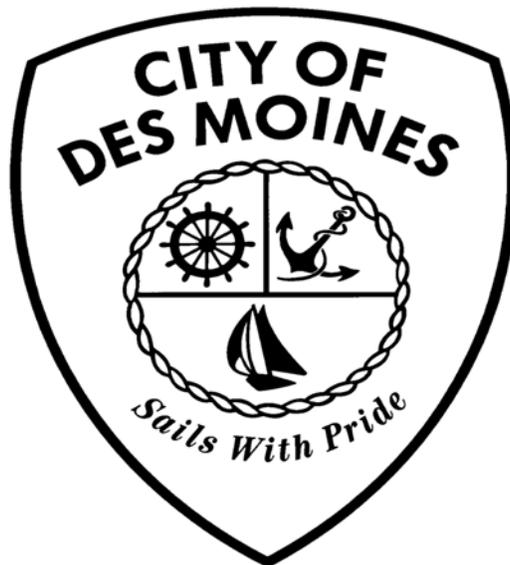


COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF DES MOINES, WASHINGTON
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017



Prepared by:
Finance Department

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TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	1
Organizational Chart.....	5
Directory of City Officials and Management Team.....	6

FINANCIAL SECTION

Independent Auditor’s Report.....	9
Management’s Discussion and Analysis.....	13

Basic Financial Statements

Government Wide Financial Statements

Statement of Net Position.....	27
Statement of Activities.....	28

Fund Financial Statements

Balance Sheet- Governmental Funds.....	29
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	31
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund.....	32
Statement of Net Position – Proprietary Funds.....	33
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	34
Statement of Cash Flows – Propriety Funds.....	35

<i>Notes to the Financial Statements</i>	36
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Required Supplementary Information

Schedule of Contributions and Schedule of Funding Progress.....	75
Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2&3.....	76
Schedule of Proportionate Share of the Net Pension Liability – LEOFF 1 and LEOFF 2.....	78
Schedule of Employer Contributions – PERS 1 and PERS 2.....	80
Schedule of Employer Contributions – LEOFF 1 and LEOFF 2	82

Combining and Individual Fund Statements

Combining Balance Sheet – Nonmajor Other Governmental Funds.....	86
Combining Statements of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Other Governmental Funds.....	87
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	88
Combining Statements of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue funds.....	90
Schedule of Revenues and Expenditures Budget to Actual-Nonmajor Other Governmental Funds & Major Construction Fund	92
Combining Statement of Net Position - Nonmajor Internal Service Funds.....	94
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Internal Service Funds.....	95
Combining Statement of Cash Flows – Nonmajor Internal Service Funds.....	96

TABLE OF CONTENTS (continued)

STATISTICAL SECTION

Financial Trends

Net Position by Component.....	99
Changes in Net Position.....	100
Governmental Activities by Tax Revenue Source.....	101
Fund Balances of Governmental Funds.....	102
Changes in Fund Balances of Governmental Funds.....	103
Changes in General Fund Balances.....	104

Revenue Capacity

Assessed Value of Taxable Property.....	105
Property Tax Rates.....	106
Principal Property Taxpayers.....	107
Property Tax Levies and Collections.....	108
Marina Rates.....	109
Marina Rates and Waiting List.....	110

Debt Capacity

Ratios of Outstanding Debt by Type/Ratio of General Bonded Debt Outstanding.....	111
Legal Debt Margin.....	112
Direct and Overlapping Governments Activities Debt.....	113
Marina Debt Service Coverage.....	114

Demographic and Economic Information

Demographic and Economic Statistics.....	115
Principal Employers.....	116

Operating Information

Full Time Equivalent Employees by Function.....	117
Operating Indicators by Function.....	118
Capital Used by Function.....	120

Acknowledgements.....	121
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INTRODUCTORY SECTION

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June 15, 2018

Honorable Mayor, Members of the City Council and Citizens of Des Moines, Washington:

We are pleased to present the City’s Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017. The City maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce accurate and fairly represented financial statements in accordance with generally accepted accounting principles (GAAP) and in conformance with financial reporting standards issued by the Governmental Accounting Standards Board (GASB).

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed financial statements and all supporting schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the operations of the City. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits expected to be derived, and the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

These financial statements have been audited by the Washington State Auditor’s Office. This independent audit was conducted in accordance with generally accepted auditing standards and generally accepted governmental audit standards to provide an independent assessment of fair presentation of the City’s financial position. The Washington State Auditor’s Office has issued an unqualified opinion on the City of Des Moines financial statements, which is included in front of the financial statement section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management’s Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Des Moines’ MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Des Moines

The City of Des Moines is located in King County, Washington in the region of the Pacific Northwest. Des Moines is located on the east shore of Puget Sound, approximately halfway between the major cities of Seattle and Tacoma. The city is bordered by the suburbs of Federal Way to the south, Kent to the east, Sea-

Tac to the northeast, Burien to the north, and Normandy Park to the northwest. It is one of the few points along this shoreline where the topography facilitates access to the water, and the city operates a recreational marina with approximately 730 moorage slips, transient docking and fueling facilities, boat launching and a fishing pier. Saltwater State Park, an 87 acre forested, waterfront preserve, is located in the city and is the most visited state park on Puget Sound. The City encompasses approximately 6.50 square miles and the 2017 population was 30,860. It is also the home to Highline College, which includes an extension campus for Central Washington University.

The City of Des Moines was incorporated on June 17, 1959 and operates under the State statutes (Revised Code of Washington 35A) as an Optional Municipal Code city (i.e. a “Noncharter Code City”). The City utilizes a council-manager form of government, under which the voters elect, at large, a seven-member Council and the Council elect one of its members to serve as Mayor. All seven Council positions are elected to terms of four years. The City Manager is appointed by the Council to act as chief executive officer of the City and is responsible to the Council for proper administration of all City affairs.

The City is a general purpose government and provides public safety, road improvements, parks and recreation, judicial administration, health and social services, and general administrative services. In addition, the City owns and operates a large, public marina. In 1983 the City elected by ordinance for fire prevention services to be provided by King County Fire District No 26. The City operates a Surface Water Management Utility. Water, sewer, power and garbage services are provided by separate utility districts or private companies.

Local Economy

While the City of Des Moines has traditionally been a “bedroom” community for other areas and is largely residential, the emphasis in recent years has been to diversify the local economy with substantially increased commercial development. To that end, the City collaborated with the Port of Seattle to develop 87 acres of Port-owned land into the Des Moines Creek Business Park. Phases I, II, and III of the development plan have been completed and Phase IV is under construction. This development includes the regional headquarters for the Federal Aviation Agency (FAA) with approximately 1,600 employees and approximately 1.1 million square feet of light industrial and warehouse space. Additional warehouse space is currently under construction on adjacent property. A number of businesses are currently operating in these facilities and the FAA building was opened and occupied in early 2018. In 2017, the City also created several development zones in its waterfront areas to spur commercial development that is compatible with the City’s residential character.

The City of Des Moines is centrally located on the east shore of Puget Sound between Seattle and Tacoma; a central location at the heart of the vibrant Puget Sound region. Served by Highway 509 and Interstate 5, the west coasts’ main freight corridor, access to Des Moines from other Greater Seattle communities is quick and easy. The city is well served by RapidRide and light rail mass transit making commuting simple and convenient for employees. Nearby SeaTac International Airport and two deep water seaports in Seattle and

Tacoma provide additional direct national and international transportation connections for goods and services.

Des Moines is just minutes west of the Green River Valley, the fourth largest warehouse and distribution center in the United States and the second largest manufacturing center on the West Coast. Many industries are located in the Valley, including space and aerospace, food products and apparel manufacturers and distributors. For businesses located in Des Moines, customers, vendors and suppliers are all within easy reach.

The City of Des Moines has relatively low land costs and lease rates as compared to other communities in the Greater Seattle area as well as many available commercial properties. The city offers fee discounts for larger projects which allow the businesses to keep more initial earnings to cover start-up costs. An expedited permitting process and low fees help speed development.

The city is home to Highline College, an accredited four year college with an 80 acre campus and a student population of approximately 18,000. The campus also includes an extension branch of Central Washington University and of Heritage University. It also contains the Small Business Development Center which offers free support to local businesses.

Summary of Current and Future Economic Outlook

The economic outlook continues to show significant improvement over previous years. The City is benefitting from a booming regional economy which has provided opportunities for major commercial and residential development. Ongoing sales tax revenue now exceeds any previous year and is additionally benefited by one-time construction-related sales tax and business and occupation tax from major (greater than \$15 million) commercial construction. The City's total assessed valuation has fully recovered from the decline in real estate values that occurred during the recent recession and is continuing to grow significantly with the construction of major commercial projects.

In 2017 the City issued a total of 1,784 building permits representing approximately \$152 million of assessed valuations compared to 2016 where there were a total of 1,606 permits and \$193 million of assessed valuation. The 2017 average value of the built structure (excludes land) for a new home was just over \$400,000.

As in the previous two budget periods, in 2017 the City continued to take long-term actions to ensure the City's financial sustainability. The City has raised its franchise fees and created several new revenue sources including new photo red light running enforcement program dedicated to public safety and a new paid parking program in the marina area to help finance commercial development in that area. In compliance with Council directives and adopted budget policies, the City no longer relies upon any one-time revenues to support ongoing operations. The City now fully funds its Fund Balance policies of a 7% reserve requirement and an additional 5% revenue stabilization account. Increased revenues along with expenditure reductions in other City areas has allowed the City to add two additional patrol officers and increase domestic violence and probation services.

Acknowledgements

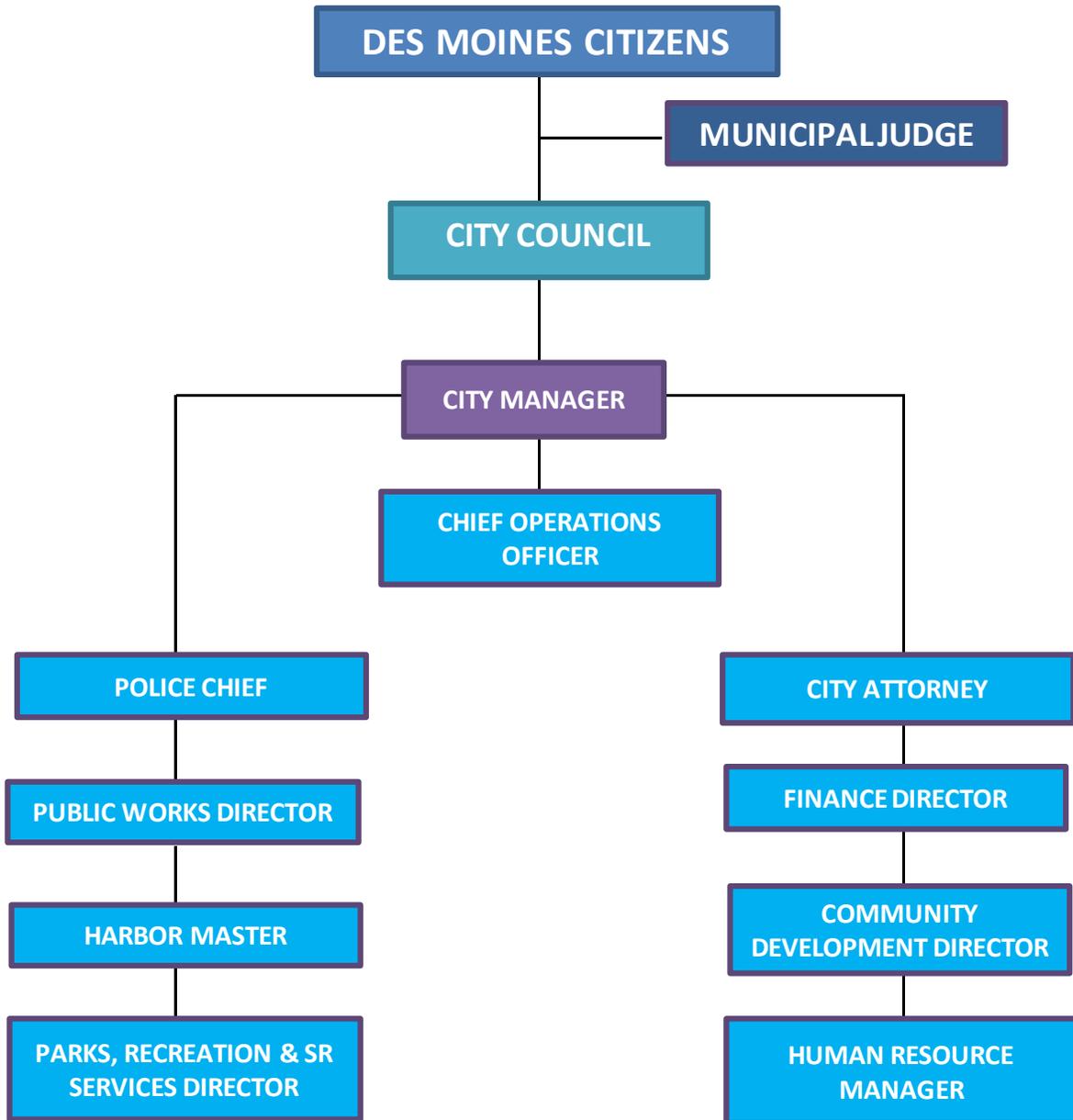
The preparation of this report would not have been possible without the efficient and dedicated service of the entire Finance Department, and especially the work performed by Eric Mandelas, Staff Accountant and Cecilia Pollock, Finance Manager. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report. In closing, we would like to thank the members of the City Council for their leadership and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

Beth Anne Wroe

Beth Anne Wroe
Finance Director

ORGANIZATIONAL CHART



DIRECTORY OF CITY OFFICIALS AND MANAGEMENT TEAM

December 31, 2017

Elected Officials

Term Expires

Mayor

Matt Pina

12/31/2022

Council Members

Dave Kaplan

12/31/2017

M. Luisa Bangs

12/31/2019

Vic Pennington

12/31/2022

Jeremy Nutting

12/31/2019

Melissa Musser

12/31/2017

Robert K. Back

12/31/2019

Administrative Officials

City Manager

Michael Matthias

Chief Operations Officer

Daniel Brewer

Police Chief

George Delgado

City Attorney

Tim George

Finance Director

Beth Anne Wroe

Public Works Director

Brandon Carver

Community Development Director

Susan Cezar

Harbor Master

Joseph Dusenbury

Parks, Rec & Sr. Services Director

Patrice Thorell

City Clerk & Communications Director

Bonnie Wilkins

Municipal Court Judge

Lisa Leone

FINANCIAL SECTION

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

INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS

June 19, 2018

Council
City of Des Moines
Des Moines, Washington

REPORT ON THE FINANCIAL STATEMENTS

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, King County, Washington, as of and for the years ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 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 and Other Information

Our audits were 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 is 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements as a whole. The information identified in the table of content as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 19, 2018, 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

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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, 2017. 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

- Total government-wide net position – the difference between assets plus deferred outflows and liabilities plus deferred inflows – equals \$215,217,933, an increase of \$13,712,919 or 6.8%. Of this amount, a total of \$190,800,795, or 88.7% of total net position, represents net investment in capital assets and includes assets such as surface water management systems, marina, streets, buildings, land, vehicles and equipment. An additional \$7,384,905 or 3.4% of net position is restricted for purposes of public safety, transportation, recreation & senior services, and debt service. Of the remaining \$17,032,233 or 7.9% of net position (\$11,649,381 for governmental activities and \$5,382,852 for business-type activities) represents unrestricted net position which may be used to meet the City’s ongoing obligations to citizens and creditors.
- The net increase in government-wide net position during 2017 was \$13,712,919. Of this amount, \$2,473,375 was directly related to the increase in City-owned net investment in capital assets, restricted net position increased by \$112,242, and unrestricted net position increased by \$11,125,302.
- Business-type net position increased by \$2,355,673 to \$29,015,040 during 2017 as a result of net capital investment and net earnings related to the City’s marina and surface water management utility.
- Governmental fund balances at year-end totaled \$17,089,908. Of this amount, \$8,311,073, or 48.6% is unassigned and available to fund ongoing activities. Compared to 2016, total governmental fund balances increase by \$6,890,162. This is a result of past efforts to contain costs and increase revenues which have greatly improved the City’s financial position and has been able to fully fund a 7% fund balance reserve requirement and a 5% revenue stabilization reserve account.
- Total City debt payments during the year, net of compensated absences, net pension obligation and other post-employment benefits, were \$875,690. Total long-term liabilities, including bonds, loans and leases, totaled \$7,964,180 at December 31, 2017. The ending long-term liabilities decreased by the amount of the debt payments. See note 4.F. on page 57 of this report for further information on long-term liability activity during the year.

Other City Highlights:

- The City collaborated with the Port of Seattle to develop 87 acres of Port-owned land into the Des Moines Creek Business Park.
- The City implemented a paid parking system in the Marina and Beach Park with the proceeds to be used for future improvements to the marina.
- The City received an Economic Development grant from the Port of Seattle to review Marina development options.
- The City created several development zones in its waterfront areas to spur commercial development that is compatible with the City’s residential character.
- The City created a Sustainable Paving Program.

- The City established a Development Fund to protect and smooth out impacts from macro-economic phenomenon reflective of both growth and potential contraction in the economy.
- The City completed the Lower Massey Creek Channel Modification project.
- The City completed the transportation gateway project at S 216th Street Segment 1-A (24th Avenue S to SR-99). A gateway celebration was held on October 12th, whereby the City thanked many partners who helped fund and support implementation of this project.
- The City implemented a new a recreational management software which includes online registration, scheduling and payment system.

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 City adopted the provisions of Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. There is no material impact to the City of implementing this standard.

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).

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 on pages 27-28 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City 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 14 individual governmental funds including the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is a major fund as defined by the Governmental Accounting Standards Board. In 2017, the General Fund and the Capital & Construction Fund are major governmental funds. Data from the other funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *Combining Statements* elsewhere in this report.

The City 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.

The basic governmental fund financial statements can be found starting on page 29 of this report.

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 starting on page 33.

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 starting on page 36.

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 improved for the City of Des Moines over the prior year. Changes in net position from 2016 to 2017 show an increase in total net position of \$13,712,919 or 6.8%. Following is the condensed version of the government-wide statement of net position with a comparison to 2016:

City of Des Moines
Statement of Net Position

	Governmental Activities		Business Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 25,817,790	\$ 17,032,592	\$ 7,110,060	\$ 5,727,435	\$ 32,927,850	\$ 22,760,027
Capital assets	169,369,407	167,986,023	28,520,758	28,290,064	197,890,165	196,276,087
Other assets	2,068,526	975,348	796,312	794,740	2,864,838	1,770,088
Total assets	<u>197,255,723</u>	<u>185,993,963</u>	<u>36,427,130</u>	<u>34,812,239</u>	<u>233,682,853</u>	<u>220,806,202</u>
Deferred outflows	850,508	1,477,156	235,230	337,643	1,085,738	1,814,799
Current liabilities	2,663,784	2,815,768	1,155,953	1,118,490	3,819,737	3,934,258
Noncurrent liabilities	7,957,877	9,671,102	6,300,524	7,337,374	14,258,401	17,008,476
Total liabilities	<u>10,621,661</u>	<u>12,486,870</u>	<u>7,456,477</u>	<u>8,455,864</u>	<u>18,078,138</u>	<u>20,942,734</u>
Deferred inflows	1,281,677	138,602	190,844	34,651	1,472,521	173,253
Net position:						
Investment in capital assets	167,168,607	165,480,452	23,632,188	22,844,968	190,800,795	188,325,420
Restricted	7,384,905	7,272,663	-	-	7,384,905	7,272,663
Unrestricted	<u>11,649,381</u>	<u>2,092,532</u>	<u>5,382,852</u>	<u>3,814,399</u>	<u>17,032,233</u>	<u>5,906,931</u>
Total net position	<u>\$ 186,202,893</u>	<u>\$ 174,845,647</u>	<u>\$ 29,015,040</u>	<u>\$ 26,659,367</u>	<u>\$ 215,217,933</u>	<u>\$ 201,505,014</u>

The largest portion of the City’s net position (88.7%) 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 (3.4%) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of unrestricted net position (7.9%) 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.

During the current fiscal year the government’s net position increased by \$13,712,919. The increase represents the degree to which ongoing revenues have exceeded increases in ongoing expenses through cost containment measures and increasing revenues.

The increase in restricted net position is in the most part due to an \$112,242 increase in restricted funding which represent fees collected for the red light camera program and will be used to pay for law enforcement services performed after December 31, 2017.

