



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Des Moines

For the period January 1, 2025 through December 31, 2025

Published October 5, 2026

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**Office of the Washington State Auditor
Pat McCarthy**

October 5, 2026

Mayor and City 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,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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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, 2025 through December 31, 2025

Mayor and City 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 City of Des Moines, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 28, 2026.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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*.

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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Des Moines January 1, 2025 through December 31, 2025

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Des Moines, as of and for the year ended December 31, 2025, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Des Moines, and its changes in cash and investments, for the year ended December 31, 2025, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Des Moines, as of December 31, 2025, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. 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 unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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 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
- We are required to 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2026 on our consideration of the City's internal control over financial reporting and on the 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2026

FINANCIAL SECTION

City of Des Moines January 1, 2025 through December 31, 2025

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2025
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2025
Notes to the Financial Statements – 2025

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2025

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	102 Arterial Pavement Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	69,982,096	2,879,816	713,492	1,344,084
388 / 588	Net Adjustments	-	(10,672)	-	-
Revenues					
310	Taxes	20,806,894	17,551,337	951,881	-
320	Licenses and Permits	3,613,493	2,434,558	-	-
330	Intergovernmental Revenues	7,912,012	1,190,633	608,849	-
340	Charges for Goods and Services	21,251,742	1,095,022	900,000	-
350	Fines and Penalties	2,176,003	982,449	-	-
360	Miscellaneous Revenues	3,827,546	564,654	47,464	57,206
Total Revenues:		59,587,690	23,818,653	2,508,194	57,206
Expenditures					
510	General Government	8,126,964	6,747,648	-	-
520	Public Safety	15,091,150	14,399,065	-	-
530	Utilities	4,449,160	-	-	-
540	Transportation	5,351,554	417,882	2,110,146	227,734
550	Natural/Economic Environment	3,104,182	508,526	-	-
560	Social Services	411,389	380,722	-	-
570	Culture and Recreation	7,191,536	2,729,104	-	-
Total Expenditures:		43,725,936	25,182,946	2,110,146	227,734
Excess (Deficiency) Revenues over Expenditures:		15,861,755	(1,364,293)	398,048	(170,528)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,611,477	79,644	8,908	1,003,561
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,985,268	1,557,631	-	-
Total Other Increases in Fund Resources:		5,596,745	1,637,275	8,908	1,003,561
Other Decreases in Fund Resources					
594-595	Capital Expenditures	24,414,760	-	9,229	-
591-593, 599	Debt Service	2,278,152	51,665	1,807	-
597	Transfers-Out	3,611,477	27,998	-	1,105,500
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	408,555	95,881	2,370	-
Total Other Decreases in Fund Resources:		30,712,945	175,544	13,406	1,105,500
Increase (Decrease) in Cash and Investments:		(9,254,444)	97,437	393,550	(272,467)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	18,894,823	550,398	1,211	-
50841	Committed	4,107,800	-	-	-
50851	Assigned	35,308,845	-	1,105,830	1,071,616
50891	Unassigned	2,416,183	2,416,183	-	-
Total Ending Cash and Investments		60,727,651	2,966,581	1,107,041	1,071,616

The accompanying notes are an integral part of this statement.

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		105 Development Fund	107 Police Drug Seizure Fund	111 Hotel/Motel Tax Fund	113 Affordable Housing Sales Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,537,371	135,100	143,488	86,746
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	94,192	34,933
320	Licenses and Permits	1,178,935	-	-	-
330	Intergovernmental Revenues	137,347	-	-	-
340	Charges for Goods and Services	2,132,460	-	-	-
350	Fines and Penalties	8,876	-	-	-
360	Miscellaneous Revenues	119,068	-	4,893	-
Total Revenues:		3,576,686	-	99,085	34,933
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	5,135	-	-
530	Utilities	-	-	-	-
540	Transportation	857,759	-	-	-
550	Natural/Economic Environment	2,271,968	-	157,925	-
560	Social Services	-	-	-	30,667
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,129,727	5,135	157,925	30,667
Excess (Deficiency) Revenues over Expenditures:		446,959	(5,135)	(58,840)	4,266
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	125,480	-	-	-
Total Other Increases in Fund Resources:		125,480	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	3,313	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	239,163	-	-	-
Total Other Decreases in Fund Resources:		242,476	-	-	-
Increase (Decrease) in Cash and Investments:		329,963	(5,135)	(58,840)	4,266
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	786,030	129,966	84,649	91,013
50841	Committed	-	-	-	-
50851	Assigned	1,081,304	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,867,334	129,966	84,649	91,013

The accompanying notes are an integral part of this statement.

