	$ (79,547)
Contributions subsequent to the measurement date	$ 110,929	$ -
TOTAL	$ 649,326	$ (3,428,528)

Total Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 648,237	$ (124,027)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (10,134,489)
Changes of assumptions	$ 13,525	$ (827,875)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 326,899	$ (115,232)
Contributions subsequent to the measurement date	$ 604,672	$ -
TOTAL	$ 1,593,333	$ (11,201,623)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	PSERS 2
2022	$ (209,416)	$ (1,682,797)	$ (4,749)
2023	$ (191,901)	$ (1,571,946)	$ (4,487)
2024	$ (181,450)	$ (1,493,963)	$ (4,229)
2025	$ (207,779)	$ (1,614,252)	$ (4,753)
2026	$ -	$ (18,785)	$ 521
Thereafter	$ -	$ 4,333	$ 1,869

Year ended December 31:	LEOFF 1	LEOFF 2	Total Plans
2022	$ (36,936)	$ (787,992)	$ (2,721,890)
2023	$ (33,784)	$ (733,156)	$ (2,535,274)
2024	$ (31,879)	$ (691,725)	$ (2,403,246)
2025	$ (36,447)	$ (780,947)	$ (2,644,178)
2026	$ -	$ 5,256	$ (13,008)
Thereafter	$ -	$ 98,432	$ 104,634

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$ 1,786,166
OPEB assets	$ -
Deferred outflows of resources	$ 28,913
Deferred inflows of resources	$ -
OPEB expenses/expenditures	$ 276,967

Plan Description

The City provides post-retirement health care benefits for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a single-employer defined benefit healthcare plan administered by the City, as required by the Revised Code of Washington (RCW) Chapter 41.26.

The City's employee medical insurance programs provides most of the medical coverage for eligible retirees. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan provisions.

Employees Covered by Benefit Terms

As of December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	4

This is a closed group with no new members. The plan is funded on a pay-as-you-go basis and there are not assets accumulated in a qualifying trust.

The City has purchased a long-term care insurance policy for its LEOFF 1 retirees. The annual premium for the long-term care insurance policy, for the period of November 1, 2021 through October 31, 2022, was $6,727.

Assumptions and Other Inputs

a. The following presents the total OPEB liability of the City calculated using the current healthcare cost trend of 6.8%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Net OPEB Liability	$ 1,645,736	$ 1,786,166	$ 1,944,234

b. The following presents the total OPEB liability of the City calculated using the discount rate of 3.5%, as well as what the OPEB liability would be if it were calculated using a discount are that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB Liability	$ 1,958,390	$ 1,786,166	$1,636,898

Changes in the Total OPEB Liability

Total OPEB Liability at 1/1/2021	$ 2,042,381
Interest	43,852
Differences between expected and actual experience	(183,146)
Benefit payments	(116,921)
Total OPEB Liability at 12/31/2021	$ 1,786,166

At December 31, 2021, 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
Payments subsequent to the measurement date	$ 28,913	$
TOTAL	$ 28,913	$

The City used the alternative measurement method permitted under GASB Statement No. 75. GASB 75 requires the use of the Entry Age Normal (EAN) cost method.

NOTE 14 – HEALTH & WELFARE

The City of Des Moines, Washington is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 15 – CONTINGENCIES AND LITIGATION

The City has recorded in its financial statements all material liabilities, including applicable estimates for situations that are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and self-insurance reserves are adequate to pay all material known or pending claims.

The City participates in a number of Federal and State assisted programs. These grants are subject to audit by the grantor or representative. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. However, City management believes that such disallowances, if any, will be immaterial.