The increases in unrestricted net position and current assets increased as the overall financial health of the city increased. With increased revenues and steady expenses, current assets such as cash and investments on hand at December 31 has significantly 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 starting on page 19 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						
	Governmental Activities		Business Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	14,726,777	10,122,119	7,611,128	7,215,142	22,337,905	17,337,261
Operating grants & contributions	196,689	69,828	-	23,071	196,689	92,899
Capital grants & contributions	2,615,722	9,569,195	1,180,771	1,618,627	3,796,493	11,187,822
General revenues:						
Property taxes	4,818,554	4,725,949			4,818,554	4,725,949
Other taxes	12,686,672	11,443,777			12,686,672	11,443,777
Investment and misc	684,571	689,194	38,906	32,579	723,477	721,773
Total revenues	35,728,985	36,620,062	8,830,805	8,889,419	44,559,790	45,509,481
Program expenses:						
General government	1,506,250	3,595,007			1,506,250	3,595,007
Public safety	10,968,443	9,173,408			10,968,443	9,173,408
Transportation	5,548,986	4,070,236			5,548,986	4,070,236
Natural & economic environment	1,912,880	1,907,869			1,912,880	1,907,869
Social services	547,167	390,691			547,167	390,691
Culture and recreation	3,827,987	2,944,600			3,827,987	2,944,600
Interest on long term debt	90,026	100,276			90,026	100,276
Marina			3,334,849	3,377,089	3,334,849	3,377,089
Surface water management			3,110,283	3,137,876	3,110,283	3,137,876
Total expenses	24,401,739	22,182,087	6,445,132	6,514,965	30,846,871	28,697,052
Changes in net position	11,327,246	14,467,975	2,385,673	2,344,454	13,712,919	16,812,429
Transfers	30,000	30,000	(30,000)	(30,000)	-	-
Total changes in net position	11,357,246	14,497,975	2,355,673	2,314,454	13,712,919	16,812,429
Net position - beginning	174,845,647	160,377,672	26,659,367	24,314,913	201,505,014	184,692,585
Net position - ending	186,202,893	174,875,647	29,015,040	26,629,367	215,217,933	201,505,014

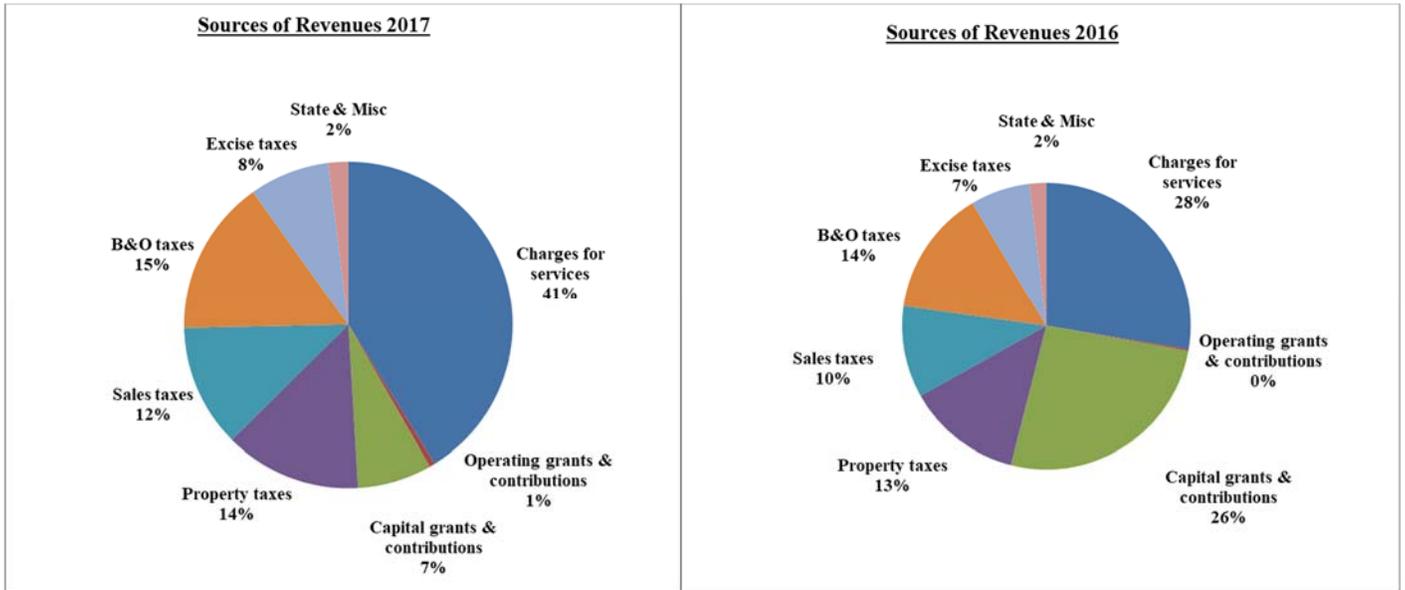
Governmental activities.

Governmental activities increased net position by \$11,357,246, including transfers in of \$30,000 from enterprise funds to capital funds to pay for their share of the financial systems replacement project. The primary reason for the increase in net position is from total revenues exceeding total expenses by \$11,327,246. This was due to the City’s continued discipline in matching ongoing expenses to ongoing revenues to ensure a sustainable financial plan into the future. Overall revenues show a decrease of \$949,691 or 2.1%. There was a total increase in taxes of \$1,335,500 or 8.3% which consists of an increase in property tax revenues of \$92,605 or 2.0% due to continued rise in property values and new construction activity; an increase in sales tax revenues of \$544,533 or 14.4% and an increase in B&O taxes of \$326,664 or 6.3% due to two factors: 1) the continued improvement in the local economy over previous years and additional sales tax on construction activity within the City limits; and an increase in excise taxes of \$371,698 or 5.2% due to increase in activity in utility services provided within the city. There was an increase in charges for services of \$5,000,644 or 28.8% due to the new traffic infraction red light running program, a full year of franchise fees collected in 2017 for utility districts and growth management act impact fees collected for commercial development; as well as, an increase in operating grants & contributions of \$103,790 or 111.7%. While these revenues increased there was a significant decrease in capital grants & contributions of \$7,391,329 or 66.1% from 2016. Capital grant activity fluctuates from year

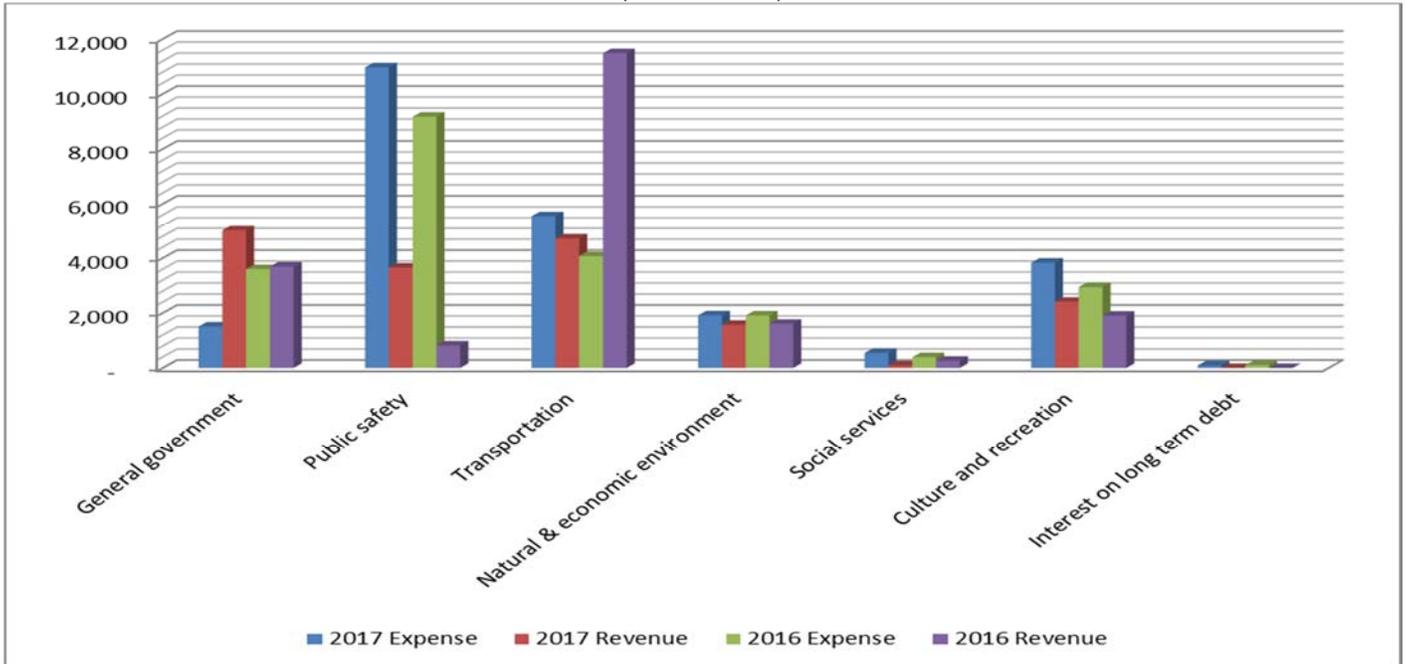
to year based on grant awards and construction projects. The City had a few major capital projects with most of the costs and reimbursements occurring in 2016, which were the Redondo Boardwalk and S. 216th street improvements. Overall expenses increased by \$2,149,819 or 7.5%. This increase is primarily attributed to additional public safety personnel and increasing domestic violence and probations services.

See the FINANCIAL ANALYSIS OF THE CITY’S FUNDS section starting on page 19 for more information relating to specific funds.

GOVERNMENTAL ACTIVITIES – REVENUES BY SOURCE

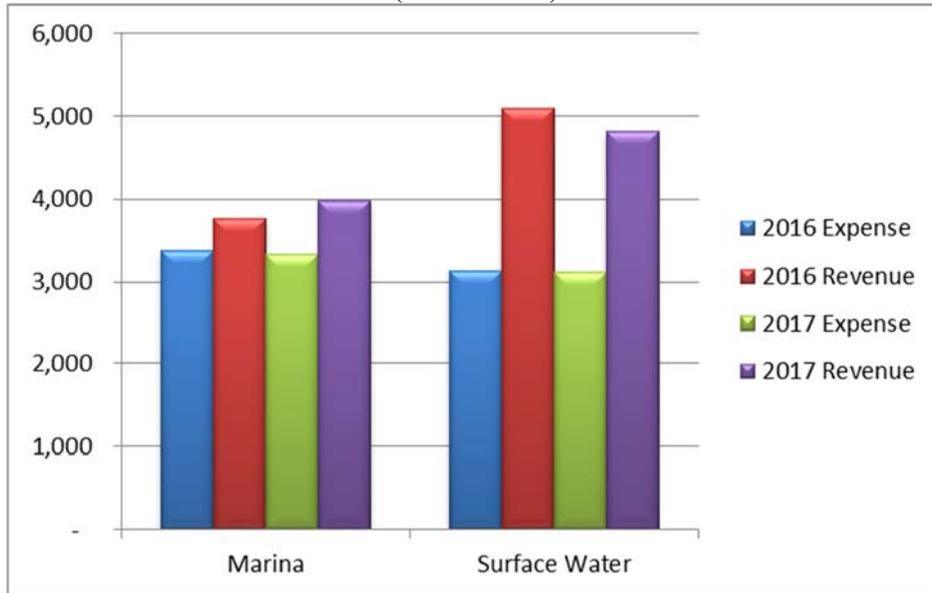


GOVERNMENTAL ACTIVITIES – EXPENSES AND PROGRAM REVENUES
(in thousands)



Business-type activities. Business-type activities increased the City of Des Moines’s net position by \$2,355,673 as compared to the 2016. This increase is due to operating income of \$1,430,095, capital contributions of donated infrastructure for the surface water management utility of \$1,180,771 and other non-operating expenses and transfers out of \$255,193.

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 \$17,089,908. The City had \$8,311,073 in unassigned fund balance. Total fund balance increased \$6,890,162 from the prior year: \$3,961,713 by the general fund, \$1,830,313 by the capital and construction fund and \$1,098,136 in the other, non-major governmental funds.

General Fund

The General Fund is the primary operating fund of the City of Des Moines. Revenues increased sufficiently to end the year with unassigned fund balance of \$8,402,438, which fully funded the city council’s policy for a minimum fund balance level of 12% which equals \$2,444,932. This 12% minimum fund balance level is a combination of a stabilization reserve target as defined as 5% of recurring revenues and calculates to \$1,019,458; in addition, an ending fund balance policy of 7% on annual expenditures calculates to \$1,425,474. The fund balance of the General Fund increased by

\$3,961,714 during the current fiscal year; which is 14.3% of total revenues. Overall, revenues increased by 23.6% or \$5,282,317, expenses by 22.6% or \$4,184,307, and other financing uses from net transfers was \$(237,755).

General Fund tax revenue increased by \$829,545 or 6.2%. Property tax increased \$66,774 or 1.4% as the assessed valuation of all the property in the City continued to climb and strong construction activity continues. Sales tax revenue was up 511,365 or 13.8% as the City's focus on economic development targeting sales tax generating companies resulted in new business growth and sales tax from construction activity. Business growth increases both the one-time sales tax from construction activities and from the on-going business operating sales activities. Business & Occupation (B&O) taxes overall increased \$233,996 or 4.9%.

License and permit revenues decreased by \$(26,047) or (0.8%) due to a change in recording franchise fees to the Arterial Street for pavement program.

Charges for services increased by \$1,956,045 or 44.8% is primarily due to the interfund administrative services provided by the General Fund to other funds determined by the City's indirect cost allocation plan

Fines and forfeitures increased by \$2,652,656 due to a full year of activity for the traffic red light running program.

Construction Fund. Fund balance was \$6,201,646 at year end. Change is normal and expected based on the nature of the construction fund as larger projects draw to completion and different size projects start. Transportation construction is heavily dependent on grant funding with \$1,042,775 or 23.8% of the current year's revenue of \$4,382,747 coming from governmental revenues such as state, federal and local grants. However, grant funding in 2017 of \$1,042,755 was significantly less than the amount of \$7,289,142 received in 2016. This was due to the Redondo Boardwalk being completed in 2016 and the S. 216th street improvements project being started in 2016 and was substantially completed in 2017 but not yet closed.

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 \$1,397,713 at the end of the year; an increase of \$647,655 from the prior year. Operating revenue increased \$211,773 or 5.6% due to an increase in revenues from the resale of fuel and a rate increase on moorage and operating expenses decreased by \$28,991 or 0.9% due to the continued efforts to contain costs.

Surface Water Management – Unrestricted net position totaled \$3,985,138; an increase of \$1,708,018 from the prior year. Operating revenue increased by \$159,079 or 4.6% which are due to an increase in rates and operating expenses decreased by \$27,593 or 0.9% due to the continued efforts to contain costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The legal level of appropriation is at the fund level. The budget by function is shown to provide more detailed information. Total expenditures in the General Fund were \$697,465 less than the final budget. Most of the savings is related positions left vacant during the year, mainly in the Police and Finance departments. While the City intends to maintain full staffing in the Police Department, it has difficulty doing so due to a lack of qualified, currently available applicants (Patrol positions) and a lack of openings in the Police Academy.

On the revenue side, actual revenues exceeded final budgeted revenues by \$1,304,309. This results from higher than expected one-time sales taxes, one-time B&O taxes and franchise fees. Interest revenues exceeded projections mainly due to higher cash balances and State-shared Liquor Board profits were greater than originally announced.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Des Moines’s net investment in capital assets for its governmental and business-type activities as of December 31, 2017 totals \$197,890,165; an increase of \$1,614,083 from the prior year. This investment in capital assets includes such things as land, buildings and structures, machinery and equipment, park facilities, sidewalks, roads, highways, and bridges.

Spending on governmental activities included in the Capital Improvement Plan during 2017 totaled \$2,971,311 with \$1,491,622 of that spent on transportation construction projects. Some of the larger projects were:

- **Marine View Drive Roundabout** (\$37,626). This is a \$2 million dollar project to install a modern roundabout at the intersection of Marine View Drive and South 240th.
- **South 216th St Segments 1A & 3** (\$972,577). This is a \$6.8 million dollar project to widen the roadway to provide an additional two travel lanes in each direction, a continuous left turn lane, a U-turn pocket, bicycle lanes, planter strips and sidewalks. Approximately \$3.6 million of this project is grant funded.
- **Midway Elementary Safe Route to School (SRTS)** (\$35,701). This is a \$395 thousand dollar project that provides safer pedestrian mobility especially for school aged children.
- **South 268th Sidewalk Installation** (\$189,098). This is an \$880,000 project to install sidewalks on the north side of South 268th Street between 16th Ave S and Pacific Highway South.
- **Barnes Creek Trail/SR 509** (\$256,620). This is a \$1 million dollar project to develop the SR 509 right-of-way from South 216th Street to Kent-Des Moines Road for a two mile multi-use trail connecting the Des Moines Creek Trail and Highline College. Approximately \$708,000 is grant funded with the rest from various sources.
- Additional information on the City of Des Moines capital assets can be found in note 4.C. starting on page 52 of this report.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 103,650,224	\$ 103,650,224	\$ 3,791,287	\$ 3,791,287	\$ 107,441,511	\$ 107,441,511
Construction work in progress	9,978,047	7,006,736	728,295	430,512	10,706,342	\$ 7,437,248
Buildings and structures	7,097,878	7,322,666	2,016,993	2,168,003	9,114,871	\$ 9,490,669
Other improvements	7,666,779	8,363,694	8,447,844	8,838,295	16,114,623	\$ 17,201,989
Infrastructure	38,598,028	39,328,983	13,365,029	12,895,919	51,963,057	\$ 52,224,902
Machinery and equipment	2,378,451	2,313,716	171,312	166,049	2,549,763	\$ 2,479,765
Total capital assets	<u>\$ 169,369,407</u>	<u>\$ 167,986,019</u>	<u>\$ 28,520,760</u>	<u>\$ 28,290,065</u>	<u>\$ 197,890,167</u>	<u>\$ 196,276,084</u>

Long-term debt. At the end of the current fiscal year, the City of Des Moines had total bonded debt outstanding of \$7,398,380 (including premium) which is backed by the full faith and credit of the government. Of this amount, \$5,763,380 (including premium) is also backed by a pledge of the net revenue of the Marina.

City of Des Moines Bonds and Notes (in dollars; not in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 1,635,000	\$ 1,870,000	\$ 5,763,380	\$ 6,334,300	\$ 7,398,380	\$ 8,204,300
Loans & Notes	565,800	635,571	-	-	565,800	635,571
Total	<u>\$ 2,200,800</u>	<u>\$ 2,505,571</u>	<u>\$ 5,763,380</u>	<u>\$ 6,334,300</u>	<u>\$ 7,964,180</u>	<u>\$ 8,839,871</u>

On February 15, 2017, Moody’s Investors Service upgraded its long-term underlying rating on the limited tax general obligation (“LTGO”) debt of the City of Des Moines, Washington (the “City”). The upgrade was done pursuant to Moody’s publication of a new methodology for the sector. As a result of this rating action, the City’s LTGO rating was upgraded from “A2” to “A1.” More detailed information about the City’s long-term liabilities can be found in note 4.F. starting on page 57 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

The City’s 2018 budget process focused primarily on long term sustainability and, as such, the 2018 budget identifies sustainable, recurring revenues to pay for all recurring expenditures while maintaining a General Fund ending fund balance of nearly \$3.4 million (which meets the City Council’s current policy for minimum fund balance levels). This \$3.4 million fund balance does not include the Development Fund of \$1.5 million which was a transfer of estimated permit revenue from the General Fund. In the future, the Development Fund will receive revenue directly from permitting fees. The Development Fund provides an ongoing resource from fees paid by applicants to support the processing of building permits and land use approvals in an expeditious manner.

In the long term, the City still faces challenges, including uncertainty regarding state shared revenues as well as increasing costs relating to medical and retirement compensation. Most importantly, the annual budgetary shortfalls experienced over the last decade have been eliminated through policies adopted by the City Council that have emphasized sustainability and establishing and maintaining balance between structural expenditures and structural revenues, as the overarching principle of choices made during the budget process.

Using this conservative and sustainable approach in the City’s financial planning, the 2018 budget and the long term 2017-2022 financial forecast were prepared without inclusion of revenues from “one-time” sources. As the five year financial forecast is updated each year, annual increases in spending levels (recurring costs) will be authorized only after the City knows exactly how much is available from these new revenue sources. Thus the 2018 budget includes several one-time transfers from the General Fund accumulated fund balance to support various 2018 one-time capital expenditures.

While most of the City staffing re-organization was initiated in 2017, the 2018 budget reflects the first year of the full impacts of those personnel changes. As such, there are no new positions included in the 2018 budget from the General Fund

In addition to sustainable fund balances, the 2018 budget continues to fund increases for Public Safety in order to protect people and property. The budget also provides for the creation of a new Emergency Management Services department. This department does not contain City personnel, but rather provides interagency joint funding as the City works with neighboring and overlapping jurisdictional agencies to form prepared, coordinated responses to natural disaster and emergency management events.

Another public safety enhancement is the City joining the regional SWAT organization in 2018 thereby providing and receiving additional SWAT resources. Public safety and quality of life enhancements include additional funding for the

Abatement Fund. This fund allows the City to clean up (under specific circumstances) abandoned properties which pose a threat to public safety.

Existing General Fund balances will also be used to fund several Public Safety and Capital Improvement Projects: 1) Police Building Security Improvements, 2) Court Building Security Improvements, and 3) \$1 million for the North Bulkhead Marina replacement.

The 2018 budget provides additional resources to improve and enhance the City’s communication and transparency through one-time funding for communication consultant services and the purchase of new communication software.

A significant City Council goal is to promote economic stability, growth and vitality. To support this outcome, the 2018 budget includes continued funding for 1) the Metro Pilot Project to enhance employee and citizen mobility throughout the City, 2) Parking/Event signs for the Marina area, and 3) \$393,650 support for Economic Development related capital projects.

The economic outlook continues to show significant improvement over previous years. This City is benefitting from a booming regional economy. Ongoing sales tax revenue now exceeds any previous year and is additionally benefitted from one-time construction-related sales tax from major commercial construction. The City’s total assessed valuation continues to grow significantly with the construction of major commercial construction.

The Marina and the Surface Water Management Utility will implement their annual rate increases 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.