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		114 ARPA Fund	140 Redondo Fund	141 Waterfront Fund	142 PBPW Automation Fee Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	171,520	51,900	80,591	614,050
388 / 588	Net Adjustments	10,672	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	133,388
350	Fines and Penalties	-	420	2,050	-
360	Miscellaneous Revenues	-	78,889	399,859	31,611
Total Revenues:		-	79,309	401,909	165,000
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	13,956	-
550	Natural/Economic Environment	20,455	-	-	87,925
560	Social Services	-	-	-	-
570	Culture and Recreation	-	151,246	158,191	-
Total Expenditures:		20,455	151,246	172,146	87,925
Excess (Deficiency) Revenues over Expenditures:		(20,455)	(71,937)	229,763	77,074
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	8,455	42,673	45,631	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		8,455	42,673	45,631	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	139,908	-	312,673	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		139,908	-	312,673	-
Increase (Decrease) in Cash and Investments:		(151,908)	(29,264)	(37,280)	77,074
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	30,285	-	-	-
50841	Committed	-	22,636	43,312	691,124
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		30,285	22,636	43,312	691,124

The accompanying notes are an integral part of this statement.

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		180 Abatement Fund	190 ASE Automated Speed	191 Redondo Speed Enforcement	199 Transportation Benefit District
Beginning Cash and Investments					
308	Beginning Cash and Investments	38,143	268,751	614,822	3,265,452
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	933,600
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	3	-
350	Fines and Penalties	621	152,670	1,014,825	-
360	Miscellaneous Revenues	-	14,290	7,450	156,424
Total Revenues:		621	166,960	1,022,278	1,090,024
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	221,420	465,531	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	900,000
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	221,420	465,531	900,000
Excess (Deficiency) Revenues over Expenditures:		621	(54,460)	556,747	190,024
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	87,710	46,989	1,000,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	87,710	46,989	1,000,000
Increase (Decrease) in Cash and Investments:		621	(142,170)	509,758	(809,976)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	2,455,475
50841	Committed	38,764	126,581	1,124,581	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		38,764	126,581	1,124,581	2,455,475

The accompanying notes are an integral part of this statement.

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		200 Debt Service Fund	300 Capital Projects Fund	401 Marina Operations Fund	450 Surface Water Operations
Beginning Cash and Investments					
308	Beginning Cash and Investments	122,540	19,822,582	21,002,708	11,058,641
388 / 588	Net Adjustments	-	1,153,161	(1,153,161)	-
Revenues					
310	Taxes	-	1,240,951	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	5,437,676	18,666	305,291
340	Charges for Goods and Services	-	533,590	5,241,810	6,478,533
350	Fines and Penalties	-	-	14,092	-
360	Miscellaneous Revenues	-	1,019,875	506,519	501,119
Total Revenues:		-	8,232,092	5,781,086	7,284,942
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	4,449,160
540	Transportation	-	100,612	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	30,424	4,122,572	-
Total Expenditures:		-	131,036	4,122,572	4,449,160
Excess (Deficiency) Revenues over Expenditures:		-	8,101,056	1,658,515	2,835,783
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,048,482	1,279,847	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	3,085	45,414	82,740
Total Other Increases in Fund Resources:		1,048,482	1,282,932	45,414	82,740
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	9,720,205	9,966,233	3,477,053
591-593, 599	Debt Service	1,049,028	-	1,170,834	903
597	Transfers-Out	59,644	824,672	-	6,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	66,199	4,943
Total Other Decreases in Fund Resources:		1,108,672	10,544,876	11,203,266	3,488,899
Increase (Decrease) in Cash and Investments:		(60,190)	(1,160,888)	(9,499,337)	(570,376)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	62,351	13,525,801	1,084,603	93,041
50841	Committed	-	1,860,802	-	200,000
50851	Assigned	-	4,428,252	9,265,606	10,195,221
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		62,351	19,814,855	10,350,209	10,488,263

The accompanying notes are an integral part of this statement.