NOTE 16 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In responding to the financial challenges from COVID-19, the City took the following actions:

- Froze all vacant staff positions;
- Provided incentives for early separation with future savings;
- Reduced part-time staff for closed programs;
- Reassigned staff to allocate costs across funding sources, where appropriate;
- Temporary standby status for select staff;
- Held discretionary spending;
- Redirected one-time sales tax in the General Fund earmarked for capital improvements to the General Fund to cover 2020 expenditures; and
- Paused capital projects while the City assessed the feasibility of the project based on criticality to infrastructure, funding source, time requirements for funding source, manpower requirements and existing contracts.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City of Des Moines is unknown at this time.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

The financial statements reflect the following prior period adjustments made:

Explanation	Governmental Activities	Business Activities
Prior period adjustment to correct balance of accumulated depreciation.	$ -	$ (45,418)
Prior period adjustment to correct balance of capital assets - correction of a cost allocation between governmental activity funds and business activity funds	2,460	(2,460)
Prior period adjustment to correct balance of capital assets - correction for costs that weren't capitalized in error	17,191	46,839
2021 business license revenue had been recognized in 2020 in error.	(5,800)	-
Total Prior Period Adjustments	$ 13,851	$ (1,040)

City of Des Moines, Washington
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1 OPEB Plan
For the year ended December 31, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability - beginning	2,042,381	2,185,619	2,280,578	2,362,371
Interest	43,852	74,786	86,906	82,810
Differences between expected and actual experience	(183,146)	(119,398)	(111,297)	(65,262)
Benefit payments	(116,921)	(98,626)	(70,568)	(99,341)
Total OPEB liability - ending	1,786,166	2,042,381	2,185,619	2,280,578
Covered-employee payroll**	-	-	-	-
Total OPEB liability as a % of covered payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*** Covered-employee payroll is the payroll of employees that are provided with OPEB* through the OPEB plan (GASB 75, par. 246)

Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last 10 Fiscal Years*

PERS 1

Fiscal year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.059429%	$ 2,993,764	$ -	$ 2,993,764	$ 6,356,187	47.10%	61.19%
June 30, 2015	0.060047%	3,141,017	-	3,141,017	6,731,306	46.66%	59.10%
June 30, 2016	0.058525%	3,143,068	-	3,143,068	6,920,926	45.41%	57.03%
June 30, 2017	0.055789%	2,647,232	-	2,647,232	7,021,598	37.70%	61.24%
June 30, 2018	0.057841%	2,583,199	-	2,583,199	7,530,347	34.30%	63.22%
June 30, 2019	0.059575%	2,290,870	-	2,290,870	8,279,741	27.67%	67.12%
June 30, 2020	0.059229%	2,091,104	-	2,091,104	8,852,878	23.62%	68.64%
June 30, 2021	0.058336%	712,419	-	712,419	8,947,105	7.96%	88.74%

PERS 2/3

Fiscal year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.071121%	$ 1,437,612	$ -	$ 1,437,612	$ 6,146,411	23.39%	93.29%
June 30, 2015	0.074473%	2,660,963	-	2,660,963	6,608,499	40.27%	89.20%
June 30, 2016	0.072818%	3,666,329	-	3,666,329	6,843,135	53.58%	85.82%
June 30, 2017	0.070475%	2,448,669	-	2,448,669	6,964,752	35.16%	90.97%
June 30, 2018	0.071530%	1,221,311	-	1,221,311	7,472,150	16.34%	95.77%
June 30, 2019	0.074190%	720,637	-	720,637	8,065,565	8.93%	97.77%
June 30, 2020	0.074314%	950,434	-	950,434	8,678,648	10.95%	97.22%
June 30, 2021	0.074106%	(7,382,150)	-	(7,382,150)	8,863,459	-83.29%	120.29%

PSERS 2

Fiscal year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.000000%	$ -	$ -	$ -	$ -	-	-
June 30, 2015	0.000000%	-	-	-	-	-	-
June 30, 2016	0.000000%	-	-	-	-	-	-
June 30, 2017	0.000000%	-	-	-	-	-	-
June 30, 2018	0.026170%	324	-	324	102,541	0.32%	99.79%
June 30, 2019	0.033623%	(4,372)	-	(4,372)	154,958	-2.82%	101.85%
June 30, 2020	0.018563%	(2,554)	-	(2,554)	106,759	-2.39%	101.68%
June 30, 2021	0.012340%	(28,350)	-	(28,350)	83,646	-33.89%	123.67%