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BASIC FINANCIAL STATEMENTS

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**Statement of Net Position
December 31, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash & cash equivalents	\$ 15,405,713	\$ 5,587,219	\$ 20,992,932
Restricted cash & cash equivalents:			
Customer deposits/vendor retainage	527,847	214,778	742,625
Unspent donations	91,365	-	91,365
Debt service covenants	-	67,952	67,952
Investments	5,681,052	991,141	6,672,193
Receivables (net of allowances):			
Taxes	1,269,204		1,269,204
Customers	2,359,106	208,236	2,567,342
Grants	461,586	-	461,586
Special assessments	7,403		7,403
Inventories	14,514	40,734	55,248
Total current assets	25,817,790	7,110,060	32,927,850
Noncurrent assets:			
Restricted investments - debt reserve	-	796,312	796,312
Net pension asset	1,905,191		1,905,191
Joint ventures	163,335		163,335
Capital assets not being depreciated:			
Land	103,650,224	3,791,287	107,441,511
Construction work in progress	9,978,047	728,295	10,706,342
Capital assets net of accumulated depreciation:			
Buildings and structures	7,097,878	2,016,993	9,114,871
Other improvements	7,666,779	8,453,116	16,119,895
Infrastructure	38,598,028	13,359,756	51,957,784
Machinery and equipment	2,378,451	171,311	2,549,762
Total noncurrent assets	171,437,933	29,317,070	200,755,003
Total assets	197,255,723	36,427,130	233,682,853
DEFERRED OUTFLOWS			
Deferred loss on refunding	-	78,498	78,498
Deferred pension outflows	850,508	156,732	1,007,240
Total deferred outflows	850,508	235,230	1,085,738
LIABILITIES			
Current liabilities:			
Accounts payable	1,482,206	238,041	1,720,247
Prepaid revenues	156,445		156,445
Payable from restricted assets	527,847	214,778	742,625
Accrued interest payable from restricted assets	-	22,960	22,960
Compensated absences - current	307,964	97,819	405,783
Loans - current	69,322	-	69,322
Bonds - current	120,000	582,355	702,355
Total current liabilities	2,663,784	1,155,953	3,819,737
Noncurrent liabilities:			
Compensated absences	964,331	100,321	1,064,652
Net pension obligation	4,076,720	1,019,178	5,095,898
Net OPEB obligation	905,348		905,348
Loans	496,478	-	496,478
Bonds	1,515,000	5,181,025	6,696,025
Total noncurrent liabilities	7,957,877	6,300,524	14,258,401
Total liabilities	10,621,661	7,456,477	18,078,138
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	1,281,677	190,844	1,472,521
Total deferred inflows	1,281,677	190,844	1,472,521
NET POSITION			
Net investment in capital assets	167,168,607	23,632,188	190,800,795
Restricted for:			
Public safety	277,593		277,593
Transportation	6,956,038		6,956,038
Recreation & Sr Services	91,365		91,365
General obligation debt	59,909		59,909
Unrestricted	11,649,381	5,382,852	17,032,233
Total Net Position	\$ 186,202,893	\$ 29,015,040	\$ 215,217,933

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

**Statement of Activities
For the Year Ended December 31, 2017**

Functional Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Position		
		Charges for Services, Fines & Licenses	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 1,506,250	\$ 5,014,146	\$ 26,345	\$ -	\$ 3,534,241		\$ 3,534,241
Public safety	10,968,443	3,624,993	26,575	-	(7,316,875)		(7,316,875)
Transportation	5,548,986	2,683,589	-	2,050,449	(814,948)		(814,948)
Natural & economic environment	1,912,880	1,542,737	26,371	-	(343,772)		(343,772)
Social services	547,167	86,681	-	-	(460,486)		(460,486)
Culture and recreation	3,827,987	1,774,631	117,398	565,273	(1,370,685)		(1,370,685)
Interest on long term debt	90,026	-	-	-	(90,026)		(90,026)
Total Governmental Activities	24,401,739	14,726,777	196,689	2,615,722	(6,862,551)	-	(6,862,551)
Business-type Activities:							
Marina	3,334,849	3,984,587	-	-		649,738	649,738
Surface water management	3,110,283	3,626,541	-	1,180,771		1,697,029	1,697,029
Total Business-Type Activities	6,445,132	7,611,128	-	1,180,771	-	2,346,767	2,346,767
Total Primary Government	\$ 30,846,871	\$22,337,905	\$ 196,689	\$ 3,796,493	(6,862,551)	2,346,767	(4,515,784)
General Revenues:							
Taxes:							
Property taxes					4,818,554		4,818,554
Sales taxes					4,334,206		4,334,206
B&O taxes					5,531,836		5,531,836
Excise taxes					2,820,630		2,820,630
Intergovernmental					567,422	-	567,422
Investment & interest					117,149	38,906	156,055
Transfers					30,000	(30,000)	-
Total general revenues and transfers					18,219,797	8,906	18,228,703
Change in Net Position					11,357,246	2,355,673	13,712,919
Net Position Beginning					174,845,647	26,659,367	201,505,014
Net Position Ending					\$ 186,202,893	\$ 29,015,040	\$ 215,217,933

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

**Balance Sheet
Governmental Funds
December 31, 2017**

	<u>General</u>	<u>Capital & Construction</u>	<u>Other Governmental</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,213,133	\$ 5,434,662	\$ 2,384,649	\$ 12,032,444
Restricted cash:				
Customer deposits & retainage	312,771	211,699	-	524,470
Unspent donations	91,365			91,365
Investments	4,000,000	600,000	-	4,600,000
Receivables (net of allowances):				
Taxes	1,009,839	100,180	159,185	1,269,204
Customers	1,835,484	22,691	493,072	2,351,247
Grants	20,719	440,867	-	461,586
Special assessments & loans	7,403	-	-	7,403
Total assets	<u>11,490,714</u>	<u>6,810,099</u>	<u>3,036,906</u>	<u>21,337,719</u>
LIABILITIES				
Accounts payable	1,056,912	190,251	181,788	1,428,951
Prepaid revenues	156,445			156,445
Deposits & retainage payable from restricted assets	312,771	211,699	-	524,470
Total liabilities	<u>1,526,128</u>	<u>401,950</u>	<u>181,788</u>	<u>2,109,866</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	1,562,148	206,503	369,294	2,137,945
FUND BALANCES				
Restricted:				
Public Safety	-	-	277,593	277,593
Transportation	-	5,017,970	1,938,068	6,956,038
Recreation & Sr. Services	91,365	-	-	91,365
General obligation debt	-	-	59,909	59,909
Committed:				
General government	-	1,183,676	-	1,183,676
Natural & economic development	-	-	210,254	210,254
Unassigned	8,311,073	-	-	8,311,073
Total fund balances	<u>8,402,438</u>	<u>6,201,646</u>	<u>2,485,824</u>	<u>17,089,908</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,490,714</u>	<u>\$ 6,810,099</u>	<u>\$ 3,036,906</u>	

Amounts reported for governmental activities in the statements of net position are different because:

Long-term assets used in governmental activities are not financial resources and therefore are not reported in the government funds.	169,369,407
Deferred pension outflows are not available to pay for current period expenditures and, therefore, are not reported in governmental funds.	850,508
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.	(8,455,163)
Other long-term assets such as Joint Ventures and Net Pension Asset are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds	2,051,874
Deferred inflows in governmental funds is susceptible to full accrual and therefore not reported in the Statement of Activities. Other expenses are susceptible to full accrual and are reported in the Statement of Activities but not in the governmental funds.	856,268
Internal Service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of some internal service funds are included in the governmental activities in the statement of net position. Interfund loans between governmental activities are excluded.	4,440,091

Net position of governmental activities (see page 27)	<u>\$ 186,202,893</u>
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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, 2017**

	General Fund	Capital & Construction	Other Governmental	Total
REVENUES				
Taxes	\$ 14,154,457	\$ 1,738,796	\$ 1,566,571	\$ 17,459,824
Licenses and permits	3,041,820	-	527,397	3,569,217
Intergovernmental revenue	738,018	1,042,775	694,774	2,475,567
Charges for services	6,323,195	1,580,311	201,750	8,105,256
Fines and forfeitures	2,861,613	-	388,419	3,250,032
Miscellaneous & rental revenue	524,531	20,865	655,572	1,200,968
Total revenues	<u>27,643,634</u>	<u>4,382,747</u>	<u>4,034,483</u>	<u>36,060,864</u>
EXPENDITURES				
Current:				
General government	5,246,452	-	16,400	5,262,852
Public safety	11,075,296	-	270,491	11,345,787
Transportation	1,165,391	105,265	2,221,247	3,491,903
Natural & economic environment	1,852,381	-	175,346	2,027,727
Social services	525,135	-	-	525,135
Culture and recreation	2,848,370	196,566	216,103	3,261,039
Capital outlay:				
General government	8,705	-	-	8,705
Transportation	-	1,491,622	-	1,491,622
Culture and recreation	-	1,474,704	-	1,474,704
Debt service:				
Principal	-	-	301,185	301,185
Interest	-	-	90,026	90,026
Total expenditures	<u>22,721,730</u>	<u>3,268,157</u>	<u>3,290,798</u>	<u>29,280,685</u>
Excess of revenues over (under) expenditures	4,921,904	1,114,590	743,685	6,780,179
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,136,403	1,104,204	2,240,607
Transfers out	(960,191)	(420,680)	(749,753)	(2,130,624)
Total other financing sources (uses)	<u>(960,191)</u>	<u>715,723</u>	<u>354,451</u>	<u>109,983</u>
Net change in fund balances	3,961,713	1,830,313	1,098,136	6,890,162
Fund balances - beginning	<u>4,440,725</u>	<u>4,371,329</u>	<u>1,387,688</u>	<u>10,199,742</u>
Fund balances - ending	<u>\$ 8,402,438</u>	<u>6,201,646</u>	<u>\$ 2,485,824</u>	<u>\$ 17,089,908</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017**

Net change in fund balances - total governmental funds \$ 6,890,162

Amounts reported for governmental activities in the Statement of Activities are different because of the following reconciling items:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position they are reported net of depreciation as a capital asset. Capital assets contributed by private developers do not provide current resources and are not reported as revenues in the funds. 1,245,116

The Statement of Net Position shows a decrease in joint ventures not reported in the funds. (3,248)

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any affect on net assets. There was no new issuance of governmental debt for the year. 301,185

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,213,449

Some expenses (such as for compensated absences, amortization of deferred loss, pension expense, etc.) reported in the Statement of Activities do not the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 624,827

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities. This amount comes from the Combining Statement of Revenues, Expenditures and Changes in Net Position for Internal Service Funds, Net Operating Income. 1,085,755

Change in net position of governmental activities (see page 27) \$ 11,357,246

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual
General Fund
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance to Final Budget
REVENUES				
Taxes	\$ 12,118,764	\$ 14,069,539	\$ 14,154,457	\$ 84,918
Licenses and permits	1,967,225	2,473,157	3,041,820	568,663
Intergovernmental revenue	641,051	666,208	738,018	71,810
Charges for services	3,276,603	5,908,508	6,323,195	414,687
Fines and forfeitures	1,289,685	2,772,084	2,861,613	89,529
Miscellaneous revenue	456,016	449,829	524,531	74,702
Total revenues	<u>19,749,344</u>	<u>26,339,325</u>	<u>27,643,634</u>	<u>1,304,309</u>
EXPENDITURES				
Current:				
General government	5,518,268	5,331,772	5,246,452	(85,320)
Public safety	9,039,949	11,502,817	11,075,296	(427,521)
Transportation	936,338	1,179,770	1,165,391	(14,379)
Natural & economic environment	1,758,293	1,746,558	1,852,381	105,823
Social services	354,281	532,786	525,135	(7,651)
Culture and recreation	2,356,913	2,944,894	2,848,370	(96,524)
Capital outlay:				
General government	9,456	9,456	8,705	(751)
Total expenditures	<u>19,973,498</u>	<u>23,248,053</u>	<u>22,721,730</u>	<u>(526,323)</u>
Excess of revenues over (under) expenditures	(224,154)	3,091,272	4,921,904	1,830,632
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(53,000)</u>	<u>(1,131,333)</u>	<u>(960,191)</u>	171,142
Total other financing uses	<u>47,000</u>	<u>(1,131,333)</u>	<u>(960,191)</u>	171,142
Net change in fund balances	(177,154)	1,959,939	3,961,713	2,001,774
Fund balances - beginning	<u>3,385,912</u>	<u>4,440,725</u>	<u>4,440,725</u>	-
Fund balances - ending	<u>\$ 3,208,758</u>	<u>\$ 6,400,664</u>	<u>\$ 8,402,438</u>	<u>\$ 2,001,774</u>

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

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Marina	Surface Water Management	Total	Gov't Activities Internal Service
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,511,892	\$ 4,075,327	\$ 5,587,219	\$ 3,373,269
Restricted cash equivalents:				
Customer deposits & retainage	165,422	49,356	214,778	3,377
Debt service covenants	67,952	-	67,952	
Investments	494,570	496,571	991,141	1,097,704
Receivables (net of allowances):				
Customers	80,609	127,627	208,236	7,859
Inventory	40,734	-	40,734	14,514
Total current assets	<u>2,361,179</u>	<u>4,748,881</u>	<u>7,110,060</u>	<u>4,496,723</u>
Noncurrent assets:				
Restricted investments - debt reserve	796,312	-	796,312	
Capital assets not being depreciated:				
Land	3,226,925	564,362	3,791,287	
Construction work in progress	-	728,295	728,295	
Capital assets net of accumulated depreciation:				
Buildings and structures	2,016,993	-	2,016,993	
Other improvements	8,204,360	248,756	8,453,116	
Infrastructure	-	13,359,756	13,359,756	
Machinery and equipment	105,688	65,623	171,311	1,867,357
Total noncurrent assets	<u>14,350,278</u>	<u>14,966,792</u>	<u>29,317,070</u>	<u>1,867,357</u>
Total assets	<u>16,711,457</u>	<u>19,715,673</u>	<u>36,427,130</u>	<u>6,364,080</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred loss on refunding	78,498		78,498	
Deferred pension outflows	70,530	86,202	156,732	
Total deferred outflows	<u>149,028</u>	<u>86,202</u>	<u>235,230</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	134,203	103,838	238,041	53,255
Deposits & retainage payable from restricted assets	165,422	49,356	214,778	3,377
Accrued interest payable from restricted assets	22,960	-	22,960	
Compensated absences - current portion	89,307	8,512	97,819	1,746
Loans - current portion	-	-	-	2,709
Bonds - current portion (net premium)	582,355	-	582,355	
Total current liabilities	<u>994,247</u>	<u>161,706</u>	<u>1,155,953</u>	<u>61,087</u>
Noncurrent liabilities:				
Compensated absences	77,593	22,728	100,321	13,095
Net pension obligation	458,631	560,547	1,019,178	
Bonds payable (net premium)	5,181,025	-	5,181,025	-
Total noncurrent liabilities	<u>5,717,249</u>	<u>583,275</u>	<u>6,300,524</u>	<u>13,095</u>
Total liabilities	<u>6,711,496</u>	<u>744,981</u>	<u>7,456,477</u>	<u>74,182</u>
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflows	85,880	104,964	190,844	
NET POSITION				
Net investment in capital assets	8,665,396	14,966,792	23,632,188	1,864,648
Unrestricted	<u>1,397,713</u>	<u>3,985,138</u>	<u>5,382,851</u>	<u>4,425,250</u>
Total net position	<u>\$ 10,063,109</u>	<u>\$ 18,951,930</u>	<u>\$ 29,015,039</u>	<u>\$ 6,289,898</u>

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

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017**

	Business Type			Gov't Activities
	Marina	Surface Water Management	Total	Internal Service
OPERATING REVENUES				
Intergovernmental revenues	\$ 590	\$ -	\$ 590	\$ -
Charges for services	1,061,151	3,626,541	4,687,692	2,941,620
Fines and forfeitures	18,782		18,782	
Moorage, rents and misc	2,902,001	-	2,902,001	-
Total operating revenues	<u>3,982,524</u>	<u>3,626,541</u>	<u>7,609,065</u>	<u>2,941,620</u>
OPERATING EXPENSES				
Depreciation	562,538	474,892	1,037,430	479,929
Salaries and wages	604,863	765,423	1,370,286	99,012
Personnel benefits	179,096	302,641	481,737	52,966
Supplies	971,998	94,952	1,066,950	308,573
Services	750,192	1,472,375	2,222,567	922,897
Total operating expenses	<u>3,068,687</u>	<u>3,110,283</u>	<u>6,178,970</u>	<u>1,863,377</u>
OPERATING INCOME	<u>913,837</u>	<u>516,258</u>	<u>1,430,095</u>	<u>1,078,243</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and collection fees	12,917	25,989	38,906	\$ 26,528
Gain on sale of capital assets	-	-	-	22,796
Insurance repair recovery	2,063	-	2,063	38,209
Interest expense	(266,162)	-	(266,162)	(39)
Total nonoperating revenues (expense)	<u>(251,182)</u>	<u>25,989</u>	<u>(225,193)</u>	<u>87,494</u>
Income (loss) before contributions, extraordinary item and transfers	<u>662,655</u>	<u>542,247</u>	<u>1,204,902</u>	<u>1,165,737</u>
Capital contributions	-	1,180,771	1,180,771	-
Transfers in	-	-	-	41,017
Transfers out	(15,000)	(15,000)	(30,000)	(121,000)
Changes in net position	<u>647,655</u>	<u>1,708,018</u>	<u>2,355,673</u>	<u>1,085,754</u>
Net position - beginning	<u>9,415,456</u>	<u>17,243,911</u>	<u>26,659,367</u>	<u>5,204,144</u>
Net position - ending	<u>\$10,063,109</u>	<u>\$18,951,930</u>	<u>\$29,015,039</u>	<u>\$ 6,289,898</u>

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, 2017**

	Marina	Surface Water Management	Total	Gov't Activities Internal Service
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 3,974,048	\$ 3,594,231	\$ 7,568,279	\$ 2,997,586
Payments to employees	(870,353)	(1,167,775)	(2,038,128)	(152,578)
Payments to suppliers	(1,675,181)	(1,620,714)	(3,295,895)	(1,216,323)
Net cash provided by operating activities	<u>1,428,514</u>	<u>805,742</u>	<u>2,234,256</u>	<u>1,628,685</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-			(79,983)
Insurance recoveries	2,063		2,063	38,209
Net cash provided from noncapital financial activities	<u>2,063</u>		<u>2,063</u>	<u>(41,774)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from disposal of assets	-	-		22,796
Acquisition of capital assets	(54,720)	(32,634)	(87,354)	(618,200)
Principal paid on debt	(570,920)	-	(570,920)	(3,624)
Interest paid on debt	(250,196)	-	(250,196)	
Transfers (out) for debt service	(15,000)	(15,000)	(30,000)	
Net cash used by capital and related financing activities	<u>(890,836)</u>	<u>(47,634)</u>	<u>(938,470)</u>	<u>(599,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments (purchased)	(1,115)	-	(1,115)	(1,097,704)
Investments sold and earnings	23,150	29,418	52,568	26,528
Net cash provided from investing activities	<u>22,035</u>	<u>29,418</u>	<u>51,453</u>	<u>(1,071,176)</u>
Net increase in cash & cash equivalents	561,776	787,526	1,349,302	(83,293)
Beginning cash & cash equivalents	<u>1,183,490</u>	<u>3,337,157</u>	<u>4,520,647</u>	<u>3,459,939</u>
Ending cash & cash equivalents	<u><u>1,745,266</u></u>	<u><u>4,124,683</u></u>	<u><u>5,869,949</u></u>	<u><u>\$ 3,376,646</u></u>
NON CASH ACTIVITIES				
Capital contributions		1,180,771	1,180,771	
Total noncash activities	<u>\$ -</u>	<u>\$ 1,180,771</u>	<u>\$ 1,180,771</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net Operating Income	913,837	516,258	1,430,095	1,078,243
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation	562,538	474,892	1,037,430	479,929
Changes in assets, liabilities, deferred inflows & deferred outflows				
(Increase)/decrease in customer receivables	(8,476)	(32,310)	(40,786)	55,966
(Increase)/decrease in deferred pension outflows	38,901	47,546	86,447	
(Increase)/decrease in inventories	(6,656)	-	(6,656)	3,511
Increase/(decrease) in accounts payable and deposits	12,788	(56,391)	(43,603)	11,636
Increase/(decrease) in compensated absences	(490)	(41,673)	(42,163)	(600)
Increase/(decrease) in pension obligation	(154,215)	(188,486)	(342,701)	
Increase/(decrease) in pension inflows	70,287	85,906	156,193	
Net cash provide by operating activities	<u>\$ 1,428,514</u>	<u>\$ 805,742</u>	<u>\$ 2,234,256</u>	<u>\$ 1,628,685</u>

The notes to the financial statements 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 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 accounting and reporting policies of the City of Des Moines, which conform to Generally Accepted Accounting Principles (GAAP) for governments, are regulated by the Washington State Auditor’s Office.

The 2017 financial statements have been presented in accordance with the following new Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. Instead of presenting covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, the required supplementary information will present covered payroll, defined as the payroll on which contributions to a pension plan are based. There is no material impact to the City in implementing this standard.

The City’s significant accounting policies are described in the following notes:

A. Reporting Entity

In accordance with the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB) the City’s Comprehensive Annual Financial Report (CAFR) includes all funds controlled by the City.

The City’s basic financial statements include the financial position and results of operations of all funds that are controlled by the City.

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 4C).

B. Basic Financial Statements

The City’s basic financial statements consist of government-wide financial statements and fund financial statements. The government-wide financial statements, which include the statement of net position and the

statement of activities, summarize the entire operation of the City. The governmental fund financial statements, which include the balance sheet, statement of revenues, expenditures and changes in fund balance, and statement of revenues, expenditures and changes in fund balance-budget and actual, provide a more detailed level of reporting. The proprietary fund financial statements, which include the statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows, provide a more detailed level of reporting.

The government-wide financial statements report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been eliminated from these statements. Exceptions to this general rule are for charges between the government's utility functions and certain other service functions and various other functions of the government. These transactions that are for products and services rendered have not been eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 or 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 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 not 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 for a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for government funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The 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/equity, 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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claim and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, interest and various customer billings associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when available. The availability period for these revenues is 31 days past year end. Entitlements, such as grants, are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. 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.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting for reporting its assets and liabilities. Proprietary revenues and expenses are shown with different reporting groups than as presented in prior years.

The City reports the *General fund* and the *Construction fund* as major governmental funds. The general fund is the city's primary operating fund. It accounts for all governmental financial resources, except those required to be accounted for in a separate fund. The construction fund accounts for resources and

expenditures for all governmental fund related projects. Proprietary funds record their own construction activities.

The City reports the *Marina fund* and the *Surface Water Management* utility fund as major proprietary funds.

Additionally, the City reports the following fund types:

Special Revenue funds are used to account for revenues that are raised for a specific purpose.

Debt Service fund which accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal Service funds account for vehicle & equipment replacement and operations, computer replacement, facility repair, self-insurance and unemployment insurance services provided to other departments of the City on a cost reimbursement basis.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions are for business taxes the utility pays to the general fund. Likewise, other charges between the government's utility functions and certain other service functions and various other functions of the government have not been eliminated. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers, fines, forfeitures and miscellaneous 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes and state shared revenues. The state shared revenues are not subject to restriction and therefore are included as general revenues and not program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the marina and surface water management utility are charges to customers. The major services provided by the proprietary funds are moorage and fuel sales at the marina and surface water management throughout the city. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

1. Deposits and investments

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

State statutes and the city’s investment policies authorize the city to invest in obligations of the U.S. treasury, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The interest on these investments is prorated to the various funds on a monthly basis.

The City’s deposits are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in the multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments are generally reported at par which approximates fair value for the items held. The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. See additional deposit investment and restricted asset information in note 4. A.

2. *Receivables and payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund loans payable/receivable”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Loans between funds, as reported in the fund financial statements, are included as a liability in applicable governmental funds so that the indicated fund balance represents amounts available for appropriation and expendable available financial resources.

Taxes receivable consist of property taxes, sales taxes, interfund taxes, business and occupation taxes, and excise taxes. Property taxes are levied January 1 on property values assessed as of December of the prior year. The tax levy is divided into two billings; the first billing is due April 30 and the second is due October 31.

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. There were no other receivables 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 were billed mid-year in 2016. As of December 31, 2017 \$7,403 of governmental special assessments including penalties and interest were delinquent. Assessed property owners are responsible for debt repayment. The city guarantee’s the debt to the extent of the LID guarantee fund. Governmental-type special assessments are for street improvements.