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		500 Equipment Rental Operations	501 Equipment Rental Replacement	506 Facility Repair and Replacement	511 Computer Equipment Capital Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	117,543	3,031,355	297,226	1,341,917
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	213,551	-
340	Charges for Goods and Services	1,034,102	2,200,778	112,150	199,376
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	12,146	181,433	19,517	66,045
Total Revenues:		1,046,249	2,382,211	345,218	265,421
Expenditures					
510	General Government	-	-	47,663	105,218
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	723,465	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		723,465	-	47,663	105,218
Excess (Deficiency) Revenues over Expenditures:		322,783	2,382,211	297,555	160,203
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	37,733	56,544	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	6,498	43,574	120,845	-
Total Other Increases in Fund Resources:		6,498	81,307	177,389	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	10,281	937,992	229,815	63,952
591-593, 599	Debt Service	602	-	-	-
597	Transfers-Out	-	-	384	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		10,883	937,992	230,198	63,952
Increase (Decrease) in Cash and Investments:		318,398	1,525,526	244,746	96,251
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	435,943	4,556,882	541,971	1,438,167
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		435,943	4,556,882	541,971	1,438,167

The accompanying notes are an integral part of this statement.

City of Des Moines
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		520 Self- Insurance Fund	530 Unemployment Insurance Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	660,261	581,997
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	1,144,972	45,557
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	12,087	26,997
Total Revenues:		1,157,059	72,555
Expenditures			
510	General Government	1,127,420	99,016
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	57,384	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		1,184,804	99,016
Excess (Deficiency) Revenues over Expenditures:		(27,745)	(26,462)
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
Increase (Decrease) in Cash and Investments:		(27,745)	(26,462)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	632,516	555,536
50891	Unassigned	-	-
Total Ending Cash and Investments		632,516	555,536

The accompanying notes are an integral part of this statement.

City of Des Moines
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		Custodial
308	Beginning Cash and Investments	91,336
388 & 588	Net Adjustments	-
310-390	Additions	988,787
510-590	Deductions	965,090
	Net Increase (Decrease) in Cash and Investments:	23,697
508	Ending Cash and Investments	115,033

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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 local 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, 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 the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the Washington State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that **differs** from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below
- Component units are required to be disclosed, but are not included in the financial statements
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, and revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES

The **General Fund** is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. The City reports the following special revenue funds:

- **City Street Fund:** Accounts for revenues and expenditures used to construct and maintain streets.
- **Street Pavement Fund:** Accounts for revenues and expenditures used to reconstruct or preserve (chip seal, micro seal, overlay, etc.) street pavement.
- **Development Fund:** Account for revenue generated by fee based development related activities, including permitting, plan review, etc., and the associated cost of providing the services.
- **Police Drug Seizure Fund:** Money seized and forfeited from drug activity is deposited in this fund to be used exclusively for drug investigation and enforcement.
- **Lodging Excise Tax Fund:** Accounts for the hotel/motel taxes levied to support City tourism promotion.
- **Affordable Housing Sales Tax:** This fund accounts for revenue received from the affordable housing sales tax credit received from the State of Washington. The funds may be used for (a) acquiring, rehabilitating, or constructing affordable housing, (b) operations and maintenance costs of new units of affordable or supportive housing, or to provide rental assistance to tenants that are at or below the 60% of the median income of the City.
- **American Rescue Plan Act Fund:** 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.
- **Redondo Zone Fund:** This fund was created to account for parking fees and fines in the Redondo Zone which are used first to pay operating costs for the parking system. Any excess funds to be used for capital improvement or debt service expenditures benefitting the Redondo Zone.
- **Waterfront Zone Fund:** This fund was created to account for revenues and expenditures relating to the provision of services and public access to the fishing pier, the waterfront area of the Beach Park and related parking lots and to the space on the upland areas not designated as part of the marina enterprise fund.
- **Planning, Building and Public Works (PBPW) Automation Fund:** This fund was created to account for Planning, Building and Public Works automation fees and to be used for technology operations, maintenance and replacement expenditures; as well as, capital expenditures for acquisition of additional technology benefitting the PBPW department.
- **Nuisance Property Abatement Fund:** This fund was created to account for revenue and expenditures to abate nuisances within the city.
- **Urban Forestry Fund:** This fund was created to account for tree replacement fees, timber sales, donations, grants, and Council-designated funds, supporting the acquisition, maintenance, and preservation of urban forests.

- **Automated Speed Enforcement Fund:** This fund was created to account for revenue from fines assessed under authority of chapter 10.36 Des Moines Municipal Code and to be used solely for traffic safety purposes.
- **Redondo Speed Enforcement Fund:** This fund was created to account for revenue from park zone speed violations issued under authority of chapter 10.36 DMMC shall be used solely for the purposes set forth in DMMC 10.36.070(4) or as otherwise provided by State law
- **Transportation Benefit District Fund:** This fund was created to account for revenue and expenditures for improvements to preserve and maintain the City's previous investments in the transportation infrastructure, reduce the risk of transportation facility failure, improve safety, continue cost-effectiveness of the City's infrastructure investments, and continue the optimal performance of the transportation system.