LEOFF 1

Fiscal year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.012205%	$ (148,021)	$ 1,092,391	$ 944,370	$ -	0.00%	126.91%
June 30, 2015	0.012137%	(146,278)	989,419	843,141	-	0.00%	127.36%
June 30, 2016	0.012268%	(126,395)	854,936	728,541	-	0.00%	123.74%
June 30, 2017	0.012268%	(188,788)	(1,276,957)	(1,465,745)	-	0.00%	135.96%
June 30, 2018	0.012574%	(228,281)	(1,544,087)	(1,772,368)	-	0.00%	144.42%
June 30, 2019	0.012798%	(252,967)	(1,711,063)	(1,964,030)	-	0.00%	148.78%
June 30, 2020	0.013079%	(246,998)	(1,670,689)	(1,917,687)	-	0.00%	146.88%
June 30, 2021	0.013284%	(455,052)	(3,077,960)	(3,533,012)	-	0.00%	187.45%

LEOFF 2

Fiscal year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.012205%	$ (1,699,040)	$ (1,092,391)	$ (2,791,431)	$ 3,480,180	-48.82%	116.75%
June 30, 2015	0.012137%	(1,249,137)	(825,926)	(2,075,063)	3,527,418	-35.41%	111.67%
June 30, 2016	0.117320%	(682,368)	(444,855)	(1,127,223)	3,659,657	-18.65%	106.04%
June 30, 2017	0.123689%	(1,716,402)	(1,112,208)	(2,828,610)	3,875,240	-44.29%	113.36%
June 30, 2018	0.115583%	(2,346,587)	(1,502,712)	(3,849,299)	3,829,585	-61.28%	118.50%
June 30, 2019	0.120460%	(2,790,688)	(1,757,034)	(4,547,722)	4,230,353	-65.97%	119.43%
June 30, 2020	0.117807%	(2,403,091)	(1,556,804)	(3,959,895)	4,385,948	-54.79%	115.83%
June 30, 2021	0.108859%	(6,322,981)	(3,980,987)	(10,303,968)	4,213,683	-150.06%	142.00%

*Until a full 10-year trend is compiled, only information for those years available is presented.

Notes to Schedule:
1) Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 13.
2) Contribution and covered payroll on this schedule is based on the plan fiscal year ending June 30th.

3) LEOFF 1 plan is closed and has no further covered payroll.

Schedule of Employer Contributions
As of December 31, 2021
Last 10 Fiscal Years*

PERS 1

Fiscal year Ending	Statutorily or contractually required contributions	Less: Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2014	$ 189,440	$ (189,440)	$ -	$ 6,356,187	2.98%
December 31, 2015	382,894	(382,894)	-	6,731,306	5.69%
December 31, 2016	333,338	(333,338)	-	6,920,926	4.82%
December 31, 2017	362,284	(362,284)	-	7,021,598	5.16%
December 31, 2018	411,642	(411,642)	-	7,890,571	5.22%
December 31, 2019	434,067	(434,067)	-	8,636,017	5.03%
December 31, 2020	427,219	(427,219)	-	8,847,297	4.83%
December 31, 2021	405,083	(405,083)	-	9,246,614	4.38%

PERS 2/3

Fiscal year Ending	Statutorily or contractually required contributions	Less: Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2014	$ 189,440	$ (189,440)	$ -	$ 6,146,411	3.08%
December 31, 2015	382,894	(382,894)	-	6,608,499	5.79%
December 31, 2016	427,454	(427,454)	-	6,843,135	6.25%
December 31, 2017	495,582	(495,582)	-	6,964,752	7.12%
December 31, 2018	587,403	(587,403)	-	7,831,815	7.50%
December 31, 2019	647,731	(647,731)	-	8,422,223	7.69%
December 31, 2020	691,646	(691,646)	-	8,733,608	7.92%
December 31, 2021	664,544	(664,544)	-	9,149,936	7.26%

PSERS 2

Fiscal year Ending	Statutorily or contractually required contributions	Less: Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2014	$ -	$ -	$ -	$ -	-
December 31, 2015	-	-	-	-	-
December 31, 2016	-	-	-	-	-
December 31, 2017	-	-	-	-	-
December 31, 2018	10,357	(10,357)	-	151,163	6.85%
December 31, 2019	10,913	(10,913)	-	153,281	7.12%
December 31, 2020	5,613	(5,613)	-	77,957	7.20%
December 31, 2021	6,650	(6,650)	-	96,678	6.88%