3. Inventories

Inventories in both the governmental funds and marina fund are for fuel. They are valued at cost using the first in/first out (FIFO) method.

4. Restricted assets and liabilities

These accounts contain resources for construction and debt service in enterprise funds, unspent donations in the General Fund and customer deposits in various funds.

5. 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.

Major outlays for capital assets and improvements are reported as construction work in progress as projects are constructed. Interest, if material to the cost of the asset that is incurred during the construction phase of the capital assets of business-type activities, is included as part of the capitalized value of the assets constructed. Capital assets and improvements are capitalized once the project is completed. There were no capitalized interest costs capitalized by the City during fiscal year 2017.

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

<u>Assets</u>	<u>Useful Lives</u>
Land	
Building & Structure	10 - 50
Other improvements	10 - 50
Machinery & Equipment & Vehicles	5 - 15
Infrastructure	25 - 50

6. 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.

7. *Long-term obligations*

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

Bond premiums and discounts, as well as issuance costs, 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.

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.

8. *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.

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.

10. Fund balance and fund flow policies

The city established an ending fund balance policy with enactment of Ordinance No. 1144 section 2 on September 20, 1995. The policy requires the City Manager to establish expenditure policies that will result in an ending fund balance or operating reserve of seven percent (7%) of the cumulative total of the general and street operating funds for each fiscal year. The seven percent consists of two percent (2%) operating reserve generally designated for unanticipated expenditures incurred during the fiscal year, with a five percent (5%) operating reserve intended to account for unanticipated shortfalls. Expenditures within the two percent operating reserve limitation may be paid at the discretion of the city manager. Expenditures within the five percent operating reserve limitation require council approval.

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

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

The General Fund Revenue Stabilization Account ("Account") was authorized by the city council on February 11, 2011 by Ordinance No. 1504 and codified in Des Moines Municipal Code chapter 3.50. The Account at the end of December 31, 2017 was \$1,085,800 which represented the target level of five percent of budgeted, recurring general fund revenues. Additions to the Account is dependent upon proper targeted funding level going forward in relation to changing conditions and prudent fiscal policies. Disbursements from the Account must meet three criteria: (1) the revenue shortfall results from revenue collections considered to be materially short of the amount budgeted or the revenue shortfall results from projected baseline (existing) budgeted revenues for any ensuing year increasing by less than the assumed long-term growth rate as projected based on the average growth rate in revenues for the prior five years, and (2) the revenue shortfall is expected to persist through the end of the fiscal year, and (3) the revenue shortfall is reasonably expected to persist for a period no longer than three years. Appropriations from the Account is by enactment of an ordinance by City Council.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and

appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

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.

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheets includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “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	103,650,224
Construction in process	7,006,736
Building	7,322,666
Other improvements	8,363,694
Equipment	2,313,716
Infrastructure	39,328,983
Current year spending in construction work in progress	2,966,107
Current year capital purchases	2,256,150
Current year depreciation	(3,838,869)
Net adjustment to add to government-wide fund balance to arrive at <i>Net position-governmental activities</i>	\$169,369,407

Another element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and are not reported in the funds.” The following show the detail of these liability changes:

Beginning balance of long-term liabilities excluded from fund level:	
Compensated absences	\$ (1,333,099)
Net pension obligation	(5,447,518)
OPEB obligation	(772,473)
Bonds and notes payable	(2,505,571)
Current year principal payments & other reductions in liabilities	365,575
Current year additions to pension obligation	1,370,798
Current year OPEB and other expense recognized	(132,875)
Net adjustment to reduce government-wide fund balance to arrive at <i>Net position-governmental activities</i>	\$ (8,455,163)

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

The governmental funds’ 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 first element of that reconciliation relates to capital activity as follows:

Capital outlays for:	
Construction in process	\$ 2,966,107
Machinery and equipment	8,705
Donated capital:	
Other improvements	332,789
Infrastructure	1,296,455
Current year depreciation:	
Building	(224,787)
Other improvements	(1,029,704)
Infrastructure	(2,022,206)
Machinery & equipment	(82,243)
Net capital activity	<u><u>\$ 1,245,116</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Scope of budget

Annual revenue and appropriated expenditure budgets are adopted for the general, special revenue, debt service, construction and proprietary and funds. Additionally, project basis budgets are adopted for capital projects. All annual appropriations lapse at the fiscal year end. For governmental funds, the only difference between the budgetary basis and generally accepted accounting principles (GAAP) is that proceeds from interfund loans are treated as budgeted revenue and repayment of interfund loans are treated as budgetary expenditures (except for loans that are issued one day and repaid the next). There were no interfund loans outstanding at the end of the year. Budgetary accounts are integrated in fund ledgers for all budgeted funds. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or projects and for the fiscal periods that correspond to the lives of debt issues or projects and the annual expenditure piece is also included in the appropriate fund’s annual budget. Budgets established for proprietary funds are “management budgets” and are not legally required to be reported. However, for management purpose the City Council does budget the funding levels of proprietary funds in order to monitor the performance and expense levels of such funds.

Annual appropriated budgets are adopted at the level of the fund and budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Annual appropriations for all funds lapse at year end.

Procedures for adopting the original budget

The City's budget procedures are mandated by RCW 35A.33. The steps in the budget process are:

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

- 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.
- 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.
- 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.
- Work sessions and public hearings are conducted by the City Council from October to December to review the budget and to obtain taxpayer comments.
- 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.
- By December 31, the City Council formulates its adjustments to the proposed budget and adopts a final budget through the passage of an ordinance.
- 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.

Amending the budget

The budget, as adopted, constitutes the legal authority for expenditures. The City’s budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. 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 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 one public hearing.

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.

B. Budgetary Compliance.

The city incurred expenditures in excess of budget, for the year ended December 31, 2017, for the following funds:

Fund Name	2017 Revised Budget	2017 Actual Expenditures	Variance
Hotel/Motel Tax Fund	\$ 121,986	\$ 159,457	\$ (37,471)
Redondo Zone	113,872	114,061	(189)
Abatement	2,350	15,889	(13,539)

The city has taken steps to monitor the 2018 budget to actual results to ensure expenditures are within legal appropriations.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits, investments and restricted assets

As of December 31, 2017 the government had the following:

Demand Deposits at Key Bank	\$ 4,813,703
Trust deposit (retainage) at Opus Bank	\$ 151,723
Petty Cash	\$ 5,800

Investments measured at amortized cost:

Local Government Investment Pool	\$ 16,923,648
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Investments measured at fair value:

(Quoted prices in active markets for identical assets-Level 1)

Investments in Federal Agencies	\$ 7,468,500
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During 2017, the net decrease in the fair value of investments being held was \$31,500 at year-end.

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, quoted for similar assets in markets not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset.

Interest rate risk. Interest rate risk is the risk that changes in interest rates 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.

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, 2017 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. Concentration of credit risk as a percentage of total investments:

Issuer	% of Total	Fair Value
Federal Farm Credit Bank	12%	3,475,995
Federal Home Loan Mtg Corp	14%	3,992,510
Key Bank	16%	4,812,933
LGIP	58%	16,923,648
TOTAL	100%	29,205,086

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 and the LGIP, no more than 25% of the total investment portfolio shall be invested in a single institution.

The Federal Deposit Insurance Corporation (FDIC) insures the City’s deposits up to \$250,000. The Washington Public Deposit Protection Commission (WPDPC) (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the WPDPC collateral pool are held by the WPDPC’s agent in the name of the collateral pool.

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 investments are shown on the statement of net position at fair value. Investments that were not at par value (cost) as of December 31, 2017 are reported at fair value. The fair value of the position in the state investment pool is the same as the value of shares held

by the City in the pool at amortized cost because it is operated in a manner consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940.

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):

	<u>Temporary Restrictions</u>
Customer deposits and retainage	\$ 742,625
Unspent donations on hand	91,365
Marina debt service covenants	<u>867,952</u>
Total	<u>\$ 1,701,942</u>

B. 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 Tax Calendar

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

Property taxes are recorded as a receivable when levied, offset by deferred revenue. During the year property tax revenues are recognized when cash is collected and deferred property tax revenue is reduced. Prior year tax levies were recorded using the same principal. The reported balances include tax payments from the county received through December 31, 2017. Tax receipts received by the county in December but remitted to the City in January are not material and are included as part of the tax receivable amount reported. Delinquent taxes totaled \$171,714 and since these funds are not available revenue recognition is deferred. Subsequent collections of delinquent amounts will be recorded in revenue in the period actually received.

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 2016, the City approved Ordinance 1667 establishing the operating levy for 2017 of \$4,856,774 based on an assessed valuation of \$3,194,299,789 and using an estimated maximum levy rate of \$1.70 per \$1,000 of assessed value. In November 2017, the City approved ordinance 1690 establishing the operating levy for 2018 of \$4,934,661 based on an assessed valuation of \$3,775,263,840 using an estimated maximum rate of \$1.79 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 \$75,000 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, 2017 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, 2017 municipal court receivables were \$3,836,729 of which \$2,586,018 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 within availability period):

Taxes	\$ 171,714
Court fines	1,571,355
Customer charges	182,941
Grants	204,532
Special assessments	7,403
	<u>\$ 2,137,945</u>

C. Capital Assets and Joint Venture

Capital asset activity for the year ended December 31, 2017 was as follows:

DEPRECIATION EXPENSE BY FUNCTION:

Governmental Activities:

General Government	\$ 351,467
Public Safety	372,797
Transportation	2,266,633
Natural & Economic	43,617
Social Services	35,216
Culture & Recreation	769,139
Total	<u>\$ 3,838,869</u>

Business-Type Activities:

Marina	\$ 562,537
Surface Water Mgmt	474,892
Total	<u>\$ 1,037,429</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 103,650,224	\$ -	\$ -	\$ 103,650,224
Construction in progress	7,006,736	2,971,311		9,978,047
Total capital assets not being depreciated	110,656,960	2,971,311	-	113,628,271
Capital assets, being depreciated				
Buildings & structures	11,415,247	-	-	11,415,247
Other improvements	18,180,699	332,789	-	18,513,488
Infrastructure	61,797,113	1,291,251	-	63,088,364
Machinery and equipment	6,684,048	626,906	(266,877)	7,044,077
Total depreciable capital assets	98,077,107	2,250,946	(266,877)	100,061,176
Less accumulated depreciation:				
Buildings & structures	(4,092,581)	(224,787)	-	(4,317,368)
Other improvements	(9,817,005)	(1,029,704)	-	(10,846,709)
Infrastructure	(22,468,130)	(2,022,206)	-	(24,490,336)
Machinery and equipment	(4,370,332)	(562,172)	266,877	(4,665,627)
Total accumulated depreciation	(40,748,048)	(3,838,869)	266,877	(44,320,040)
Governmental activities capital assets, net	\$ 167,986,019	\$ 1,383,388	\$ -	\$ 169,369,407

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 3,791,287	\$ -	\$ -	\$ 3,791,287
Construction in progress	430,512	342,916	(45,133)	728,295
Total capital assets not being depreciated	4,221,799	342,916	(45,133)	4,519,582
Other capital assets:				
Buildings & structures	6,192,155	-	-	6,192,155
Other improvements	15,370,716	-	-	15,370,716
Infrastructure	22,019,987	915,622	-	22,935,609
Machinery and equipment	852,866	54,719	-	907,585
Total depreciable capital assets	44,435,724	970,341	-	45,406,065
Less accumulated depreciation:				
Buildings & structures	(4,024,152)	(151,010)	-	(4,175,162)
Other improvements	(6,532,421)	(390,451)	-	(6,922,872)
Infrastructure	(9,124,068)	(446,512)	-	(9,570,580)
Machinery and equipment	(686,817)	(49,456)	-	(736,273)
Total accumulated depreciation	(20,367,458)	(1,037,429)	-	(21,404,887)
Business activities capital assets, net	\$ 28,290,065	\$ 275,828	\$ (45,133)	\$ 28,520,760

Construction & Other Contractual Commitments

The City of Des Moines has active construction projects as of December 31, 2017. The projects include street construction, utility constructions and park facility construction contracts. There are also several consulting contracts. At year end, the city’s contract commitments are as follows:

CATEGORY	CONTRACT COMMITMENT	SPENT TO DATE	REMAINING COMMITMENTS
General Fund	334,289	204,381	129,908
Major Construction	14,139,245	11,707,470	2,431,774
Major Proprietary	3,125,307	1,406,068	1,719,239
Internal Service	54,795	54,686	109
TOTAL	17,653,636	13,372,605	4,281,031

SOUTH CORRECTIONAL ENTITY (SCORE)

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the “Original Interlocal Agreement”) was entered into by seven participating municipal governments, the “Member Cities” of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the “Interlocal Cooperation Act” (RCW 39.34). This “Original Interlocal Agreement” was amended and restated October 1, 2009 and named the City of Des Moines as the “Host City” and the remaining Member Cities as “Owner Cities”. This interlocal agreement is known as the “Formation Interlocal Agreement”. 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 unexpected 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, a governmental administrative agency pursuant to RCW 39.34.030(3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the “SCORE Facility” and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. 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.

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility was provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the “SCORE PDA”), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755. The SCORE PDA issued \$86 million in special obligation bonds in 2009 (the “Bonds”) to construct, develop,

acquire and equip the SCORE Facility. Pursuant to the Formation 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 Bonds as the same become due and payable. Each Owner City’s obligation to pay its portion is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from 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 Bonds:

Summary of Debt Service Requirements										
Debt Service Schedule					Debt Service Allocation to Owner Cities					
Year	Principal	Interest	BABS Subsidy	Total	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%
2018	\$ 2,240,000	\$ 4,715,979	\$ (1,512,496)	\$ 5,443,483	\$ 1,687,480	\$ 217,739	\$ 979,827	\$ 1,959,654	\$ 163,304	\$ 435,479
2019	2,310,000	4,602,229	(1,478,317)	5,433,912	1,684,513	217,356	978,104	1,956,209	163,017	434,713
2020	2,385,000	4,484,854	(1,440,560)	5,429,294	1,683,081	217,172	977,273	1,954,545	162,879	434,344
2021	2,465,000	4,363,604	(1,401,577)	5,427,027	1,682,378	217,081	976,865	1,953,730	162,811	434,162
20.22	2,590,000	4,233,250	(1,500,618)	5,322,632	1,650,016	212,905	958,074	1,916,147	159,679	425,811
2023-2027	14,485,000	18,727,798	(6,710,481)	26,502,317	8,215,718	1,060,093	4,770,417	9,540,834	795,070	2,120,185
2028-2032	17,725,000	13,590,870	(4,959,695)	26,356,175	8,170,414	1,054,247	4,744,112	9,488,223	790,685	2,108,494
2033-2037	21,855,000	7,082,263	(2,731,829)	26,205,434	8,123,685	1,048,217	4,716,978	9,433,956	786,163	2,096,435
2038-2039	10,115,000	676,321	(353,824)	10,437,497	3,235,624	417,500	1,878,749	3,757,499	313,125	835,000
Totals	\$ 76,170,000	\$ 62,477,168	\$ (22,089,397)	\$ 116,557,771	\$ 36,132,909	\$ 4,662,310	\$ 20,980,399	\$ 41,960,797	\$ 3,496,733	\$ 9,324,623

The City of Des Moines reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements as a non-current asset. The equity balance as shown on the table below includes only the portion of the equity interest from annual operating activity. The investment in joint venture as of December 31, 2017 is \$163,335 as indicated below.

South Correctional Entity (SCORE)				
Member City	Percent of Equity	2016 Equity Balance	2017 Apportionment	2017 Equity Balance
Auburn	31.00%	\$ 3,115,334	\$ 32,413	\$ 3,147,747
Burien	3.00%	324,602	22,263	346,865
Des Moines	2.00%	166,583	(3,248)	163,335
Federal Way	23.00%	2,292,265	61,482	2,353,747
Renton	30.00%	2,941,503	74,665	3,016,168
SeaTac	4.00%	434,029	22,947	456,976
Tukwila	7.00%	703,323	16,099	719,422
Grand Totals	100.00%	\$ 9,977,639	\$ 226,621	\$ 10,204,260

The City of Des Moines as a “Member City” under the original interlocal agreement pledged its full faith and credit toward the payment of its allocable proportion (5%) of the debt service on the bonds issued by the SCORE PDA. Under the “Formation Interlocal Agreement” the City’s allocable proportion (5%) was allocated to the cities of Renton (2%), Auburn (2%) and Federal Way (1%). In consideration, under the “Host

Agreement” the city is required to pay a “Host City Fee” equal to the 5% allocable share for the availability of the SCORE facility. While the City of Des Moines is not contractually obligated for the debt service of the SCORE PDA, it is the City’s intent to make the allocable proportion (5%) payment via the Host City Fee. The Host City Fee requirement is as follows:

Total	5,847,697	Remaining payments of December 31, 2017
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Year	Host Fee	Year	Host Fee
2018	267,680	2023-2027	1,332,903
2019	267,483	2028-2032	1,327,953
2020	267,418	2033-2037	1,322,924
2021	266,399	2038-2041	527,730
2022	267,207		

In consideration for payment of the Host City Fee when the bonds are paid off and the Host City Fee Agreement terminates, the cities of Renton, Auburn and Federal Way’s interest in the real and personal property of the SCORE facility will be reduced and the City of Des Moines will receive a 5% interest. Complete 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

D. Interfund loans receivable, payable and transfers

Interfund transfers

Transfers between funds during the year ended December 31, 2017 are as follows:

TRANSFERS TO						
T R A N S F E R S F R O M	FUND TYPE	Nonmajor Spec Revenue	Nonmajor Debt Service	Major Construction	Internal Service	Total
	General	59,000	12,389	847,786	41,017	960,192
	Nonmajor Spec Revenue	612,135		137,618		749,752
	Major Construction		420,680			420,680
	Marina			15,000		15,000
	Surface Water Mgmt			15,000		15,000
	Internal Service Fund			121,000		121,000
	Total	671,135	433,069	1,136,403	41,017	2,281,624

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.

There were one time transfers for the purpose of construction and funding major repairs between the construction funds, the general fund and the internal service (insurance) funds. There was a transfer of real estate excise taxes from the general construction fund to the general fund to cover various park and city facility operations and maintenance costs, to the debt service fund to pay debt service on qualified projects and to the self-insurance fund to cover repair costs not covered by insurance.

E. Capital Lease

In 2013 the city entered into a lease agreement for a document management system. The system is included in net capital assets in governmental activities at cost of \$17,821 less accumulated depreciation of \$14,851.

The future minimum lease obligation for 2018 is \$2,718 and \$10 of this payment represents interest. Thus the net present value of these minimum lease payments is \$2,686.

F. Long-term Debt

Changes in long-term liabilities. For the governmental activities, compensated balances and net pension obligations are generally liquidated by the General, Streets and Equipment Operations funds while compensated and net pension obligation 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. Long-term liability activity for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 1,870,000		\$ (235,000)	\$ 1,635,000	\$ 120,000
External Loans & Notes	629,277		(66,185)	563,092	66,613
Capital lease	6,294		(3,585)	2,709	2,709
Compensated absences	1,333,099	997,379	(1,058,183)	1,272,295	307,963
Net pension obligation	5,447,518	849,942	(2,220,740)	4,076,720	
Net OPEB obligation*	772,473	172,519	(39,644)	905,348	
Governmental activity long-term liabilities	\$ 10,058,661	\$ 2,019,840	\$ (3,623,337)	\$ 8,455,164	\$ 497,285
BUSINESS ACTIVITIES					
General obligation bonds	\$ 6,240,000		\$ (545,000)	\$ 5,695,000	\$ 560,000
Premiums	94,300		(25,920)	68,380	22,355
Total bonds payable	\$ 6,334,300	\$ -	\$ (570,920)	\$ 5,763,380	\$ 582,355
Compensated absences	240,304	74,329	(116,492)	198,141	97,819
Net pension obligation	1,361,879	212,484	(555,185)	1,019,178	
Business activity long-term liabilities	\$ 7,936,483	\$ 286,813	\$ (1,242,597)	\$ 6,980,699	\$ 680,174

Long-term debt. 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. Proprietary fund revenues are used to repay revenue and refunding bonds as well as certain loans.

Governmental Activities – Debt in this classification is paid from property taxes, sales taxes and real estate excise taxes and is a general obligation of the City. Moody’s Investor Service on April 23, 2010 assigned its Global Scale rating of A2 for the 2008 transportation general obligation bonds. The City has two loans with the Washington State Public Works Board, a division of the Department of Commerce. The loan proceeds were used to fund two major transportation projects. On February 15, 2017, Moody’s Investors Service upgraded the City’s limited tax general obligation debt from “A2” to “A1” pursuant to Moody’s publication of a new methodology for the sector.

Business-type Activities – Operating revenues of the Marina Fund are pledged to retire this debt. Moody’s Investors Service on April 23, 2010 assigned its rating of A2 to the Marina 2008 limited tax general obligation bonds. On April 2, 2012, Moody’s Investor Service assigned a rating of A2 to the Marina 2012 limited tax general obligation refunding bonds. On February 15, 2017, Moody’s Investors Service upgraded the City’s limited tax general obligation debt from “A2” to “A1.” This upgrade was done pursuant to Moody’s publication of a new methodology for the sector.

GENERAL OBLIGATION BONDS

PURPOSE	MATURITY RANGE	INTEREST RATE RANGE	ORIGINAL AMOUNT	INSTALLMENT 2017 AMOUNT
2008 LTGO - Transportation	12/1/2028	4.00% - 4.70%	\$ 2,515,000	\$ 194,625
2009 LTGO - Refunding	12/1/2017	4.00% - 4.25%	935,000	125,100
YEAR ENDING DECEMBER 31	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	120,000	74,738		
2019	125,000	69,488		
2020	130,000	64,019		
2021	135,000	58,331		
2022	140,000	52,425		
2023-2027	800,000	158,864		
2028-2032	185,000	8,695		
TOTAL	\$ 1,635,000	\$ 486,560	\$ -	\$ -

GENERAL OBLIGATION NOTES & LOANS

PURPOSE	MATURITY RANGE	INTEREST RATE RANGE	ORIGINAL AMOUNT	INSTALLMENT 2017 AMOUNT
2004 PWTF Loan - Pacific Hwy Constructi	7/1/2024	0.50%	\$ 2,250,000	\$ 24,563
2009 PWTF Loan - Gateway Construction	7/1/2028	0.50%	1,000,000	33,775
2011 Wa State LOCAL - Energy Equipmen	12/1/2021	2.46%	106,138	13,148
YEAR ENDING DECEMBER 31	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	66,613	4,595		
2019	67,059	3,873		
2020	67,522	3,132		
2021	68,003	2,373		
2022	55,481	1,469		
2023-2027	206,551	3,541		
2028-2032	31,863	159		
TOTAL	\$ 563,092	\$ 19,142	\$ -	\$ -

REVENUE BONDS

PURPOSE	MATURITY RANGE	INTEREST RATE RANGE	ORIGINAL AMOUNT	INSTALLMENT 2017 AMOUNT
2008 LTGO - Marina	12/1/2028	4.00% - 4.70%	6,080,000	514,316
2012 LTGO - Marina Refunding	12/1/2022	2.00% - 4.00%	2,810,000	306,200
YEAR ENDING DECEMBER 31	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018			560,000	255,416
2019			590,000	233,016
2020			610,000	206,916
2021			640,000	179,116
2022			670,000	149,966
2023-2027			2,135,000	419,587
2028-2032			490,000	23,030
TOTAL			\$ 5,695,000	\$ 1,467,047

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, 2017.