The **Debt Service Fund** accounts for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

The **Capital Projects Fund** accounts for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES

The **Enterprise Funds** account for operations that provide goods or services to the general public and are supported primarily through user charges. The City reports the following enterprise funds:

- **Marina Fund:** accounts for operating and capital expenses of operating the City owned marina, along with associated revenue and debt service for the marina.
- **Surface Water Management Fund:** accounts for operating and capital expenses of the citywide surface water management system and associated revenues.

The **Internal Service Funds** account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis. The City reports the following internal service funds:

- **Equipment Rental Operations:** accounts for the funds used to finance the maintenance, and repair of equipment and inventory used in fulfilling the objectives of all departments having equipment purchased and/or maintained by the Equipment Rental and Revolving fund.
- **Equipment Rental Replacement:** accounts for the funds used to finance the purchase and replacement of equipment and inventory used in fulfilling the objectives of all departments having equipment purchased and/or maintained by the Equipment Rental and Revolving fund.
- **Facility Replacement:** accounts for the accumulation and use of funds for major repairs, maintenance and replacement of City facilities.

- **Computer Replacement:** accounts for the funds used to finance the purchase and replacement of computer equipment and inventory used in fulfilling the objectives of all departments.
- **Self-Insurance:** A self-insurance fund to finance the uninsured liability claims and deductible portions of insured liability claims against the City.
- **Unemployment Insurance:** A self-insurance fund to finance unemployment claim settlements and decisions against the City by former employees.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The **Custodial Funds** are used to account for assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the City also recognizes expenditures paid during the twenty day period after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to all funds with eligible cash balances. See Note 3 - *Deposits and Investments* for additional details.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation leave is accumulated at various rates, depending upon date of hire, contract and City policy. Vacation leave is payable upon termination of employment. Sick leave accumulates at four hours per pay period. Employees may receive some or all accumulated sick leave upon termination of employment, depending upon date of hire, contract and City policy. Payments are recognized as expenditures when paid.

Executive Leave is granted to exempt employees in consideration of longer hours expected to be worked and is not payable upon separation. Comp Time is granted to employees in lieu of overtime and is payable upon separation.

F. Liabilities

See Note 6 – Long-term Liabilities, Note 10 – OPEB, and Note 11 – Pensions.

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

Leases are reported as liabilities if the total payments over the life of the lease is more than \$1. SBITAs are reported as liabilities if the total payments over the life of the SBITA is more than \$1. For more information see Note 5 – Leases. No SBITA's exist in 2025 therefore no note is included.

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of the following:

2025 Restrictions and Commitments of Ending Cash and Investments		
<i>Fund Description</i>	<i>Restricted for:</i>	Total
General Fund	Customer Deposits	\$ 502,691
General Fund	Donations	11,424
General Fund	Court Trust Bails	36,283
City Street Fund	Construction Retainage	1,211
Development Fund	Customer Deposits	786,030
Police Drug Seizure Fund	Seizure and Forfeiture Assets RCW 69.50.505.	129,966
Lodging Excise Tax Fund	Tourist promotion and related activity authorized by chapter 67.28 RCW.	84,649
Affordable Housing Tax Fund	Affordable and supportive housing allowed under 82.14.540 RCW	91,013
American Rescue Plan Act	American Rescue Plan Act funds restricted by grant requirements.	30,285
Transportation Benefits District	Transportation Benefits District (RCW 36.73)	2,455,475
Debt Service Fund	Eligible Debt Service	62,351
Municipal Capital and Construction Fund	REET First Quarter	3,052,063
Municipal Capital and Construction Fund	REET Second Quarter	1,398,675
Municipal Capital and Construction Fund	Municipal Capital Improvements - Debt Proceeds	9,038,368
Municipal Capital and Construction Fund	Municipal Capital Improvements - Construction Retainage	36,696
Marina Fund	Customer Deposits	187,842
Marina Fund	Debt Proceeds	896,761
Surface Water Management	Deposits & Construction Retainage	93,041
Custodial Fund	Fiduciary activity	115,033
	Total	\$ 19,009,856
<i>Fund Description</i>	<i>Committed for:</i>	
Redondo Zone	Redondo Zone activity (DMMC 3.51.140)	\$ 22,636
Waterfront Zone	Waterfront Zone activity (DMMC 3.51.141)	43,312
PBPW Automation Fee	Technological improvements for the Planning, Building and Public Works Department (DMMC 3.51.142)	691,124
Nuisance Property Abatement Fund	Abatement activity (DMMC 3.51.180)	38,764
Automated Speed Enforcement Fund	Automated speed enforcement related to traffic safety purposes or as otherwise provided by State law.	126,581
Redondo Speed Enforcement Fund	Redondo automated speed enforcement related to traffic safety purposes or as otherwise provided by State law.	1,124,581
Municipal Capital and Construction Fund	Municipal capital improvement activity	1,860,802
Surface Water Management	Surface Water Management Operations and Capital (DMMC 3.52.150)	200,000
	Total	\$ 4,107,800