LEOFF 2

Fiscal year Ending	Statutorily or contractually required contributions	Less: Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2014	$ 91,113	$ (91,113)	$ -	$ 3,519,072	2.59%
December 31, 2015	177,745	(177,745)	-	3,519,706	5.05%
December 31, 2016	184,816	(184,816)	-	3,659,665	5.05%
December 31, 2017	195,699	(195,699)	-	3,960,122	4.94%
December 31, 2018	211,537	(211,537)	-	4,029,279	5.25%
December 31, 2019	231,664	(231,664)	-	4,449,300	5.21%
December 31, 2020	216,133	(216,133)	-	4,196,748	5.15%
December 31, 2021	220,979	(220,979)	-	4,301,384	5.14%

*Until a full 10-year trend is compiled, only information for those years available is presented.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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Office of the Washington State Auditor
Pat McCarthy

September 28, 2022

Council
City of Des Moines
Des Moines, Washington

Report on Financial Statements

Please find attached our report on the City of Des Moines's financial statements.

We are issuing this report for inclusion in the City's annual comprehensive financial report package, which will be issued by the City under the City's own cover.

This report is in addition to our regular financial statement audit report, which will be available on our website and includes the City's basic financial statements.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Mayor and City Council
City of Des Moines
Des Moines, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Des Moines as of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Des Moines, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Development, Capital and Construction, and American Rescue Plan Act funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

The other information comprises Introductory and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated September 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

Office of the Washington State Auditor
Pat McCarthy

Report on Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

City of Des Moines

For the period January 1, 2021 through December 31, 2021

Published September 30, 2022

Report No. 1031253

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Office of the Washington State Auditor
Pat McCarthy

September 30, 2022

Mayor and City Council
City of Des Moines
Des Moines, Washington

Report on Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

As part of the American Rescue Plan Act of 2021, the U.S. Department of Treasury provided Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) to the State and all cities and counties in Washington to provide aid for various purposes in response to the public health emergency.

These funds are federal assistance, subject to audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. In order to provide for more timely and focused audits, the Office of Management and Budget, in the 2021 Compliance Supplement, authorized entities meeting specific criteria to receive a compliance examination engagement in lieu of a regular federal grant audit. Accordingly, the City has elected to demonstrate accountability for these funds through a compliance examination.

Please find attached our report on the City's compliance with federal requirements.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

City of Des Moines
January 1, 2021 through December 31, 2021

Mayor and City Council
City of Des Moines
Des Moines, Washington

We have examined the City of Des Moines compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients that would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) section of the 2021 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended December 31, 2021.

Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Des Moines complied, in all material respects, with the aforementioned requirements during the period January 1, 2021 to December 31, 2021.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; and fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on compliance with the specified requirements. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over compliance and other matters; accordingly, we express no such opinions.

Our examination disclosed no issues that are required to be reported under *Government Auditing Standards*.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

SUMMARY SCHEDULE OF PRIOR FINDINGS

City of Des Moines

City of Des Moines
January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:	CFDA Number(s):
01/01/2020 -12/31/2020	1029684	2020-002	21.019

Federal Program Name and Granting Agency:	Pass-Through Agency Name:
U.S. Department of the Treasury	Washington State Department of Commerce

Finding Caption:

The City charged the Coronavirus Relief Fund for payroll expenditures that lacked support.

Background:

The City received the new Coronavirus Relief Fund program funds while trying to react quickly to the COVID-19 pandemic. As such, the City did not sufficiently train employees responsible for managing the program on Treasury's guidance for charging salary, wage and benefits to this specific program.

Status of Corrective Action: (check one)

☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

Training has been provided to staff regarding the Treasury's guidance for charging salary, wage and benefits to this specific program. In addition, the Finance Department has implemented a new financial management system, which includes project accounting. Project accounting has been set up for grants to track actual costs of salary, wage and benefits. The City is no longer using the forecasted pay rate to charge salary, wage and benefits to grants. The City is working with the Department of Commerce to provide additional supporting documentation, which complies with the Treasury's guidance for this specific grant.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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City of Des Moines

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September 28, 2022

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the City of Des Moines for the period from January 1, 2021 through December 31, 2021. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquires to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all requested and relevant information of which we are aware, including:
   a. Financial records and related data.
   b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
   c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.

d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.

e. Related party relationships and transactions.

f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.