NOTE 5 - OTHER INFORMATION

A. 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 39.3 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 over 161 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 and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer provided by reinsurance. Total limits are \$25 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 \$300 million per occurrence subject to aggregates and sublimits. Automobile physical 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.

There have been no claims in excess of insurance coverage for the last three years.

Self-Insurance. In addition to the insurance coverage through WCIA, the city is exposed to risks of losses to property not covered by the insurance pool such as deductibles. To provide additional cash reserves to fund those losses not covered by WCIA, the city established a Self- Insurance fund. The main activities of the self-insurance fund consist of employee education, payment of commercial insurance premiums, payment of WCIA deductibles for insured claims and payment of litigation costs and/or damage claims against the city for which coverage may be denied by insurance carriers. Premiums are assessed to other city funds based on each fund or departments’ assumed risk.

In 2004 the City of Des Moines joined the Association of Washington Cities’ (AWC) Worker’s Compensation Retrospective Rating Program. The program provides cities with expertise and services to lower their claims experience resulting in potential refund of a portion of their Washington State Department of Labor and Industries (L&I) premiums. Membership criteria includes being a member of the AWC, be in good standing with L&I, adoption of the AWC membership agreement, once a year attendance at a regional training workshop and a return to work/light duty policy. Fees are 6.5% of the City’s prior year’s L&I premium. The 6.5% fee is refunded to the City the following year if the group received a refund from L&I.

The city has also established an Unemployment Insurance fund. The purpose of this fund is to accumulate money for the payment of claims for unemployment compensation. Unemployment claims are processed by the State of Washington and billed to the City on a quarterly basis. Each department contributes 0.5% of its annual payroll to cover future claims.

Ordinance No. 879 adopted in 1991 established the reserve requirement for the payment of unemployment claims. The optimum reserve calculation is based on a formula derived by multiplying the average number of employees’ times five percent times the annual maximum unemployment benefits per employee times three years plus the average annual payout for the last ten years. As of December 31, 2017 the reserve requirement was \$522,676 and actual fund balance was \$437,543. The amounts payable at December 31, 2017 was \$0.

	Self- Insurance		Unemployment Insurance	
	2016	2017	2016	2017
Claims liabilities at beginning of year	\$ -	\$ 27,708	\$ -	\$ -
Claims expenses:				
Current year and changes in estimates	20,000	32,199	26,884	149
Claims payments	(20,000)	(45,100)	(26,884)	(149)
Claims liabilities at end of the year	\$ -	\$ 14,807	\$ -	\$ -

B. Employee retirement systems and pension plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (5,095,901)
Pension assets	\$ 1,905,190
Deferred outflows of resources	\$ 1,007,240
Deferred inflows of resources	\$ (1,472,519)
Pension expense	\$ 393,730

State Sponsored Pension Plans

Substantially all 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Or the DRS CAFR 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 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%

* For employees participating in JBM, the contribution rate is 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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The city’s actual PERS plan contributions were \$362,284 to PERS Plan 1 and \$495,582 to PERS Plan 2/3 for the year ended December 31, 2017.

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 2017. 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 included 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. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	8.59%	8.41%
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The city’s actual contributions to the plan were \$203,911 for the year ended December 31, 2017.

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, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City of Des Moines as its proportionate share of this amount is \$126,947.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study and the 2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan’s normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report’s Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 % Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member’s lifetime.

There were changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/ 3 employers, whose rates include a component for the PERS Plan 1, and TRS Plan 1 liabilities). Based on these 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 7.5% 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 7.5% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

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, 2017, are summarized in the table below. The inflation component used to create the table is 2.2% 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	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

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 7.5%, 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	3,224,834	2,647,232	2,146,904
PERS 2/3	6,596,972	2,448,669	(950,249)
LEOFF 1	(140,036)	(188,788)	(230,654)
LEOFF 2	371,427	(1,716,402)	(3,417,479)

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, 2017, the city reported a total pension liability of \$(5,095,898) and a net pension asset of \$1,905,191 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	(2,647,232)
PERS 2/3	(2,448,666)
LEOFF 1	188,788
LEOFF 2	1,716,403

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	(188,788)	(1,716,403)
State’s proportionate share of the net pension asset associated with the employer	(1,276,957)	(1,113,398)
TOTAL	(1,465,745)	(2,829,801)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.055789%	0.058525%	(0.002736%)
PERS 2/3	0.070475%	0.072818%	(0.002343%)
LEOFF 1	0.012443%	0.012268%	(0.000175%)
LEOFF 2	0.123689%	0.117320%	(0.006369%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the city recognized pension expense as follows:

	Pension Expense (Revenue)
PERS 1	22,401
PERS 2/3	337,734
LEOFF 1	(32,002)
LEOFF 2	65,597
TOTAL	393,730

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(98,787)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	188,005	
TOTAL	188,005	(98,787)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	248,108	(80,532)
Net difference between projected and actual investment earnings on pension plan investments		(652,757)
Changes of assumptions	26,010	
Changes in proportion and differences between contributions and proportionate share of contributions	44,412	(122,138)
Contributions subsequent to the measurement date	274,559	
TOTAL	593,089	(855,427)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(17,544)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL		(17,544)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	75,439	(65,089)
Net difference between projected and actual investment earnings on pension plan investments		(385,345)
Changes of assumptions	2,067	
Changes in proportion and differences between contributions and proportionate share of contributions	43,037	
Contributions subsequent to the measurement date	103,037	
TOTAL	223,580	(450,434)

Deferred outflows of resources related to pensions resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net Effect on Future Pension Expense					
Year ended December 31	PERS 1	PERS 2 and 3	LEOFF 1	LEOFF 2	TOTAL PLANS
2018	\$ (66,774)	\$ (336,032)	\$ (11,010)	\$ (195,085)	\$ (608,901)
2019	21,082	41,477	2,969	22,034	87,562
2020	(4,895)	(73,601)	(1,186)	(44,506)	(124,188)
2021	(48,200)	(284,601)	(8,317)	(167,788)	(508,906)
TOTAL	\$ (98,787)	\$ (652,757)	\$ (17,544)	\$ (385,345)	\$ (1,154,433)

C. Other postemployment benefits

Plan Description

In accordance with the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the law enforcement officers employed prior to October 1, 1977. Under this requirement the City provides medical prescription drug, dental, Medicare Part B premiums, long-term care, and vision expenses for LEOFF 1 retirees. The City of Des Moines has a total of 5 LEOFF 1 members in this plan; all of whom are retired. Dependent spouses and children are not covered. The retiree does not contribute towards the cost of their medical care.

Funding Policy

Funding for LEOFF 1 retiree healthcare costs are provided entirely by the City as required by RCW. The City's funding policy is on a pay-as-you-go basis. In 2006 the city 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, 2016 through October 31, 2017, was \$8,241.

Annual OPEB Costs and Net OPEB Obligation

The basis for the City's annual other postemployment benefit (OPEB) cost (expense) is the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed ten years.

The City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the Actuarial Accrued Liability (AAL) and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the actuarial accrued liability (AAL) was the Projected Unit Credit. The actuarial accrued liability and the Net OPEB Obligation (NOO) are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purpose of this valuation.

The following table shows the components of the City's annual OPEB cost, the estimated amount contributed, and changes in the City's net OPEB obligation:

	Fiscal Year Ending		
	12/31/2015	12/31/2016	12/31/2017
Determination of Net OPEB Obligation (NOO)			
Annual required contribution (ARC)	\$ 170,696	\$ 209,385	\$ 211,097
Interest on Net OPEB Obligation (NOO)	22,112	25,880	30,899
Adjustments to ARC	(49,721)	(58,190)	(69,477)
Annual OPEB cost (expense)	\$ 143,087	\$ 177,075	\$ 172,519
Contributions made	48,932	51,576	39,644
Increase Net OPEB Obligation (NOO)	94,155	125,499	132,875
Net OPEB Obligation - beginning	552,818	646,974	772,473
Net OPEB Obligation - ending	\$ 646,973	\$ 772,473	\$ 905,348

The City’s OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the years ending December 31 are shown on the following schedule:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Contributed	Net OPEB Obligation
December 31, 2017	\$ 172,519	23.0%	\$ 905,348
December 31, 2016	\$ 177,075	29.1%	\$ 772,473
December 31, 2015	\$ 143,087	34.2%	\$ 646,973

D. 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.

The City entered into a memorandum of understanding in August 2017 with Forterra, a Washington non-profit corporation to secure immediate funding for property located at 402 S. 222nd in Des Moines with important open space, viewshed, scenic, recreational and community values that are of great importance to the people of the City of Des Moines. The purchase price of the property was \$1,190,000 which was paid by Forterra. The City has the option of purchasing this property from Forterra on or before December 31, 2020. If the City does not purchase the property from Forterra and it is sold to another party, any decrease in value from the purchase price will be the City’s responsibility. The City’s intent is to secure funding by seeking grants and other sources to purchase the property from Forterra. In addition, the City is responsible

for some administrative costs to Forterra (capped at \$10,000) as well as, a 5-6% opportunity fee due at the time the City is able to purchase the property.

***REQUIRED SUPPLEMENTARY
INFORMATION***

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Required Supplementary Information
LEOFF 1 OPEB

The following is a schedule of contributions from the employer and other contributing entities for LEOFF 1:

Fiscal Year Ending	Actual Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 2015	\$48,932	\$170,696	28.7%
December 31, 2016	\$51,576	\$209,385	24.6%
December 31, 2017	\$39,644	\$211,097	18.8%

Schedule of Funding Progress for the LEOFF 1 OPEB

Fiscal Year End	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2015	-	\$1,897,863	\$1,897,863	0.0%	N/A	N/A
December 31, 2016	-	\$2,328,027	\$2,328,027	0.0%	N/A	N/A
December 31, 2017	-	\$2,347,059	\$2,347,059	0.0%	N/A	N/A

Schedule of Proportionate Share of the Net Pension Liability
 As of June 30, 2017
 Last 4 Fiscal Years

PERS 1 PLAN	2014	2015	2016	2017
Employer's proportion of the net pension liability	0.059429%	0.060047%	0.058525%	0.055789%
Employer's proportionate share of the net pension liability	\$ 2,993,764	\$ 3,141,017	\$ 3,143,068	\$ 2,647,232
Employer's covered employee payroll*	\$ 6,356,187	\$ 6,731,306	\$ 6,920,926	\$ 7,021,598
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	47.10%	46.66%	45.41%	37.70%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%

*2016 Restated.

Schedule of Proportionate Share of the Net Pension Liability
 As of June 30, 2017
 Last 4 Fiscal Years

PERS 2&3 PLAN	2014	2015	2016	2017
Employer's proportion of the net pension liability	0.071121%	0.074473%	0.072818%	0.070475%
Employer's proportionate share of the net pension liability	\$ 1,437,612	\$ 2,660,963	\$ 3,666,329	\$ 2,448,669
Employer's covered employee payroll	\$ 6,146,411	\$ 6,608,499	\$ 6,843,135	\$ 6,964,752
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.39%	40.27%	53.58%	35.16%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%

*2016 Restated.

Schedule of Proportionate Share of the Net Pension Liability
 As of June 30, 2017
 Last 4 Fiscal Years

LEOFF 1 PLAN	2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.012205%	0.012137%	0.012268%	0.012268%
Employer's proportionate share of the net pension liability (asset)	\$ (148,021)	\$ (146,278)	\$ (126,395)	\$ (188,788)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ 1,092,391	\$ 989,419	\$ 854,936	\$ (1,276,957)
TOTAL	\$ 944,370	\$ 843,141	\$ 728,541	\$ (1,465,745)
Employer's covered employee payroll	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%	123.74%	135.96%

Schedule of Proportionate Share of the Net Pension Liability
 As of June 30, 2017
 Last 4 Fiscal Years

LEOFF 2 PLAN	2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.012205%	0.012137%	0.117320%	0.123689%
Employer's proportionate share of the net pension liability (asset)	\$ (1,699,040)	\$ (1,249,137)	\$ (682,368)	\$ (1,716,402)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (1,092,391)	\$ (825,926)	\$ (444,855)	\$ (1,113,398)
TOTAL	\$ (2,791,431)	\$ (2,075,063)	\$ (1,127,223)	\$ (2,829,800)
Employer's covered employee payroll	\$ 3,480,180	\$ 3,527,418	\$ 3,659,657	\$ 3,875,240
Employer's proportionate share of the net pension asset as a percentage of covered employee payroll	80.21%	58.83%	30.80%	73.02%
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%	111.67%	106.04%	113.36%

Schedule of Employer Contributions
 As of December 31, 2017
 Last 4 Fiscal Years

PERS 1 PLAN	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions*	\$ 189,440	\$ 382,894	\$ 333,338	\$ 362,284
Contributions made in relation to the statutorily or contractually required contributions	<u>\$ (189,440)</u>	<u>\$ (382,894)</u>	<u>\$ (333,338)</u>	<u>\$ (362,284)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employer payroll	\$ 6,356,187	\$ 6,731,306	\$ 6,920,926	\$ 7,021,598
Contributions as a percentage of covered employee payroll	2.98%	5.69%	4.82%	5.16%

*2016 restated.

Schedule of Employer Contributions
As of December 31, 2017
Last 4 Fiscal Years

<u>PERS 2 PLAN</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 189,440	\$ 382,894	\$ 427,454	\$ 495,582
Contributions made in relation to the statutorily or contractually required contributions	<u>\$ (189,440)</u>	<u>\$ (382,894)</u>	<u>\$ (427,454)</u>	<u>\$ (495,582)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employer payroll	\$ 6,146,411	\$ 6,608,499	\$ 6,843,135	\$ 6,964,752
Contributions as a percentage of covered employee payroll	3.08%	5.79%	6.25%	7.12%

Schedule of Employer Contributions
 As of December 31, 2017
 Last 4 Fiscal Years

<u>LEOFF 1 PLAN</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -
Contributions made in relation to the statutorily or contractually required contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employer payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Schedule of Employer Contributions
 As of December 31, 2017
 Last 4 Fiscal Years

<u>LEOFF 2 PLAN</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 91,113	\$ 177,745	\$ 184,816	\$ 195,699
Contributions made in relation to the statutorily or contractually required contributions	<u>\$ (91,113)</u>	<u>\$ (177,745)</u>	<u>\$ (184,816)</u>	<u>\$ (195,699)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employer payroll	\$ 6,146,411	\$ 6,608,499	\$ 6,843,135	\$ 6,964,752
Contributions as a percentage of covered employee payroll	1.48%	2.69%	2.70%	2.81%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Combining Balance Sheet
Nonmajor Other Governmental Funds
December 31, 2017

	Total Nonmajor Other Special Revenue	Nonmajor Debt Service	Total Other Governmental
ASSETS			
Cash & cash equivalents	\$ 2,324,740	\$ 59,909	\$ 2,384,649
Restricted cash - retainage	-	-	-
Receivables (net of allowances):			
Taxes	159,185	-	159,185
Customers	493,072	-	493,072
Total assets	<u>2,976,997</u>	<u>59,909</u>	<u>3,036,906</u>
LIABILITIES			
Accounts payable	181,788	-	181,788
Payable from restricted assets	-	-	-
Total liabilities	<u>181,788</u>	<u>-</u>	<u>181,788</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>369,294</u>	<u>-</u>	<u>369,294</u>
FUND BALANCES			
Restricted:			
Public Safety	277,593	-	277,593
Transportation	1,938,068	-	1,938,068
General obligation debt	-	59,909	59,909
Committed			
Natural & economic development	210,254	-	210,254
Total fund balances	<u>2,425,915</u>	<u>59,909</u>	<u>2,485,824</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,976,997</u>	<u>\$ 59,909</u>	<u>\$ 3,036,906</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Other Governmental Funds
For the Year Ended December 31, 2017**

	Total Nonmajor Other Special Revenue	Nonmajor Debt Service	Total Other Governmental
REVENUES			
Taxes	\$ 1,566,571	\$ -	\$ 1,566,571
Licenses and permits	527,397	-	527,397
Intergovernmental revenue	694,774	-	694,774
Charges for services	201,750	-	201,750
Fines and forfeitures	388,419	-	388,419
Misc and rental revenue	655,572	-	655,572
Total revenues	<u>4,034,483</u>	<u>-</u>	<u>4,034,483</u>
EXPENDITURES			
Current:			
General government	-	16,400	16,400
Public safety	270,491	-	270,491
Transportation	2,221,247	-	2,221,247
Natural and economic environment	175,346	-	175,346
Culture and recreation	216,103	-	216,103
Debt service:			
Principal	-	301,185	301,185
Interest	-	90,026	90,026
Total expenditures	<u>2,883,187</u>	<u>407,611</u>	<u>3,290,798</u>
Excess of revenues over (under) expenditures	1,151,296	(407,611)	743,685
OTHER FINANCING SOURCES (USES)			
Transfers in	671,135	433,069	1,104,204
Transfers out	(749,753)	-	(749,753)
Total other financing sources (uses)	<u>(78,618)</u>	<u>433,069</u>	<u>354,451</u>
Net change in fund balances	1,072,678	25,458	1,098,136
Fund balances - beginning	<u>1,353,234</u>	<u>34,450</u>	<u>1,387,684</u>
Fund balances - ending	<u>\$ 2,425,915</u>	<u>\$ 59,908</u>	<u>\$ 2,485,820</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2017**

	<u>City Street</u>	<u>Pavement Program</u>	<u>Police Drug Seizure</u>	<u>Hotel/ Motel</u>	<u>Redondo Zone</u>	<u>Waterfront Zone</u>	<u>PBPW Automation Fee</u>
ASSETS							
Cash & cash equivalents	\$ 724,693	\$ 1,019,843	\$ 10,516	\$ 143	\$ 17,090	\$ 20,403	\$ 194,673
Restricted cash - retainage	-						
Receivables (net of allowances):							
Taxes	84,551			7,235			
Customers		95,850		45,260	600	4,050	
Total assets	<u>809,244</u>	<u>1,115,693</u>	<u>10,516</u>	<u>52,638</u>	<u>17,690</u>	<u>24,453</u>	<u>194,673</u>
LIABILITIES							
Accounts payable	117,586	7,922	70	33,179	1,436	2,595	
Payable from restricted assets	-						
Total liabilities	<u>117,586</u>	<u>7,922</u>	<u>70</u>	<u>33,179</u>	<u>1,436</u>	<u>2,595</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue				44,000	600	4,050	
FUND BALANCES							
Restricted							
Public Safety			10,446				
Transportation	691,658	1,107,771					
Committed							
Natural & economic development				(24,541)	15,654	17,808	194,673
Total fund balances	<u>691,658</u>	<u>1,107,771</u>	<u>10,446</u>	<u>(24,541)</u>	<u>15,654</u>	<u>17,808</u>	<u>194,673</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 809,244</u>	<u>\$ 1,115,693</u>	<u>\$ 10,516</u>	<u>\$ 52,638</u>	<u>\$ 17,690</u>	<u>\$ 24,453</u>	<u>\$ 194,673</u>

	Abatement	Automated Speed Enforcement	Transportation Benefit District	Total Nonmajor Other Special Revenue
ASSETS				
Cash & cash equivalents	\$ 6,660	\$ 259,479	\$ 71,240	\$ 2,324,740
Restricted cash - retainage				-
Receivables (net of allowances):				
Taxes			67,399	159,185
Customers	31,173	316,139		493,072
Total assets	<u>37,833</u>	<u>575,618</u>	<u>138,639</u>	<u>2,976,997</u>
LIABILITIES				
Accounts payable		19,000		181,788
Payable from restricted assets				-
Total liabilities	<u>-</u>	<u>19,000</u>	<u>-</u>	<u>181,788</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>31,173</u>	<u>289,471</u>		<u>369,294</u>
FUND BALANCES				
Restricted				-
Public Safety		267,147 [▼]		277,593
Transportation			138,639 [▼]	1,938,068
Committed				-
Natural & economic development	6,660 [▼]		-	210,254
Total fund balances	<u>6,660</u>	<u>267,147</u>	<u>138,639</u>	<u>2,425,915</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,833</u>	<u>\$ 575,618</u>	<u>\$ 138,639</u>	<u>\$ 2,976,997</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017**

	<u>City Street</u>	<u>Pavement Program</u>	<u>Police Drug Seizure</u>	<u>Hotel/ Motel</u>	<u>Redondo Zone</u>	<u>Waterfront Zone</u>	<u>PBPW Automation Fee</u>
REVENUES							
Taxes	\$ 534,431			\$ 116,281			
Licenses and permits		527,397					
Intergovernmental revenue	694,774						
Charges for services	-			1,260		-	199,888
Fines and forfeitures	-				1,631	898	
Misc and rental revenue	456,406	4,902	70		89,331	98,952	
Total revenues	<u>1,685,611</u>	<u>532,299</u>	<u>70</u>	<u>117,541</u>	<u>90,962</u>	<u>99,850</u>	<u>199,888</u>
EXPENDITURES							
Current:							
General government							
Public safety							
Transportation	1,573,643	101,014					101,394
Natural and economic environment				159,457			
Culture and recreation					114,061	102,042	
Debt service:							
Principal							
Interest							
Total expenditures	<u>1,573,643</u>	<u>101,014</u>	<u>-</u>	<u>159,457</u>	<u>114,061</u>	<u>102,042</u>	<u>101,394</u>
Excess of revenues over (under) expenditures	111,968	431,285	70	(41,916)	(23,099)	(2,192)	98,494
OTHER FINANCING SOURCES (USES)							
Transfers in	16,419	595,716			20,000	20,000	
Transfers out		(131,376)					
Total other financing sources (uses)	<u>16,419</u>	<u>464,340</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	128,387	895,625	70	(41,916)	(3,099)	17,808	98,494
Fund balances - beginning	<u>563,269</u>	<u>212,146</u>	<u>10,376</u>	<u>17,374</u>	<u>18,754</u>		<u>96,179</u>
Fund balances - ending	<u>\$ 691,658</u>	<u>\$ 1,107,771</u>	<u>\$ 10,446</u>	<u>\$ (24,541)</u>	<u>\$ 15,654</u>	<u>\$ 17,808</u>	<u>\$ 194,673</u>