Note 2 – Budget Compliance

The City adopts annual appropriated budgets for the general, special revenue, enterprise, internal service and fiduciary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

2025				
Funds	Original Adopted Budget	Final Adopted Budget	Actual Expenditures	Variance
General Fund	\$ 26,113,975	\$ 26,832,071	\$ 25,358,490	\$ 1,473,581
Special Revenue Funds				
Street Fund	2,741,053	2,742,053	2,123,552	618,501
Arterial Pavement	1,466,788	2,798,788	1,333,234	1,465,554
Development Fund	3,092,528	3,373,028	3,372,203	825
Police Drug Seizure Fund	20,500	20,500	5,135	15,365
Hotel Motel Tax Fund	120,000	165,000	157,925	7,075
Affordable Housing Sales Tax Fund	35,000	35,000	30,667	4,333
ARPA	1,103,000	179,975	160,363	19,612
Redondo Zone	150,635	186,135	151,246	34,889
Waterfront Zone	394,462	559,462	484,819	74,643
Planning, Building and Public Works				
Automation	120,409	120,409	87,925	32,484
Urban Forestry Fund	5,000	5,000	-	5,000
Abatement Fund	2,500	2,500	-	2,500
ASE Automated Speed Enforcement	432,976	490,976	309,130	181,846
Redondo Speed Enforcement	938,824	1,422,424	512,520	909,904
Transport Benefit District	1,400,000	2,450,000	1,900,000	550,000
Debt Service Fund	1,048,480	1,161,980	1,108,672	53,308
Capital Project Fund	27,793,483	20,358,863	10,675,912	9,682,951
Proprietary Funds				
Marina	20,370,859	20,453,359	15,325,838	5,127,521
Surface Water Management	7,448,034	9,372,034	7,938,060	1,433,974
Internal Service Funds				
Equipment Rental Operations	855,438	855,438	734,348	121,090
Equipment Rental Replacement	1,389,000	1,389,000	937,992	451,008
Facility Repair and Replacement Fund	2,116,885	428,885	277,861	151,024
Computer Equipment Capital Fund	460,000	460,000	169,170	290,830
Self-Insurance Fund	1,260,971	1,270,971	1,184,804	86,167
Unemployment Insurance Fund	300,000	300,000	99,016	200,984
Total	\$ 101,180,800	\$ 97,433,851	\$ 74,438,882	\$ 22,994,969

Budgeted amounts are authorized to be transferred between object classes within departments; 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's legislative body.

Note 3 – Deposits and Investments

Investments are reported at Face Value. Deposits and investments by type at December 31, 2025 are as follows:

Type of Deposit or Investment	Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations			Total
	City of Des Moines' own deposits and investments			
Bank Deposits	\$ 1,261,208	\$ 115,033	\$	1,376,241
L.G.I.P.	35,796,443	-		35,796,443
U.S. Government Securities	23,670,000	-		23,670,000
Total	\$ 60,727,651	\$ 115,033	\$	60,842,684

It is the City's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds that have eligible cash balances.

Investments in Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool 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 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>.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Note 4 - Joint Venture

On February 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 included the Cities of Auburn, Burien, Federal Way, Renton, SeaTac, and Tukwila) was 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 and 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 to defease and refund all of the outstanding 2009 Bonds.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each 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 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					
Year	Principal	Interest	Total	Auburn 34.94%	Burien 4.82%	Des Moines 6.02%	Renton 40.96%	SeaTac 3.62%	Tukwila 9.64%
2025	2,155,000	1,757,100	3,912,100	1,366,889	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	2,375,000	1,536,350	3,911,350	1,366,626	188,527	235,463	1,602,089	141,591	377,054
2028	2,490,000	1,417,600	3,907,600	1,365,315	188,346	235,238	1,600,553	141,455	376,693
2029	2,615,000	1,293,100	3,908,100	1,365,490	188,370	235,268	1,600,758	141,473	376,741
2030-2034	15,090,000	4,460,600	19,550,600	6,830,979	942,339	1,176,946	8,007,926	707,732	1,884,678
2035-2038	14,430,000	1,206,850	15,636,850	5,463,516	753,696	941,338	6,404,854	566,054	1,507,392
Totals	\$ 41,415,000	\$ 13,320,950	\$ 54,735,950	\$ 19,124,742	\$ 2,638,272	\$ 3,295,104	\$ 22,419,846	\$ 1,981,441	\$ 5,276,545