4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.

6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.

7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.

8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.

9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.

10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.

11. We are responsible for taking corrective action on audit findings and have developed a corrective action plan.

Additional representations related to the financial statements:

12. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally accepted accounting principles in the United States of America.

13. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.

14. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.

15. The financial statements properly classify all funds and activities.

16. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.

17. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable.

18. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.

19. Revenues are appropriately classified by fund and account.

20. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.

21. Net position components (net investment in capital assets, restricted and unrestricted) and fund balance components are properly classified and, as applicable, approved.

22. Significant assumptions we used in making accounting estimates are reasonable.

23. The following have been properly classified, reported and disclosed in the financial statements, as applicable:

    a. Interfund, internal, and intra-entity activity and balances.

    b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    c. Joint ventures and other related organizations.

d. Guarantees under which the government is contingently liable.

e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.

24. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.

25. We acknowledge our responsibility for reporting supplementary information such as: the Schedule of Expenditures of Federal Awards in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.

26. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.

27. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.

28. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the RSI.

29. We believe the effects of uncorrected financial statement misstatements summarized in the schedule of uncorrected items provided to us by the auditor are not material, both individually and in the aggregate, to each applicable opinion unit.

30. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

31. We acknowledge our responsibility for presenting Annual Comprehensive Financial Report combining statements and supplemental schedules in accordance with generally accepted accounting principles in the United States. We believe that combining statements and supplemental schedules are fairly presented, including both form and content, in accordance with those principles.

32. We have disclosed to you all significant changes to the methods of measurement and presentation of combining statements and supplemental schedules, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the combining statements and supplemental schedules.

Michael Matthias, City Manager Director

Beth Anne Wroe

Beth Anne Wroe, Finance Director, Finance

UPDATING LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD

February 9, 2023

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We re-affirm the representations made in our previous letter dated September 28, 2022 up to the date of this letter, which was provided to you in connection with your audit of City of Des Moines for the period from January 1, 2021 through December 31, 2021.

We confirm again, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, those representations made to you during your audit and included in our previous letter as referred to above.

If we subsequently discover information that would change our representations related to this audit, we will notify you in a timely manner.

Michael Matthias, City Manager Director

Jeff Friend, Finance Director, Finance

Summary of Uncorrected Items

Description	Statement / Schedule	Opinion Unit
The City included amounts for February 2021 instead of February 2022 for motor vehicle fuel tax revenue. Motor vehicle fuel tax revenue has a 2 month disbursement lag (amounts for Jan and Fed 2021 should not be included in 2021 revenue, amounts for Jan and Feb 2022 should be included as 2021 revenues). As a result, intergovernmental revenue was understated by $2,292.	Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	Aggregate Remaining Funds
Note 6 • The City made an error reporting the contract balance in CIP fund and understated it by $1,027,438. Remaining committment reported is $8,880,122 instead of $9,907,560.		N/A
Unavailable revenue (property taxes) was understated by $22,063.	Balance Sheet - Governmental Funds	General Fund
It is unusual that this statement reports internal balances, but the fund statements report no due from/due to amounts. Repeat comment from the prior review.	Statement of Net Position	Governmental Activities
Prior GFOA Comment - Inventories, prepaid items, and the corpus or principal of a permanent fund should be included in nonspendable fund balance. City reports no nonspendable fund balance but has prepaid expenses reported. Should be addressed since this was mentioned by GFOA in prior certification review.	Balance Sheet - Governmental Funds	General Fund
Prior GFOA Comment - Inventories, prepaid items, and the corpus or principal of a permanent fund should be included in nonspendable fund balance. City reports no nonspendable fund balance but has prepaid expenses reported. Should be addressed since this was mentioned by GFOA in prior certification review.	Balance Sheet - Governmental Funds	Development Fund