	<u>Abatement</u>	<u>Automated Speed Enforcement</u>	<u>Transportation Benefit District</u>	<u>Nonmajor Special Revenue</u>
REVENUES				
Taxes			\$ 915,859	\$ 1,566,571
Licenses and permits				527,397
Intergovernmental revenue				694,774
Charges for services	297	305		201,750
Fines and forfeitures	1,531	384,359		388,419
Misc and rental revenue	1,600	3,649	662	655,572
Total revenues	<u>3,428</u>	<u>388,313</u>	<u>916,521</u>	<u>4,034,483</u>
EXPENDITURES				
Current:				-
General government				-
Public safety		270,491		270,491
Transportation			445,196	2,221,247
Natural and economic environment	15,889			175,346
Culture and recreation				216,103
Debt service:				-
Principal				-
Interest				-
Total expenditures	<u>15,889</u>	<u>270,491</u>	<u>445,196</u>	<u>2,883,187</u>
Excess of revenues over (under) expenditures	(12,461)	117,822	471,325	1,151,296
OTHER FINANCING SOURCES (USES)				
Transfers in	-	19,000		671,135
Transfers out		(22,661)	(595,716)	(749,753)
Total other financing sources (uses)	<u>-</u>	<u>(3,661)</u>	<u>(595,716)</u>	<u>(78,618)</u>
Net change in fund balances	(12,461)	114,161	(124,391)	1,072,678
Fund balances - beginning	<u>19,120</u>	<u>152,986</u>	<u>263,030</u>	<u>1,353,234</u>
Fund balances - ending	<u>\$ 6,660</u>	<u>\$ 267,147</u>	<u>\$ 138,639</u>	<u>\$ 2,425,915</u>

**Schedule of Revenues and Expenditures - Budget to Actual
Nonmajor Other Governmental Funds &
Major Construction Fund
For the Year Ended December 31, 2017**

	Revenues			Expenditures		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Special Revenue Funds						
City Street Fund	\$ 1,660,126	\$ 1,702,030	\$ 41,904	\$ 1,669,125	\$ 1,573,643	\$ (95,482)
Arterial Pavement Fund	1,002,786	1,128,015	125,229	209,571	232,390	22,819
Drug Seizure Fund	509	70	(439)	3,500	-	(3,500)
Hotel/Motel Fund	132,707	117,541	(15,166)	143,207	159,457	16,250
Redondo Zone Fund	113,840	110,962	(2,878)	110,052	114,061	4,009
Waterfront Zone Fund	106,185	119,850	13,665	89,793	102,042	12,249
PBPW Automation Fees Fund	188,421	199,888	11,467	103,154	101,394	(1,760)
Abatement Fund	2,288	3,428	1,140	16,200	15,889	(311)
Automation Speed Enforcement	399,701	407,313	7,612	338,000	293,152	(44,848)
Transportation Benefit District	925,771	916,521	(9,250)	909,954	1,040,912	130,958
Debt Service Fund	\$ 399,712	\$ 433,069	33,357	\$ 407,813	\$ 407,611	(202)
Construction Fund	\$ 9,437,114	\$ 5,519,150	(3,917,964)	\$ 8,464,202	\$ 3,688,837	(4,775,365)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for the financing of goods or services for which a fee is charged to external users for use of those goods and services. The City of Des Moines does not have any nonmajor enterprise funds.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other government units on a cost reimbursement basis.

**Combining Statement of Net Position
Nonmajor Internal Services Fund
December 31, 2017**

	Equipment Rental Operations	Equipment Rental Replacement	Facility Repair	Computer Replacement	Self Insurance	Unemployment Insurance	Gov't Activities Internal Service
ASSETS							
Current assets:							
Current cash & cash equivalents	\$ 328,417	\$ 1,236,845	\$ 228,367	\$ 768,335	\$ 473,762	\$ 337,543	\$ 3,373,269
Cash restricted for retainage			3,377				3,377
Investments		1,000,000				100,000	1,100,000
Receivables - customers	6,406	-			1,453		7,859
Grants							-
Interfund loans - current portion							-
Inventory	14,514						14,514
Total current assets	349,337	2,236,845	231,744	768,335	475,215	437,543	4,499,019
Noncurrent assets:							
Interfund loans							-
Restricted Assets	-	-	-	-	-	-	-
Construct work in process							-
Machinery and equipment (Net)	37,148	1,573,333		256,876	-		1,867,357
Accumulated depreciation	-	-		-	-		-
Total noncurrent assets	37,148	1,573,333	-	256,876	-	-	1,867,357
Total assets	386,485	3,810,178	231,744	1,025,211	475,215	437,543	6,366,376
LIABILITIES							
Current liabilities:							
Accounts payable	2,446		35,700	302	14,807		53,255
Retainage paid from restricted assets			3,377				3,377
Compensated absences	1,746						1,746
Current portion loan payable				2,709			2,709
Total current liabilities	4,192	-	39,077	3,011	14,807	-	61,087
Noncurrent liabilities:							
Compensated absences	13,095						13,095
Loan payable							
Total noncurrent liabilities	13,095	-	-	-	-	-	13,095
Total liabilities	17,287	-	39,077	3,011	14,807	-	74,182
NET POSITION							
Net investment in capital assets	37,148	1,573,333	-	254,167	-	-	1,864,648
Unrestricted	332,050	2,236,845	192,667	768,033	460,408	437,543	4,427,546
Total net position	\$ 369,198	\$ 3,810,178	\$ 192,667	\$ 1,022,200	\$ 460,408	\$ 437,543	\$ 6,292,194

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Internal Service Funds
For the Year Ended December 31, 2017**

	Equipment Rental Operations	Equipment Rental Replacement	Facility Repair	Computer Replacement	Self Insurance	Unemployment Insurance	Gov't Activities Internal Service
OPERATING REVENUES							
Charges for goods and services	\$ 518,347	\$ 922,698	\$ 109,051	\$ 475,640	\$ 854,710	\$ 61,174	2,941,620
Total operating revenues	<u>518,347</u>	<u>922,698</u>	<u>109,051</u>	<u>475,640</u>	<u>854,710</u>	<u>61,174</u>	<u>2,941,620</u>
OPERATING EXPENSES							
Depreciation	3,236	393,513		83,180			479,929
Salaries & wages	99,012						99,012
Personnel benefits	52,817					149	52,966
Supplies	222,872			85,705			308,577
Services	148,162		49,196	-	725,539		922,897
Total operating expenses	<u>526,099</u>	<u>393,513</u>	<u>49,196</u>	<u>168,885</u>	<u>725,539</u>	<u>149</u>	<u>1,863,381</u>
OPERATING INCOME (LOSS)	<u>(7,752)</u>	<u>529,185</u>	<u>59,855</u>	<u>306,755</u>	<u>129,171</u>	<u>61,025</u>	<u>1,078,239</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income	2,229	14,702	1,019	4,181	-	6,693	28,824
Gain on disposal of assets		22,796					22,796
Insurance recovery	8,909	-	-		29,300		38,209
Interest expense		-	-	(39)			(39)
Total nonoperating revenues	<u>11,138</u>	<u>37,498</u>	<u>1,019</u>	<u>4,142</u>	<u>29,300</u>	<u>6,693</u>	<u>89,790</u>
Income (loss) before contributions and transfers	3,386	566,683	60,874	310,897	158,471	67,718	1,168,029
Capital contributions		-					-
Transfers in		-	41,017				41,017
Transfers out				(121,000)			(121,000)
Changes in net position	<u>3,386</u>	<u>566,683</u>	<u>101,891</u>	<u>189,897</u>	<u>158,471</u>	<u>67,718</u>	<u>1,088,046</u>
Net position - beginning	<u>365,810</u>	<u>3,243,493</u>	<u>90,776</u>	<u>832,303</u>	<u>301,937</u>	<u>369,825</u>	<u>5,204,144</u>
Net position - ending	<u>\$ 369,198</u>	<u>\$ 3,810,178</u>	<u>\$ 192,667</u>	<u>\$ 1,022,200</u>	<u>\$ 460,408</u>	<u>\$ 437,543</u>	<u>\$ 6,292,194</u>

**Combining Statement of Cash Flows
Nonmajor Internal Service Funds
For the Year Ended December 31, 2017**

	Equipment Rental Operations	Equipment Rental Replacement	Facility Repair	Computer Replacement	Self Insurance Replacement	Unemployment Insurance	Gov't Activities Internal Service
CASH FLOW FROM OPERATING ACTIVITIES:							
Receipts from customers	\$ 517,074	\$ 981,390	\$ 109,051	\$ 475,640	\$ 853,257	\$ 61,174	\$ 2,997,586
Payments to employees	(152,429)	-	-	-	-	(149)	(152,578)
Payments to suppliers	(377,132)	-	(15,046)	(85,705)	(738,440)	-	(1,216,323)
Net cash provided by operating activities	<u>(12,487)</u>	<u>981,390</u>	<u>94,005</u>	<u>389,935</u>	<u>114,817</u>	<u>61,025</u>	<u>1,628,685</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Insurance repair recovery	8,909	-	-	-	29,300	-	38,209
Transfers In (Out)	-	-	41,017	(121,000)	-	-	(79,983)
Net cash from noncapital activities	<u>8,909</u>	<u>-</u>	<u>41,017</u>	<u>(121,000)</u>	<u>29,300</u>	<u>-</u>	<u>(41,774)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from disposal of assets	-	22,796	-	-	-	-	22,796
Repayment of capital related debt	-	-	-	(3,624)	-	-	(3,624)
Acquisition of capital assets	-	(562,276)	-	(55,924)	-	-	(618,200)
Net cash used in capital activities	<u>-</u>	<u>(539,480)</u>	<u>-</u>	<u>(59,548)</u>	<u>-</u>	<u>-</u>	<u>(599,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investments (purchased)	-	(1,000,000)	-	-	-	(100,000)	(1,100,000)
Investment sales and income	2,229	14,702	1,019	4,181	-	6,693	28,824
Net cash provided from investing activities	<u>2,229</u>	<u>(985,298)</u>	<u>1,019</u>	<u>4,181</u>	<u>-</u>	<u>(93,307)</u>	<u>(1,071,176)</u>
Net increase in cash and cash equivalents	(1,349)	(543,388)	136,041	213,568	144,117	(32,282)	(83,293)
Beginning cash and cash equivalents	<u>329,766</u>	<u>1,780,233</u>	<u>95,703</u>	<u>554,767</u>	<u>329,645</u>	<u>369,825</u>	<u>3,459,939</u>
Ending cash and cash equivalents	<u>\$ 328,417</u>	<u>\$ 1,236,845</u>	<u>\$ 231,744</u>	<u>\$ 768,335</u>	<u>\$ 473,762</u>	<u>\$337,543</u>	<u>\$ 3,376,646</u>
CASH PROVIDED BY OPERATING ACTIVITIES:							
Net operating income (loss)	\$ (7,752)	\$ 529,185	\$ 59,855	\$ 306,755	\$ 129,171	\$ 61,025	1,078,239
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Depreciation	3,236	393,513	-	83,180	-	-	479,929
(Increase)/decrease in customer receivables	(1,273)	58,692	-	-	(1,453)	-	55,966
(Increase)/decrease in inventory	3,515	-	-	-	-	-	3,515
Increase (decrease) in accounts payable	(9,613)	-	34,150	-	(12,901)	-	11,636
Increase (decrease) in compensated absences	(600)	-	-	-	-	-	(600)
Net cash provided by operating activities	<u>\$ (12,487)</u>	<u>\$ 981,390</u>	<u>\$ 94,005</u>	<u>\$ 389,935</u>	<u>\$ 114,817</u>	<u>\$ 61,025</u>	<u>\$ 1,628,685</u>

STATISTICAL SECTION

The statistical section presents detailed information, typically in ten year trends, which assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplemental information to assess the economical and financial condition of the City of Des Moines.

STATISTICAL SECTION

Financial Trends

Net Position by Component.....	99
Changes in Net Position.....	100
Governmental Activities by Tax Revenue Source.....	101
Fund Balances of Governmental Funds.....	102
Changes in Fund Balances of Governmental Funds.....	103
Changes in General Fund Balances.....	104

Revenue Capacity

Assessed Value of Taxable Property.....	105
Property Tax Rates.....	106
Principal Property Taxpayers.....	107
Property Tax Levies and Collections.....	108
Marina Rates.....	109
Marina Rates and Waiting List.....	110

Debt Capacity

Ratios of Outstanding Debt by Type/Ratio of General Bonded Debt Outstanding.....	111
Legal Debt Margin.....	112
Direct and Overlapping Governments Activities Debt.....	113
Marina Debt Service Coverage.....	114

Demographic and Economic Information

Demographic and Economic Statistics.....	115
Principal Employers.....	116

Operating Information

Full Time Equivalent Employees by Function.....	117
Operating Indicators by Function.....	118
Capital Used by Function.....	120

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

Fiscal Year Ended December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	136,412,596	136,514,545	139,822,526	140,919,691	141,021,245	146,815,388	151,709,766	156,176,387	165,480,452	167,168,607
Restricted for:										
Public safety - drug related							7,545	74,729	163,362	277,593
Natural and economic environment							8,162	9,594	1,525,059	
Capital & transportation improvement	2,493,978	1,892,112	1,008,134	1,466,722	1,135,212	4,709,515	3,608,825	3,935,966	5,409,774	6,956,038
Other				397,568	432,385	422,043		36,145	174,468	151,274
Unrestricted	2,052,367	3,476,532	3,520,838	3,726,478	3,056,673	4,177,401	3,496,038	(25,577)	2,092,532	11,649,381 *
Total government activities net position	140,958,941	141,883,189	144,351,498	146,510,459	145,645,515	156,124,347	158,830,336	160,207,244	174,845,647	186,202,893
Business-type activities										
Net investment capital assets	17,121,981	18,346,672	19,439,667	18,864,681	19,581,376	19,598,546	20,331,772	20,796,221	22,844,968	23,632,188
Unrestricted	4,506,548	4,595,672	4,172,749	4,220,417	4,002,558	4,098,044	4,148,860	3,484,989	3,814,399	5,382,852 *
Total business-type activities net position	21,628,529	22,942,344	23,612,416	23,085,098	23,583,934	23,696,590	24,480,632	24,281,210	26,659,367	29,015,040
Primary government										
Net investment in capital assets	153,534,577	154,861,217	159,262,193	159,784,372	160,602,621	166,413,934	172,041,538	176,972,608	188,325,420	190,800,795
Restricted	2,493,978	1,892,112	1,008,134	1,864,290	1,567,597	5,131,558	3,624,532	4,056,434	7,272,663	7,384,905
Unrestricted	6,558,915	8,072,204	7,693,587	7,946,895	7,059,231	8,275,445	7,644,898	3,459,412	5,906,931	17,032,233
Total primary government net position	162,587,470	164,825,533	167,963,914	169,595,557	169,229,449	179,820,937	183,310,968	184,488,454	201,505,014	215,217,933

* Decrease predominately due to implementation of GASB 68 addition of pension assets, liabilities, deferred inflows and deferred outflows.

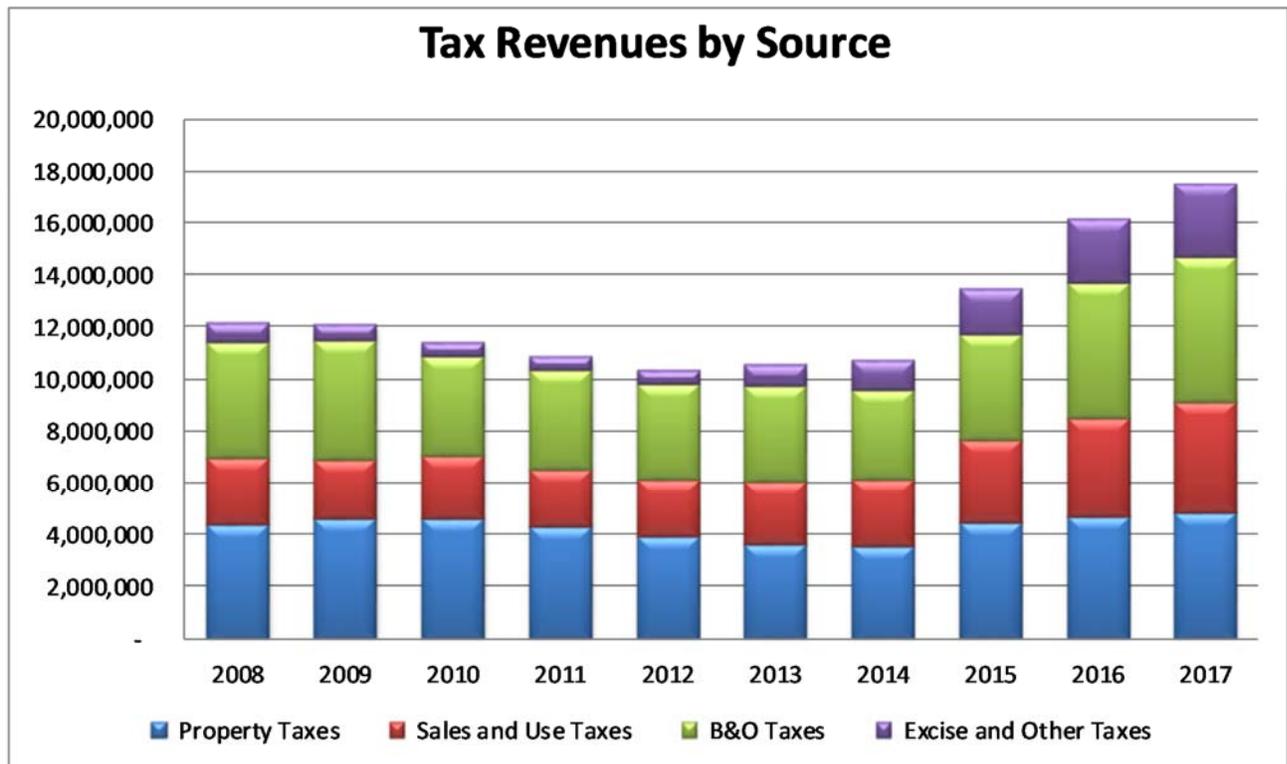
Last Ten Fiscal Years
(accrual basis of accounting)
Fiscal Year Ended December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
<i>Governmental activities:</i>										
General government	\$ 2,837,934	\$ 2,762,634	\$ 2,727,331	\$ 2,675,804	\$ 2,861,045	\$ 2,891,578	\$ 2,604,462	\$ 3,571,024	\$ 3,595,007	\$ 1,506,250
Public safety	9,927,215	9,207,990	8,707,607	8,193,798	8,460,564	8,294,573	8,416,068	8,504,433	9,173,408	10,968,443
Transportation	3,558,435	3,225,973	3,289,708	3,028,714	3,383,381	3,691,607	4,023,670	3,858,820	4,070,236	5,548,986
Natural & economic environment	2,082,550	1,891,582	1,873,174	1,852,912	1,858,866	1,566,237	1,611,296	1,737,674	1,907,869	1,912,880
Social services	373,032	338,851	382,020	520,572	507,538	430,516	433,979	431,599	390,691	547,167
Culture and recreation	2,735,712	2,497,077	2,156,454	2,197,401	2,396,268	2,312,635	2,498,390	2,872,515	2,944,600	3,827,987
Interest on long term debt	82,009	148,459	139,507	136,540	132,417	123,374	109,866	109,497	100,276	90,026
Total governmental activities expenses	21,596,887	20,072,566	19,275,801	18,605,741	19,600,079	19,310,520	19,697,731	21,085,562	22,182,087	24,401,739
<i>Business-type activities</i>										
Marina	3,715,352	3,501,085	3,684,340	4,236,651	4,259,474	4,248,064	4,261,962	3,572,188	3,377,089	3,334,849
Surface Water Management	1,683,141	1,907,517	1,983,984	2,054,681	2,149,231	2,321,296	2,603,870	2,703,569	3,137,876	3,110,283
Total business-type activities expenses	5,398,493	5,408,602	5,668,324	6,291,332	6,408,705	6,569,360	6,865,769	6,275,757	6,514,965	6,445,132
Total primary government expenses	26,995,380	25,481,168	24,944,125	24,897,073	26,008,784	25,879,880	26,563,500	27,361,319	28,697,052	30,846,871
Program revenues										
<i>Governmental Activities:</i>										
<i>Charges for service</i>										
General government	943,548	770,378	1,124,252	1,185,049	1,885,535	2,163,656	1,914,058	2,731,416	3,682,451	5,014,146
Public safety	424,141	454,835	359,335	320,017	347,055	287,939	246,402	890,665	803,991	3,624,993
Transportation	656,777	408,915	451,892	486,891	681,937	6,829,892	1,056,304	1,663,571	2,078,030	2,683,589
Natural & economic environment	1,954,289	2,521,807	1,035,067	619,343	961,814	1,581,729	1,486,411	709,235	1,579,787	1,542,737
Social services	70,642	65,274	65,900	58,228	60,716	55,743	79,391	28,211	259,754	86,681
Culture and recreation	938,073	851,559	984,077	798,501	790,647	867,753	1,105,946	897,339	1,718,106	1,774,631
Operating grants and contributions	1,267,079	1,227,277	1,373,399	1,388,759	1,400,674	908,341	908,893	113,031	69,828	196,689
Capital grants and contributions	2,080,557	1,843,563	4,214,469	2,111,806	1,857,638	6,061,664	4,159,387	5,336,551	9,569,195	2,615,722
Total governmental activities program revenues	8,335,106	8,143,608	9,608,391	6,968,594	7,986,016	18,756,717	10,956,792	12,370,019	19,761,142	17,539,188
<i>Business-type activities</i>										
Charges for services	5,890,230	6,311,624	6,038,884	6,353,710	6,435,074	6,745,077	6,875,054	6,832,738	7,215,142	3,984,587
Operating grants and contributions	75,347	34,450	50,044	145,646	59,334	-	101,769	89,640	23,071	3,626,541
Capital grants and contributions	33,303	275,738	195,700	-	159,997	215,619	301,394	376,086	1,618,627	1,180,771
Total business-type activities program revenue	5,998,880	6,621,812	6,284,628	6,499,356	6,654,405	6,960,696	7,278,217	7,298,464	8,856,840	8,791,899
Total primary government program revenues	14,333,986	14,765,420	15,893,019	13,467,950	14,640,421	25,717,413	18,235,009	19,668,483	28,617,982	26,331,087
Net revenues (expenses)										
Governmental activities	(13,261,781)	(11,928,958)	(9,667,410)	(11,637,147)	(11,614,063)	(553,803)	(8,740,939)	(8,715,543)	(2,420,945)	(6,862,551)
Business-type activities	600,387	1,213,210	616,304	208,024	245,700	391,336	412,448	1,022,707	2,341,875	2,346,767
Total primary government	(12,661,394)	(10,715,748)	(9,051,106)	(11,429,123)	(11,368,363)	(162,467)	(8,328,491)	(7,692,836)	(79,070)	(4,515,784)
General revenues and other changes in net assets										
<i>Governmental Activities:</i>										
<i>Taxes</i>										
Property taxes	4,401,355	4,632,287	4,622,736	4,292,138	3,923,750	3,625,404	3,572,655	4,434,497	4,725,949	4,818,554
Sales and use taxes	2,572,663	2,290,816	2,470,549	2,255,397	2,201,110	2,426,258	2,576,067	3,206,792	3,789,673	4,334,206
Occupational & utility taxes	4,468,750	4,559,535	3,804,800	3,798,438	3,689,555	3,723,790	3,465,371	4,112,763	5,205,172	5,531,836
Other taxes	717,194	639,948	543,801	526,636	545,053	773,949	1,149,022	1,704,800	2,448,932	2,820,630
State entitlements	406,234	426,773	456,603	404,558	471,378	380,046	433,600	503,659	629,125	567,422
Unrestricted investment earnings*	451,435	77,374	53,311	44,023	-	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	2,408,267	-	-	-	-	-	-
Miscellaneous	158,616	226,471	183,917	66,651	150,695	213,432	105,813	41,019	60,069	117,149
Transfers	(491,684)	-	-	-	(232,423)	1,052	144,400	1,052	30,000	30,000
Total governmental activities	12,684,563	12,853,204	12,135,717	13,796,108	10,749,118	11,143,931	11,446,928	14,004,582	16,888,920	18,219,797
<i>Business-type activities</i>										
Unrestricted investment earnings*	228,376	113,954	39,379	23,309	-	-	-	-	-	-
Loss on disposal of capital assets	-	-	-	(771,301)	-	(190,760)	-	-	-	-
Miscellaneous	(4,800)	(13,349)	12,826	12,650	20,710	4,592	21,714	5,690	32,579	38,906
Special Item: Insurance proceeds	-	-	-	-	-	-	494,276	-	-	-
Transfers	491,684	-	-	-	232,423	(1,052)	(144,400)	(1,052)	(30,000)	(30,000)
Total business-type activities	715,260	100,605	52,205	(735,342)	253,133	(187,220)	371,590	4,638	2,579	8,906
Total primary government	13,399,823	12,953,809	12,187,922	13,060,766	11,002,251	10,956,711	11,818,518	14,009,220	16,891,499	18,228,703
Changes in net position										
<i>Governmental activities</i>										
Governmental activities	(577,218)	924,246	2,468,307	2,158,961	(864,945)	10,590,128	2,705,989	5,289,039	14,467,975	11,357,246
<i>Business-type activities</i>										
Business-type activities	1,315,647	1,313,815	668,509	(527,318)	498,833	204,116	784,038	1,027,345	2,344,454	2,355,673
Total primary government	\$ 738,429	\$ 2,238,061	\$ 3,136,816	\$ 1,631,643	\$ (366,112)	\$10,794,244	\$ 3,490,027	\$6,316,384	\$ 16,812,429	\$ 13,712,919