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, 2025 in relation to SCORE:

South Correctional Entity (SCORE)					
Member City	2024 Percent of Equity	2024 Equity Balance	2025 Percent of Equity	2025 Apportionment	2025 Equity Balance
Auburn	41.90%	\$ 16,533,299	41.62%	\$ (816,224)	\$ 15,717,075
Burien	5.78%	2,281,450	5.78%	(97,429)	2,184,021
Des Moines	5.08%	2,004,670	5.12%	(68,958)	1,935,712
Renton	31.91%	12,590,153	31.98%	(507,488)	12,082,665
SeaTac	7.96%	3,141,621	8.10%	(81,640)	3,059,981
Tukwila	7.37%	2,907,825	7.40%	(110,873)	2,796,952
Grand Totals	100.00%	\$ 39,459,018	100.00%	\$ (1,682,612)	\$ 37,776,406

Completed financial statements for SCORE and SCORE PDA can be obtained at the following address:

SCORE
ATTN: Finance Director
20817 17th Avenue South
Des Moines, WA 98198

Note 5 – Leases

During the year ended 2022, the City of Des Moines adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of lease liabilities reported on the Schedule of Liabilities.

The City leases aquatic lands from the State of Washington. Quarterly rent payments were \$16,835.07 per quarter through Q1 2025, and then \$16,881.80 thereafter under a 30-year lease agreement that expires on June 30, 2041. Lease payments are subject to annual increases at the State's discretion.

The City leases a postage machine from Pitney Bowes Inc. for \$151.91 per month under a 60-month agreement that expires on August 27, 2027.

The City leases a multi-function mail processing machine from Quadient Leasing for \$766.07 per month under a 60-month agreement that expires on August 19, 2030.

The City has two leases copiers, printers, and various attachments from Cannon Financial Services. One lease is \$1,505.71 per month under a 60-month agreement that expires on 3/31/2029 and the second is for 201.74 per month under a 60-month agreement that expires on 4/30/2029.

The total amount paid for leases in 2025 was \$102,014.28. As of December 31, 2025, the future lease payments are as follows:

Year Ended December 31	Total
2026	\$ 99,032
2027	98,577
2028	97,209
2029	82,044
2030	72,124
2031-2035	337,636
2036-2040	337,636
2041-2045	33,764
Total	\$ 1,158,022

Note 6 – Long-Term Liabilities

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2025.

The debt service requirement for general obligation bonds and public works loans are as follows:

Year	Principal	Interest	Total
2026	\$ 877,915	\$ 1,505,345	\$ 2,383,260
2027	919,838	1,469,982	2,389,820
2028	956,761	1,432,876	2,389,637
2029	762,423	1,394,219	2,156,642
2030	800,550	1,357,649	2,158,199
2031 - 2035	4,592,849	6,186,023	10,778,872
2036 - 2040	5,258,705	5,045,183	10,303,888
2041 - 2045	5,850,000	3,747,875	9,597,875
2046 - 2050	7,470,000	2,127,962	9,597,962
2051 - 2055	3,560,000	282,712	3,842,712
Totals	\$31,049,041	\$24,549,826	\$55,598,867

Compensated Absences

During the year ended December 31, 2025, the following changes occurred in compensated absences:

	1/1/2025			12/31/2025	
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated Absences*	\$ 2,229,808	\$ -	\$ 101,960	\$ 2,127,848	
Compensated Absences - Business Type*	509,101	-	70,607	438,494	
	\$ 2,738,909	\$ -	\$ 172,567	\$ 2,566,342	

*additions and reductions are reported as a net change

Note 7 – Contingencies and Litigation

The City carries liability and property insurance through the Washington Cities Insurance Authority (WCIA). 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 8 - Construction & Other Contractual Commitments

The City of Des Moines had active construction projects as of December 31, 2025. 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:

Project Name	Total Contract	Total Spent to Date	Total Remaining
FOUNDERS' LODGE IMPROVEMENTS	60,148	45,683	14,465
ACTIVITY CENTER ROOF & SOLAR	184,375	74,000	110,375
MARINA DREDGING	27,484	15,639	11,845
MARINA GUEST MOORAGE POWER UPGRADES	6,000	6,000	-
MARINA DOCK REPLACEMENT	12,227,565	587,028	11,640,537
CSR ROOF REPLACEMENT	69,242	31,445	37,797
FIELD HOUSE PLAY EQUIPMENT	623,023	530,511	92,512
CECIL POWELL PLAY EQUIP	195,700	189,323	6,377
REDONDO FLOATS	11,000	11,000	-
REDONDO FISHING PIER	211,524	86,510	125,014
MIDWAY PK ACQ	450,203	190,332	259,870
REDONDO RESTROOM	2,158,570	1,968,829	189,742
MARINA/BP PD PRKING	87,276	47,963	39,313
MARINA REDEVELOPMENT	26,667	26,667	-
DES MOINES MEMORIAL FLAG TRIANGLE	90,824	76,764	14,060
MARINA STEPS & PROMENADE	804,341	762,501	41,840
N. SIDE REDONDO FLOATS	10,000	9,638	363
24 AV PIPELINE REPLACEMENT/UPGRADE	1,062,941	694,218	368,723
DEEPDENE PLAT OUTFALL REPLACEMENT	8,056	2,777	5,279
DMMD/208TH - 212TH PIPE PROJECT	1,244,973	864,230	380,743
KDM /16TH AVENUE A PIPE REPL	536,765	458,875	77,890
216TH PL./ MARINE VIEW DR. PIPE UPG	556,910	455,168	101,742
DM CREEK ESTUARY RESTORATION	472,200	139,512	332,688
MASSEY CRK POCKET EST AND FISH PASS	143,136	29,891	113,245
6TH PL/287TH STREET PIPE REPL	314,149	65,015	249,135
PIPE REPAIR AND REPLACEMENT PROJECT	43,020	39,169	3,850
1st AVE S. PUMP REPLACEMENT	45,499	39,917	5,582
MVD POND RETROFIT	295,107	20,411	274,695
ADA COMPLIANCE PROGRAM	11,925	11,924	1
ARTERIAL STRT PAVEMENT PRESERVATION	1,405,022	1,075,798	329,224
BARNES CREEK TRAIL	713,719	689,527	24,192
24TH AVE S IMPR - SEGMENT 2	6,407,840	3,707,108	2,700,733
ARTERIAL TRAFFIC CALMING	5,186	4,581	606
REDONDO PAID PARKING	41,071	27,713	13,358
S 200TH ST. /S 199TH ST IMPR SEG 1	700,321	568,624	131,697
S 223RD STRT COMPLETE STREET IMPR	4,110	2,969	1,142
Total	31,255,892	13,557,257	17,698,635

Note 9 – Accounting Changes and Error Corrections

Error correction within the reporting entity:

During the 2022 conversion from GAAP to Cash, an investment account adjustment resulted in funding being allocated to the General Fund when it should have been allocated to Fund 114. This error underreported cash by \$10,672 in fund 114 in 2022 and overstated the General Fund. This error has been corrected in a prior period adjustment with the below fund impacts:

Fund	12/31/2024		1/1/2025	
	Cash/Investment Balance As Previously Reported	Error Correction	Cash/Investment Balance As Restated/Adjusted	
001	\$ 2,879,816	\$ (10,672)	\$ 2,869,144	
114	171,520	10,672	182,192	
Total Funds	\$ 3,051,336	\$ -	\$ 3,051,336	

A bond funding allocation error for capital projects resulted in bond funds being overallocated to fund 401. This error has been corrected in a prior period adjustment with the below fund impacts:

Fund	12/31/2024		1/1/2025	
	Cash/Investment Balance As Previously Reported	Error Correction	Cash/Investment Balance As Restated/Adjusted	
300	\$ 19,822,582	\$ 1,153,161	\$ 20,975,743	
401	21,002,708	(1,153,161)	19,849,547	
Total Funds	\$ 40,825,290	\$ -	\$ 40,825,290	

Note 10 – Other Postemployment Benefits

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Des Moines as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2025, the plan had four members, all retirees.

Fiscal Year 2025	
Number of Active Plan Members	0
Number of Retired Plan Members	4
Benefits Paid	\$128,773
Total OPEB Liability*	\$1,787,024

* Measured using the alternative measurement method

Note 11 – Pension Plans**A. State Sponsored Pension Plans**

Substantially all the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

Public Employees' Retirement System (PERS)
 Public Safety Employees' Retirement System (PSERS)
 Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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 downloaded from the DRS website at www.drs.wa.gov.

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City also participates in the LEOFF Plan 2. 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.