* Investment interest is so small it is combined with miscellaneous starting in 2012.

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

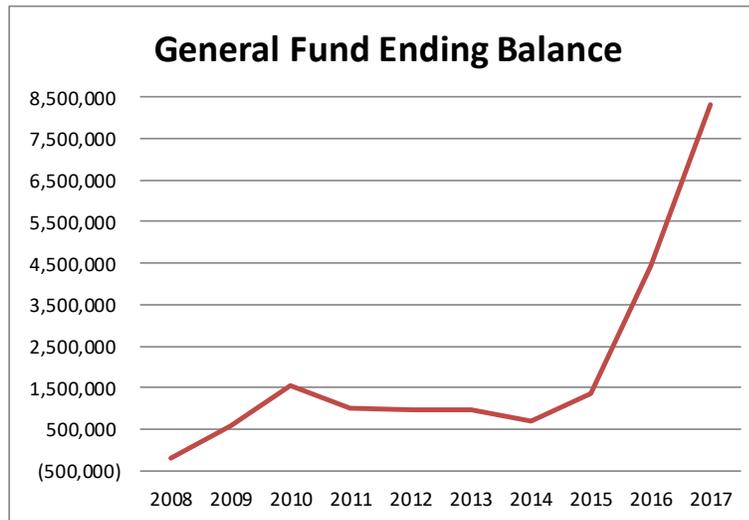
Fiscal Year Ended December 31	Property Taxes	Sales and Use Taxes	B&O Taxes	Excise and Other Taxes	Total Taxes
2008	4,401,355	2,572,663	4,468,750	717,194	12,159,962
2009	4,632,287	2,290,816	4,559,535	639,948	12,122,586
2010	4,622,736	2,470,549	3,804,800	543,801	11,441,886
2011	4,292,138	2,255,397	3,798,438	526,636	10,872,609
2012	3,923,750	2,201,110	3,689,555	545,053	10,359,468
2013	3,625,404	2,426,258	3,723,790	773,949	10,549,401
2014	3,572,655	2,576,067	3,465,371	1,149,022	10,763,115
2015	4,434,497	3,206,792	4,112,763	1,704,800	13,458,852
2016	4,725,949	3,789,673	5,205,172	2,448,932	16,169,726
2017	4,818,554	4,334,206	5,531,836	2,820,630	17,505,226



Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Fiscal Year Ended December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Assigned			748,383	184,196	155,401	174,733			1,647,703	
Unassigned*	(184,946)	568,216	805,175	805,175	805,175	805,175	677,556	1,339,266	2,793,021	8,311,073
Total general fund	(184,946)	568,216	1,553,558	989,371	960,576	979,908	677,556	1,339,266	4,440,724	8,311,073
All other governmental funds										
Restricted:										
Transportation				619,678	329,235	372,569	3,608,825	3,935,966	5,409,774	6,956,038
Public safety							7,545	74,729	163,362	277,593
Natural and economic environment							8,162	9,594	17,374	
Special revenue fund purpose								46,399		
Recreation & Sr. Services										91,365
General obligation debt							36,664	36,145	34,450	59,909
Committed	2,493,978	1,892,112	142,068	377,037	414,755	335,351			134,053	1,393,930
Assigned, reported in:										
Special revenue funds	2,069,874	2,097,237	1,084,458							
Debt service funds	68,596	63,326	65,256	33,244	229	232				
Capital projects fund	1,166,297	917,077	866,065	1,466,722	1,135,212	4,709,515	49,356			
Total all other governmental	5,798,745	4,969,752	2,157,847	2,496,681	1,879,431	5,417,667	3,710,552	4,102,833	5,759,013	8,778,835
Total governmental funds	\$5,613,799	\$5,537,968	\$3,711,405	\$3,486,052	\$2,840,007	\$6,397,575	\$4,388,108	\$5,442,099	\$10,199,737	\$17,089,908

* Stabilization fund has been reclassified in all years from "Committed" to "Unassigned".

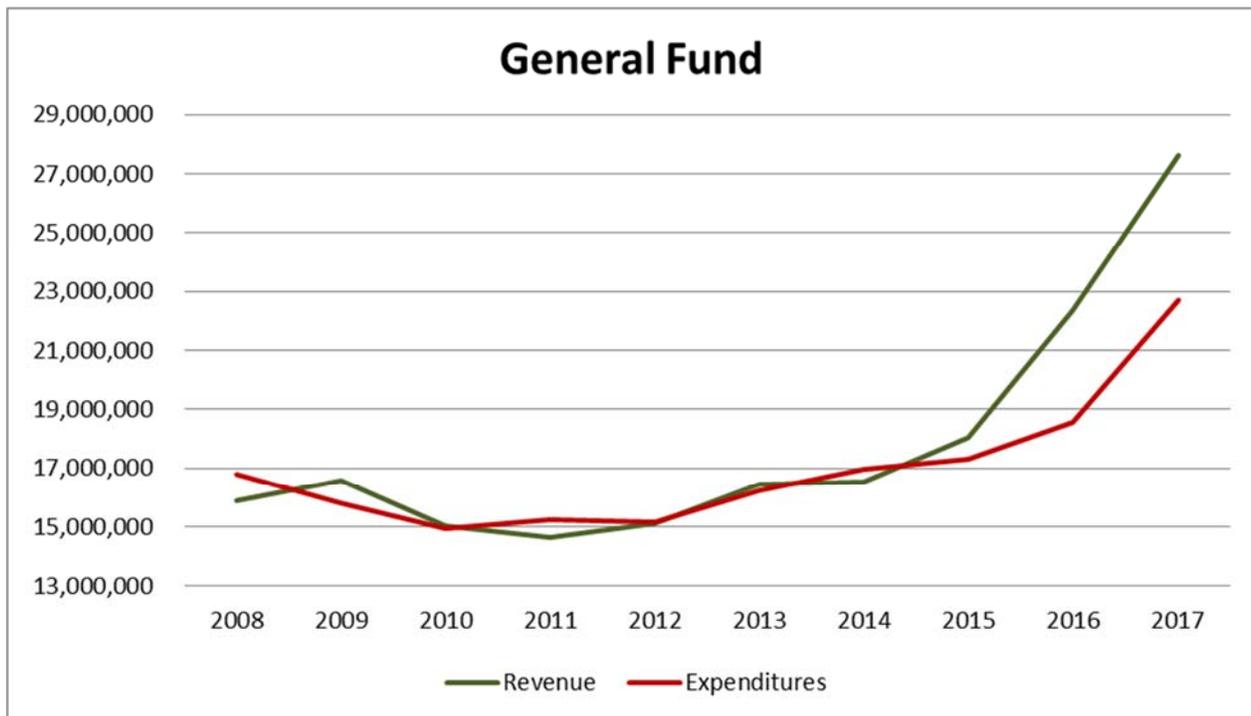


Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Fiscal Year Ended December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue										
Taxes	\$ 12,163,161	\$ 12,074,896	\$ 11,394,220	\$ 10,939,223	\$ 10,349,018	\$ 10,573,987	\$ 11,238,899	\$ 13,439,327	\$ 16,162,743	\$ 17,459,824
Licenses and permits	1,438,957	1,574,603	1,437,113	1,188,851	1,672,885	1,942,938	1,839,716	2,048,118	3,067,867	3,569,217
Intergovernmental revenue	4,481,944	3,209,150	6,152,056	4,466,165	4,675,623	6,069,023	5,656,735	6,494,613	8,725,492	2,475,567
Charges for services	3,849,678	4,125,946	3,182,412	2,761,723	3,101,303	9,750,716	4,246,290	3,725,662	5,551,023	8,105,256
Fines and forfeitures	313,941	304,534	425,562	222,124	612,142	750,282	673,856	602,067	636,931	3,250,032
Investment and miscellaneous	1,392,749	372,293	561,663	237,983	328,287	619,882	442,093	719,878	842,149	1,200,968
Total revenues	<u>23,640,430</u>	<u>21,661,422</u>	<u>23,153,026</u>	<u>19,816,069</u>	<u>20,739,258</u>	<u>29,706,828</u>	<u>24,097,589</u>	<u>27,029,665</u>	<u>34,986,205</u>	<u>36,060,864</u>
Expenditures										
<i>Current:</i>										
General government	3,345,790	3,298,909	3,425,195	3,724,795	3,698,621	3,761,510	3,781,096	3,834,410	4,745,580	5,262,852
Public safety	9,422,667	8,956,178	8,318,135	8,186,573	7,861,259	8,010,330	8,468,213	8,481,100	8,713,276	11,345,787
Transportation	2,312,617	1,518,622	2,013,260	1,859,584	1,908,380	2,007,622	2,295,669	2,366,480	2,630,275	3,491,903
Natural & economic environment	2,095,513	1,897,091	1,958,774	1,911,168	1,781,873	1,646,373	1,656,511	1,876,971	2,087,919	2,027,727
Social services	363,277	335,702	366,665	494,950	462,511	394,723	403,662	413,128	342,558	525,135
Culture and recreation	2,332,885	2,134,539	1,758,423	1,778,371	1,779,013	1,838,761	2,013,767	2,338,020	2,417,613	3,261,039
<i>Capital outlay:</i>										
General government	6,316,515	3,778,600	6,550,855	6,173,940	3,408,026	7,955,952	70,150	34,500	41,374	8,705
Public safety										
Transportation							6,296,468	5,445,867	8,622,139	1,491,622
Social services							28,730	5,776		
Culture and recreation							739,201	702,597	287,849	1,474,704
<i>Debt service:</i>										
Principal	1,843,343	299,892	407,924	496,938	277,291	273,517	301,732	275,474	290,773	301,185
Interest	72,975	155,837	147,876	143,247	138,536	128,856	120,017	109,497	100,276	90,026
Total expenditures	<u>28,105,582</u>	<u>22,375,370</u>	<u>24,947,107</u>	<u>24,769,566</u>	<u>21,315,510</u>	<u>26,017,644</u>	<u>26,175,216</u>	<u>25,883,820</u>	<u>30,279,632</u>	<u>29,280,685</u>
Excess of revenues over (under) expenditures	(4,465,152)	(713,948)	(1,794,081)	(4,953,497)	(576,252)	3,689,184	(2,077,627)	1,145,845	4,706,573	6,780,179
Other financing sources (uses)										
Disposition of capital assets	9,952	13,694		4,109,163	6,424					
Proceeds of general debt	2,509,540	600,000	150,000	434,410						
Insurance recoveries	2,000	117,091	72,748	11,062	4,014					
Operating transfers in	3,546,188	2,570,188	1,637,176	1,605,484	1,298,010	1,184,315	1,671,997	545,182	1,458,450	2,237,640
Operating transfers out	(3,430,344)	(2,662,855)	(1,892,404)	(1,431,973)	(1,378,240)	(1,213,532)	(1,583,596)	(636,929)	(1,407,385)	(2,127,657)
Total other financing sources (uses)	<u>2,637,336</u>	<u>638,118</u>	<u>(32,480)</u>	<u>4,728,146</u>	<u>(69,792)</u>	<u>(29,217)</u>	<u>88,401</u>	<u>(91,747)</u>	<u>51,065</u>	<u>109,983</u>
Net change in fund balances	<u>\$ (1,827,816)</u>	<u>\$ (75,830)</u>	<u>\$ (1,826,561)</u>	<u>\$ (225,351)</u>	<u>\$ (646,044)</u>	<u>\$ 3,659,967</u>	<u>\$ (1,989,226)</u>	<u>\$ 1,054,098</u>	<u>\$ 4,757,638</u>	<u>\$ 6,890,162</u>
Debt services as percentage of noncapital expenditures	8.79%	2.45%	3.02%	3.44%	2.32%	2.23%	2.21%	1.95%	1.83%	1.49%

Last Ten Fiscal Years
(modified accrual basis of accounting)
Fiscal Year Ended December 31

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue										
Taxes	\$ 9,678,702	\$ 9,653,061	\$ 9,329,786	\$ 9,193,489	\$ 8,945,763	\$ 9,886,470	\$ 9,747,013	\$ 11,732,376	\$ 13,324,912	\$ 14,154,457
Licenses and permits	1,438,957	1,574,603	1,437,113	1,188,851	1,672,885	1,942,938	1,839,716	2,048,118	3,067,867	3,041,820
Intergovernmental revenue	882,097	1,173,121	1,135,324	1,492,657	1,160,301	614,664	627,087	680,664	755,611	738,018
Charges for services	3,148,780	3,666,334	2,688,568	2,297,384	2,475,975	3,003,189	3,264,700	2,938,642	4,367,150	6,323,195
Fines and forfeitures	313,941	304,534	241,656	222,124	612,142	750,282	673,797	237,701	208,957	2,861,613
Investment and miscellaneous	405,834	199,275	197,203	216,543	228,074	265,187	394,042	393,508	636,820	524,531
Total revenues	15,868,311	16,570,928	15,029,650	14,611,048	15,095,140	16,462,730	16,546,355	18,031,009	22,361,317	27,643,634
Expenditures										
<i>Current:</i>										
General government	3,345,790	3,298,909	3,425,195	3,724,795	3,698,621	3,759,218	3,778,479	3,833,985	4,729,660	5,246,452
Public safety	8,136,463	7,559,816	6,824,289	6,690,759	6,863,142	8,007,940	8,465,685	8,221,024	8,460,406	11,075,296
Transportation	649,284	643,890	592,004	569,303	571,266	511,614	627,191	708,739	734,225	1,165,391
Natural & economic environm	2,067,514	1,863,626	1,941,544	1,894,695	1,766,739	1,626,551	1,656,511	1,850,725	1,885,630	1,852,381
Social services	363,277	335,702	366,665	494,950	462,511	394,723	403,662	413,128	342,558	525,135
Culture and recreation	2,181,738	2,027,573	1,728,611	1,778,371	1,779,013	1,837,890	2,013,132	2,207,355	2,343,570	2,848,370
<i>Capital outlay:</i>	53,205	54,573	35,803	89,307	9,264	73,609		57,147	41,374	8,705
<i>Debt Service:</i>										
Principal							31,549			
Interest							1,060			
Total expenditures	16,797,271	15,784,089	14,914,111	15,242,180	15,150,556	16,211,545	16,944,660	17,292,103	18,537,423	22,721,730
Excess of revenues over (under) expenditures	(928,960)	786,839	115,539	(631,132)	(55,416)	251,185	(398,305)	738,906	3,823,894	4,921,904
Other financing sources (uses)										
Disposition of assets & insuran	11,952	53,447	64,017	575	10,438					
Proceeds of general debt	-	-	-	68,685						
Operating transfers in	68,995	959	843,827	213,733	258,764	14,361	300,000	242		
Operating transfers out	(90,350)	(88,084)	(38,041)	(216,048)	(242,581)	(164,720)	(171,436)	(77,439)	(722,436)	(960,191)
Total other financing sources	(9,403)	(33,678)	869,803	66,945	26,621	(150,359)	128,564	(77,197)	(722,436)	(960,191)
Net change in fund balances	\$ (938,363)	\$ 753,161	\$ 985,342	\$ (564,187)	\$ (28,795)	\$ 100,826	\$ (269,741)	\$ 661,709	\$ 3,101,458	\$ 3,961,713



Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year Ended December 31	New Construction *	Real Property	State Public Service	Total Real Property	Personal Property	State Public Service	Total Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate
2008	N/A	N/A	N/A		N/A	N/A		2,590,865	1.50077
2009	41,744	3,212,749	3,146		21,267	30,790		2,908,318	1.42155
2010	13,801	2,708,536	3,231	3,215,895	18,641	28,389	52,057	3,267,952	1.67812
2011	14,577	2,642,074	3,340	2,711,767	18,923	32,547	47,030	2,758,797	1.60000
2012	6,309	2,402,366	3,418	2,645,414	19,326	34,745	51,470	2,696,885	1.60000
2013	6,335	2,233,890	2,805	2,405,784	22,071	32,437	54,071	2,459,855	1.60000
2014	8,666	2,190,579	2,826	2,236,696	22,058	34,166	54,507	2,291,203	1.60000
2015	24,871	2,631,663	2,964	2,193,404	22,053	39,605	56,224	2,249,628	1.65253
2016	60,605	2,830,093	3,097	2,833,190	22,769	43,640	66,409	2,899,599	1.65223
2017	19,178	3,105,774	3,919	3,109,693	80,492	38,493	118,985	3,228,677	1.51076

N/A Information is not available

Source: King County Assessor

www.kingcounty.gov/Assessor/Reports/StatisticalReports

*Informational only. New construction value is already included in other values listed.

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended December 31	Direct rate millage		Overlapping rate millage								Total millage		
	City of Des Moines	King County	Federal Way School District (210)	Highline School District (401)	Fire District	Library	Emergency Medical Services	Flood Zone	Ferry District	Central PS Regional Transit Authority- South (RST 3)	Pool District	Total w/ Federal Way School District	Total w/ Highline School District
2008	1.50077	3.56360	4.15270	4.03495	1.6546	0.4534	0.30000	0.10000	0.05500	-	-	11.78005	11.66230
2009	1.42155	3.25740	4.19624	3.88471	1.63897	0.41736	0.27404	0.09123	0.05018	-	-	11.34697	11.03544
2010	1.67812	3.72349	5.10759	4.36502	1.65266	0.48526	0.30000	0.10514	0.00348	-	-	13.05574	12.31317
2011	1.60000	3.84172	5.35993	4.64323	1.54895	0.56621	0.30000	0.10976	0.00360	-	0.20	13.53017	12.81347
2012	1.60000	4.06836	5.76756	5.14695	1.67935	0.56992	0.30000	0.11616	0.00372	-	0.22222	14.32729	13.70668
2013	1.60000	4.34095	7.54977	5.71065	2.01962	0.56743	0.30000	0.13210	0.00378	-	0.2417	16.75535	14.91623
2014	1.60000	4.20182	7.28151	5.65534	2.01033	0.56175	0.33500	0.15369	0.00349	-	0.24958	16.39717	14.77100
2015	1.65253	3.81921	6.41551	5.38765	1.93916	0.50276	0.30217	0.13860	-	-	0.2124	14.98234	13.95448
2016	1.65223	3.81880	6.74731	5.1553	1.9103	0.47714	0.28235	0.12980	-	-	0.30422	15.32215	13.73014
2017	1.51076	3.56833	6.31715	5.71235	1.83237	0.45118	0.26305	0.11740	-	0.25000	0.28668	14.59692	13.99212

* Information is not available, estimate used.