At June 30, 2025, the City's proportionate share of the collective net pension liabilities (assets), was as follows:

Pension Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 299,362	0.05429%	\$ 640,112
PERS 2/3	\$ 733,079	0.069074%	\$ (2,635,985)
PSERS 2	\$ 12,856	0.016253%	\$ (6,155)
LEOFF 1	\$ -	0.014964%	\$ (474,140)
LEOFF 2	\$ 277,163	0.101661%	\$ (1,969,699)

Only the net pension liabilities are reported on the Schedule 09.

Note 12 – Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2025 was \$0.87962 per \$1,000 on an assessed valuation of \$6,485,598,268 for a total regular levy of \$5,790,450.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Note 13 – Risk Management

The City of Des Moines maintains insurance against most normal hazards except for unemployment, where it 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. As of December 31, 2024, WCIA had a total of 168 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 of \$25,000. 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.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, 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 City of Des Moines maintains insurance with Commerce and Industry Insurance Company through Ironshore Environmental, A Liberty Mutual Company for coverage of the City of Des Moines Marina covered storage tank system. Limits are \$1 million per occurrence and \$1 million annual aggregate.

The City of Des Moines maintains insurance with Liberty Surplus Insurance Corporation through Ironshore Environmental, A Liberty Mutual Company for coverage of the City of Des Moines Public Works underground storage tank system. Limits are \$1 million per occurrence and \$1 million annual aggregate subject to \$100,000 deductible.

	Self-Insurance		Unemployment Insurance	
	2025	2024	2025	2024
Claims liabilities at beginning of year	-	7,582	-	-
Claims expenses:				
Current year changes in estimates	78,705	73,651	92,127	21,917
Claims payments	(75,268)	(81,233)	(92,127)	(21,917)
Claims liabilities at end of year	3,437	-	-	-

Note 14 – Environmental and Certain Asset Retirement Liabilities

The City of Des Moines has eight environmental monitoring wells requiring decommissioning in the near future. Due to permit requirements from the Washington Department of Ecology, the City will incur estimated costs of approximately \$20,000 related to the decommissioning. The decommissioning is expected to take place in 2026 or 2027.

City of Des Moines
Schedule of Liabilities
For the Year Ended December 31, 2025

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Non-voted General obligation bonds	2023 LTGO Bonds	24,505,000	-	-	24,505,000
251.11	Non-voted General obligation bonds	2018 Limited GO Bonds & Refunding Bonds	3,059,595	-	281,911	2,777,684
251.11	Non-voted General obligation bonds	2018 Limited GO Bonds & Refunding Bonds	1,710,405	-	403,089	1,307,316
263.51	Installment Purchases	De Lage Landen Barracuda Software Lease	24,613	-	24,613	-
263.85	Loans and other obligations to other Washington local governments	SCORE - Host City Interlocal Agreement	2,493,183	-	129,731	2,363,452
263.87	Public Works Trust Fund (PWTF) Loans	2009 PWTF Loan-DM Gateway	127,451	-	31,863	95,588
Total General Obligation Debt/Liabilities:			31,920,247	-	871,207	31,049,040
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	Compensated Absences-Business Activities	509,101	-	70,607	438,494
259.12	Compensated Absences	Compensated Absences	2,229,808	-	101,960	2,127,848
263.93	Environmental Liabilities	Environmental Monitoring Wells Decommissioning	20,000	-	-	20,000
264.30	Pension Liabilities	Net Pension Obligation	875,922	544,581	855,162	565,341
264.30	Pension Liabilities	Net Pension Obligation-Business Activities	129,253	95,531	150,013	74,771
264.40	OPEB Liabilities	OPEB Liability	1,974,980	75,111	263,067	1,787,024
263.57	Leases, SBITA, and PPPs	Redondo PD Substation Lease	3,712	-	3,712	-

City of Des Moines
Schedule of Liabilities
For the Year Ended December 31, 2025

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
263.57	Leases, SBITA, and PPPs	Dept of Natural Resources - Marina Tidelands/Bedlands Lease	1,114,105	-	67,434	1,046,671
263.57	Leases, SBITA, and PPPs	Neopost West Postage Machine Lease	3,959	-	3,959	-
263.57	Leases, SBITA, and PPPs	Quadient Postage Machine Lease	-	45,964	4,596	41,368
263.57	Leases, SBITA, and PPPs	Pitney Bowes Equipment Lease	5,013	-	1,823	3,190
263.57	Leases, SBITA, and PPPs	Canon Financial Services 1	76,791	-	18,069	58,722
263.57	Leases, SBITA, and PPPs	Canon Financial Services 2	10,894	-	2,421	8,473
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,953,538	761,187	1,542,823	6,171,902
Total Liabilities:			38,873,785	761,187	2,414,030	37,220,942

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.

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