Source: King County Assessors web site:
www.kingcounty.gov/Assessor/Reports/LevyRateInformation

Principal Property Taxpayers
 Current Year and Nine Years Prior
 Fiscal Year Ended December 31

Taxpayer	2017			2008		
	Taxable assessed value	Rank	Percentage of total taxable assessed value	Taxable assessed value	Rank	Percentage of total taxable assessed value
ARTEMIS HOTEL GROUP CO	41,261,000	1	0.0127795			
REDONDO SQUARE GRF2 LLC	26,811,500	2	0.83%			
FSC SADDLEBROOK ASSOCIATES	26,508,000	3	0.82%			
JLC PAC RIM INC	19,783,000	4	0.61%	22,669,000	5	0.70%
ADRIANA SENIOR APTS LLLP	18,335,000	5	0.57%			
DMCBP PHASE IV LLC	17,846,800	6	0.55%			
SILVERWOOD INCOME PROPERTY	12,154,000	7	0.38%			
ALS CRYSTAL LLC	11,834,000	8	0.37%			
OCP/RSRC BAY CLUB LLC	10,149,000	9	0.31%			
REGATTA APARTMENTS LLC	10,037,000	10	0.31%			
JOSHUA GREEN CORP				41,363,400	1	
SIMPSON FINANCING LP				34,558,000	2	1.07%
SEASHORE CLUB				31,816,000	3	0.99%
WINTERGREEN PLACE APARTMENT				26,512,000	4	0.82%
SILVERWOOD PARTNERS LIMITED				15,468,000	6	0.48%
SAFEWAY INC STORE 3540				12,992,700	7	0.40%
PT CREEKWOOD APARTMENTS LP				12,858,000	8	0.40%
CRYSTAL BAY APARTMENTS				12,782,000	9	0.40%
EMERALD VILLA LLC				11,998,200	10	0.37%
	<u>\$ 194,719,300</u>		<u>6.03%</u>	<u>223,017,300</u>		<u>5.63%</u>

Source: King County Assessor's Office

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31	Collected within the fiscal year of the levy			Total collections to date		
	Total tax levy for fiscal year	Collections	Percentage of levy	Collections in subsequent years	Collections to date	Percentage of levy
2008*	4,675,387	4,535,125	97.0%	140,262	4,675,387	100%
2009*	4,365,701	4,247,827	97.0%	117,874	4,365,701	100%
2010*	4,578,836	4,427,734	97.3%	151,102	4,578,836	100%
2011*	4,264,299	4,127,841	96.7%	136,458	4,264,299	100%
2012*	3,885,979	3,784,944	96.8%	101,035	3,885,979	100%
2013*	3,619,294	3,547,767	97.4%	71,527	3,619,294	100%
2014	3,558,582	3,547,767	98.0%	1,026	3,548,793	100%
2015	4,410,333	4,287,744	98.0%	108,055	4,395,799	100%
2016	4,745,018	4,637,986	97.7%	44,505	4,682,491	99%
2017	4,825,818	4,704,693	97.5%	-	4,704,693	97%

Source: King County Treasurer's Annual Tax Receivable Summary

*Remaining balances are less than half of 1% and are considered immaterial. Collections to date are shown as fully collected.

Marina Rates
Last Ten Fiscal Years

<i>Cost per lineal foot per month</i>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Moorage Rates*										
<u>Size Type</u>										
20' Open # of Slips	13	13	13	13	13	13	13	13	8	8
Cost/foot	\$ 5.41	\$ 5.57	\$ 5.70	\$ 5.70	\$ 5.85	\$ 6.01	\$ 6.19	\$ 6.19	\$ 6.31	\$ 6.44
24' Open # of Slips	48	48	48	48	48	48	48	48	47	47
Cost/foot	\$ 5.92	\$ 6.25	\$ 6.39	\$ 6.39	\$ 6.56	\$ 6.74	\$ 6.94	\$ 6.94	\$ 7.04	\$ 7.18
28' Open # of Slips	105	105	105	105	105	105	105	105	98	98
Cost/foot	\$ 6.19	\$ 6.48	\$ 6.63	\$ 6.63	\$ 6.81	\$ 6.99	\$ 7.20	\$ 7.20	\$ 7.33	\$ 7.62
32' Open # of Slips	18	18	18	18	18	18	18	18	19	19
Cost/foot	\$ 6.79	\$ 7.08	\$ 7.24	\$ 7.24	\$ 7.44	\$ 7.64	\$ 7.86	\$ 7.86	\$ 8.01	\$ 8.33
36' Open # of Slips	30	30	30	30	30	30	30	30	30	30
Cost/foot	\$ 7.29	\$ 7.51	\$ 7.68	\$ 7.68	\$ 7.89	\$ 8.10	\$ 8.34	\$ 8.34	\$ 8.49	\$ 8.83
40' Open # of Slips	38	38	38	38	38	38	38	38	39	39
Cost/foot	\$ 7.75	\$ 8.02	\$ 8.20	\$ 8.20	\$ 8.42	\$ 8.65	\$ 8.91	\$ 8.91	\$ 9.07	\$ 9.43
50' Open # of Slips	19	19	19	19	19	19	19	19	16	16
Cost/foot	\$ 8.44	\$ 9.05	\$ 9.26	\$ 9.26	\$ 9.51	\$ 9.77	\$ 10.06	\$ 10.06	\$ 10.25	\$ 10.66
54' Open # of Slips	2	2	2	2	2	2	2	2	2	2
Cost/foot	\$ 8.44	\$ 9.05	\$ 9.26	\$ 9.26	\$ 9.51	\$ 9.70	\$ 10.06	\$ 10.06	\$ 10.25	\$ 11.06
62' Open # of Slips	3	3	3	3	3	3	3	3	3	3
Cost/foot	\$ 8.70	\$ 9.05	\$ 9.55	\$ 9.55	\$ 9.81	\$ 10.07	\$ 10.37	\$ 10.37	\$ 10.63	\$ 11.06
20' Covered # of Slips	29	29	29	29	29	29	29	29	29	29
Cost/foot	\$ 6.73	\$ 6.93	\$ 7.09	\$ 7.09	\$ 7.28	\$ 7.48	\$ 7.70	\$ 7.70	\$ 7.84	\$ 8.00
24' Covered # of Slips	141	141	141	141	141	141	141	141	141	141
Cost/foot	\$ 7.43	\$ 7.95	\$ 8.13	\$ 8.13	\$ 8.35	\$ 8.58	\$ 8.83	\$ 8.83	\$ 8.99	\$ 9.17
28' Covered # of Slips	166	166	166	166	166	166	166	166	159	159
Cost/foot	\$ 8.02	\$ 8.58	\$ 8.78	\$ 8.78	\$ 9.02	\$ 9.26	\$ 9.56	\$ 9.56	\$ 9.74	\$ 10.03
30' Covered # of Slips	N/A	8	7	7						
Cost/foot	N/A	\$ 10.00	\$ 10.18	\$ 10.59						
32' Covered # of Slips	50	50	50	50	50	50	50	50	52	52
Cost/foot	\$ 8.65	\$ 9.17	\$ 9.38	\$ 9.36	\$ 9.63	\$ 9.89	\$ 10.18	\$ 10.18	\$ 10.37	\$ 10.78
36' Covered # of Slips	40	40	40	40	40	40	40	40	40	40
Cost/foot	\$ 9.73	\$ 10.44	\$ 10.68	\$ 10.68	\$ 10.97	\$ 11.27	\$ 11.60	\$ 11.60	\$ 11.81	\$ 12.28
40' Covered # of Slips	26	26	26	26	26	26	26	26	26	26
Cost/foot	\$ 10.29	\$ 11.08	\$ 11.33	\$ 11.33	\$ 11.64	\$ 11.95	\$ 12.30	\$ 12.30	\$ 12.53	\$ 12.91
50' Covered # of Slips	11	11	11	11	11	11	11	11	11	11
Cost/foot	\$ 11.51	\$ 12.99	\$ 13.29	\$ 13.29	\$ 13.65	\$ 14.02	\$ 14.43	\$ 14.43	\$ 14.63	\$ 15.07
Dry Shed per month	106	106	106	106	106	106	106	106	78	78
Cost/foot	\$ 147	\$ 160	\$ 163	\$ 163	\$ 168	\$ 172	\$ 200	\$ 200	\$ 200	\$ 216
Annual Seasonal Moorage Rates*										
<u>Size Type</u>										
20' Open	n/a	\$ 6.84	\$ 6.84	\$ 8.40	\$ 8.40	\$ 8.63	\$ 9.05	\$ 9.05	\$ 10.80	\$ 11.01
24' Open	n/a	\$ 7.67	\$ 7.67	\$ 9.38	\$ 9.38	\$ 9.63	\$ 10.10	\$ 10.10	\$ 11.79	\$ 12.03
28' Open				\$ 9.38	\$ 9.38	\$ 9.63	\$ 10.10	\$ 10.10	\$ 11.60	\$ 11.84
20' Covered	n/a	\$ 8.51	\$ 8.51	\$ 10.50	\$ 10.50	\$ 10.78	\$ 11.30	\$ 11.30	\$ 13.48	\$ 13.75
24' Covered	n/a	\$ 9.76	\$ 9.76	\$ 11.88	\$ 11.88	\$ 12.20	\$ 12.80	\$ 12.80	\$ 14.93	\$ 15.23
28' Covered				\$ 11.88	\$ 11.88	\$ 12.20	\$ 12.80	\$ 12.80	\$ 14.69	\$ 14.99
Annual Prepaid Seasonal Moorage Rates*										
<u>Size Type</u>										
20' Open	n/a	\$ 5.57	\$ 5.70	\$ 5.70	\$ 4.42	\$ 4.51	\$ 5.27	\$ 4.64	\$ 4.89	\$ 5.28
24' Open	n/a	\$ 6.25	\$ 6.39	\$ 6.39	\$ 4.92	\$ 5.06	\$ 5.91	\$ 5.21	\$ 5.47	\$ 5.89
28' Open	n/a	\$ 6.60	\$ 6.86							
20' Covered	n/a	\$ 6.93	\$ 7.09	\$ 7.09	\$ 5.49	\$ 5.61	\$ 6.56	\$ 5.78	\$ 6.07	\$ 6.56
24' Covered	n/a	\$ 7.95	\$ 8.13	\$ 8.13	\$ 6.30	\$ 6.43	\$ 7.52	\$ 6.62	\$ 6.96	\$ 7.52
28' Covered				\$ 8.78					\$ 8.77	\$ 9.03
Seasonal 5 Month Prepaid Moorage Rates*										
<u>Size Type</u>										
20' Open	n/a	\$ 7.69	\$ 9.18	\$ 9.36						
24' Open	n/a	\$ 8.59	\$ 10.02	\$ 10.22						
28' Open								\$ 8.59	\$ 9.86	\$ 10.65
20' Covered	n/a	\$ 9.61	\$ 11.46	\$ 11.69						
24' Covered	n/a	\$ 10.88	\$ 12.69	\$ 12.94						
28' Covered									\$ 12.49	\$ 13.49

* Plus 12.84% state leasehold tax.

n/a Not available or not applicable

Source: City marina rate schedules.

Marina Rates & Waiting List Counts
Last Ten Fiscal Years

			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Marina Guest Moorage Rates (per foot):			Daily									
Length in Feet:												
From	To											
0	20	# of Slips	13	13	13	13	13	13				
		Cost/foot	\$ 13.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 6.01				
21	25	# of Slips	48	48	48	48	48	48				
		Cost/foot	\$ 15.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 6.74				
26	30	# of Slips	105	105	105	105	105	105				
		Cost/foot	\$ 18.00	\$ 19.00	\$ 19.00	\$ 20.00	\$ 20.00	\$ 6.99				
0	30	# of Slips							166	166	166	166
		Cost/foot							\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
31	35	# of Slips	18	18	18	18	18	18				
		Cost/foot	\$ 21.00	\$ 22.00	\$ 22.00	\$ 23.00	\$ 23.00	\$ 7.64				
36	40	# of Slips	30	30	30	30	30	30				
		Cost/foot	\$ 24.00	\$ 26.00	\$ 26.00	\$ 27.00	\$ 27.00	\$ 8.10				
41	45	# of Slips	38	38	38	38	38	38				
		Cost/foot	\$ 27.00	\$ 29.00	\$ 29.00	\$ 30.00	\$ 30.00	\$ 8.65				
46	50	# of Slips	19	19	19	19	19	19				
		Cost/foot	\$ 30.00	\$ 32.00	\$ 32.00	\$ 33.00	\$ 33.00	\$ 9.77				
31	50	# of Slips							Per/foot	Per/foot	Per/foot	Per/foot
		Cost/foot							105	105	105	105
									\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
51	55	# of Slips	2	2	2	2	2	2				
		Cost/foot	\$ 33.00	\$ 35.00	\$ 35.00	\$ 40.00	\$ 40.00	\$ 9.70				
56	60	# of Slips	3	3	3	3	3	3				
		Cost/foot	\$ 40.00	\$ 42.00	\$ 42.00	\$ 47.00	\$ 47.00	\$ 10.07				
61	over	# of Slips	29	29	29	29	29	29				
		Cost/foot	\$ 40.00	\$ 50.00	\$ 50.00	\$ 60.00	\$ 60.00	\$ 7.48				
51	over	# of Slips							34	34	34	34
		Cost/foot							\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Dry Moorage Rates:

Size (All)

Under 25 feet	n/a	\$ 50.00	\$ 50.00	\$ 60.00	\$ 62.50	\$ 62.50	\$ 62.50	\$ 62.50	\$ 65.00	\$ 67.60
Over 25 feet	n/a	\$ 75.00	\$ 75.00	\$ 100.00	\$ 105.00	\$ 105.00	\$ 105.00	\$ 105.00	\$ 105.00	\$ 109.20

Marina Waiting List - Covered

Estimated wait in months

Length in Feet:

From	To	# of Slips										
20											3	4
24												-
28		5								6		-
30											12	24
32		31	16	n/a	12	12	24	6	12	18	18	18
36		17	10	n/a	24	18	18	3	24	24	24	24
40		68		n/a	24	12	24	24	9	18	24	24
50		300	15	n/a	168	168	156	156	180	180	180	180

Marina Waiting List - Open

Estimated wait in months

Length in Feet:

From	To											
20												3
24		2										-
28		4									3	3
32		53	42	n/a	60	48	48	48	60	60	60	60
36		38	38	n/a	60	60	60	36	24	24	24	24
40		32	48	n/a	48	48	36	12	24	24	24	36
50		92	67	n/a	48	48	36	9	12	24	24	36
45	50	30	30	n/a	24	48	24	48	24	36	36	36
48	54	40	54	n/a		24	48	36	36	48	48	48
56	62	360	48	n/a	24	48	36	48	24	24	24	36

n/a Not available or not applicable

Source: City Marina

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended December 31	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	G.O. Notes and Loans	Capital Lease	Marina GO Bonds	Capital Lease			
2008	3,609,539	377,894	25,101	9,559,075	3,078	13,574,687	0.79%	465
2009	3,327,708	954,276	13,827	9,331,328	1,692	13,628,831	0.86%	466
2010	3,129,531	893,157	2,021	9,049,760	247	13,074,716	0.80%	441
2011	2,929,192	964,216	60,332	8,714,928	10,492	12,679,160	0.73%	427
2012	2,721,255	897,454	46,804	8,470,370	8,140	12,144,023	0.66%	409
2013	2,520,151	830,791	49,853	7,965,401	5,686	11,371,882	0.61%	383
2014	2,305,000	760,524	13,668	7,432,783	-	10,511,975	0.51%	350
2015	2,095,000	695,050	9,848	6,889,073	-	9,688,971	0.48%	322
2016	1,870,000	629,277	6,293	6,334,300	-	8,839,870	0.43%	289
2017	1,635,000	563,092	2,709	5,763,380	-	7,964,181	0.39%	258

Note: Details regarding the City's outstanding debt can be found in the notes and schedules to the financial statements.

- (1) See schedule of personal income on page 103.
- (2) See schedule of population on page 103.

Ratios of General Bonded Debt Outstanding
and Bonded per Capita
Last Ten Fiscal Years

Fiscal Year Ended December 31	General obligations bonds	Less: Amounts available in debt service fund		Total	Percentage of estimated taxable value of	Per capita (2)
2008	3,609,539	86,950	3,522,589	0.136%	120.72	
2009	3,327,708	68,596	3,259,112	0.112%	111.35	
2010	3,129,531	63,326	3,066,205	0.094%	103.33	
2011	2,929,192	65,256	2,863,936	0.104%	96.49	
2012	2,721,255	54,436	2,666,819	0.099%	89.79	
2013	2,520,151	21,451	2,498,700	0.102%	84.05	
2014	2,305,000	21,840	2,283,160	0.100%	76.03	
2015	2,095,000	36,664	2,058,336	0.091%	68.38	
2016	1,870,000	37,893	1,832,107	0.063%	59.93	
2017	1,635,000	59,909	1,575,091	0.049%	51.04	

Note: Details regarding the City's outstanding debt can be found in the notes and schedules to the financial statements.

- (1) See schedule of assessed value of taxable property on page 94.
- (2) See schedule of population on page 103.

Legal Debt Margin
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended December 31

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	64,772	72,708	81,699	68,970	67,422	61,496	57,280	56,241	72,490	80,717
Total net debt applicable to limit	4,928	5,514	5,370	5,423	5,213	5,067	4,848	9,309	10,021	14,159
Legal debt margin	<u>59,843</u>	<u>67,194</u>	<u>76,329</u>	<u>63,547</u>	<u>62,209</u>	<u>56,430</u>	<u>52,432</u>	<u>46,931</u>	<u>62,469</u>	<u>66,558</u>
Total net debt applicable to the limit as a percentage	7.6%	7.6%	6.6%	7.9%	7.7%	8.2%	8.5%	16.6%	13.8%	17.5%

Legal debt margin calculation for fiscal year 2017 (not in thousands)

Assessed value (1)	3,228,677,000
GENERAL PURPOSES	
Limit of 2.5% of Assessed Value	80,716,925
Councilmanic:	
Capacity (1.5% of Assessed Value)	48,430,155
Outstanding debt(2):	
GO bonds outstanding	7,398,380
GO notes and loans	563,092
Capital leases	2,709
Compensated Absences	1,272,295
OPEB	905,348
Net pension obligation	4,076,720
Total outstanding debt	<u>14,218,544</u>
Less amounts available in debt service funds	<u>(59,909)</u>
Total applicable debt	<u>14,158,635</u>
Remaining capacity without a vote	<u>66,558,290</u>
Voter Approved:	
Capacity (1.0% of Assessed Value)	32,286,770
Less:	
GO Bonds Outstanding	-
Remaining capacity with a vote	<u>32,286,770</u>

Sources:

- (1) See historical assessed valuations on page 89.
- (2) See financial statements debt footnote.

Note: The total indebtedness for general purposes with or without a vote cannot exceed 2.5% of the value of taxable property. The general purposes indebtedness includes debt for capital leases without a vote. The legal limit for capital leases debt (RCW 35.42.200) is included in the 2.5 percent and does not constitute extra allowable debt.

The 1.5 percent is the maximum limit for general purposes without a vote (councilmanic debt). A council may choose to allocate any portion of this debt capacity to the "voted" category. If done so, this 1.5 percent of the indebtedness available without vote is to be proportionately reduced by the excess "voted" debt over 1 percent.

Direct and Overlapping Governmental Activities Debt
as of December 31, 2017

Direct Debt				Amount Outstanding
General Obligation Debt				7,964,181
Less Cash and Investments in Debt Service Funds				(59,909)
Net direct debt				<u>7,904,272</u>
 Overlapping Debt				
	2017 Total	Percent		
	Assessed Value (in	applicable	Net Outstanding	Overlapping
<i>Jurisdiction</i>	thousands)	(1)	G.O. Debt	Debt
Fire District No. 39	15,122,088	21.35%	32,821,074	7,007,541
School District No. 401	16,787,590	13.40%	420,027,654	56,285,992
School District No. 210	13,689,881	16.43%	160,923,057	26,444,137
Rural Library District	282,898,130	0.80%	87,869,746	698,747
King County	470,682,947	0.48%	719,456,000	3,438,639
Port of Seattle	470,682,947	0.48%	388,360,000	1,856,166
Total overlapping				<u>95,731,222</u>
 Total direct & overlapping debt				<u>103,635,495</u>
 Governmental activities debt ratios:				
Assessed valuation				3,228,677,000
Population				30,570
Net direct debt to assessed valuation				0.24%
Net direct debt and overlapping debt to assessed valuation				3.21%
Assessed valuation per capita				105,616
Net direct debt per capita				259
Direct debt and overlapping debt per capita				3,390

(1) Applicable percentage is determined by ratio of assessed valuation of property subject to taxation in the overlapping unit to valuation of property subject to taxation in the City of Des Moines.

Source:

King County Assessor's Office www.kingcounty.gov/depts/assessor/Reports/statistical-reports/2017.aspx

MARINA DEBT SERVICE COVERAGE
(Per Bond Official Statement Definitions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues (1)	3,943,452	3,627,735	4,073,467	3,946,351	4,097,272	4,224,937	4,224,937	4,007,269	3,762,705	7,608,475
Operating & Maintenance Expenses (2,163,240	2,354,992	2,731,752	2,779,339	2,769,115	2,932,925	2,932,925	2,474,281	2,235,601	5,141,540
Net Available for Debt Service	<u>1,780,212</u>	<u>1,272,743</u>	<u>1,341,715</u>	<u>1,167,012</u>	<u>1,328,157</u>	<u>1,292,012</u>	<u>1,292,012</u>	<u>1,532,988</u>	<u>1,527,104</u>	<u>2,466,935</u>
Annual debt service requirements (3)										
Principal	365,000	210,000	265,000	320,000	440,000	455,000	495,000	510,000	525,000	545,000
Interest	159,903	420,844	412,906	402,306	318,736	340,016	321,816	311,216	294,829	275,516
Total annual debt service	<u>524,903</u>	<u>630,844</u>	<u>677,906</u>	<u>722,306</u>	<u>758,736</u>	<u>795,016</u>	<u>816,816</u>	<u>821,216</u>	<u>819,829</u>	<u>820,516</u>
Coverage Ratio	<u>3.39</u>	<u>2.02</u>	<u>1.98</u>	<u>1.62</u>	<u>1.75</u>	<u>1.63</u>	<u>1.58</u>	<u>1.87</u>	<u>1.86</u>	<u>3.01</u>

Notes - Per bond covenants:

Min debt service coverage requiremen 1.25 times the Annual Debt Service

"Net Revenue" means the Revenue from the Marina less the Operating and Maintenance Expense.

(1) "Revenue from the Marina" is defined as all earning except:

- governmental grant proceeds
- proceeds from the sale of property
- city taxes collected by or through the Marina
- principal proceeds of bonds
- interest earnings on arbitrage investments

(2)"Operating and Maintenance Expense" is defined as all current maintenance and repair charges except:

- depreciation
- interest expense
- administrative charges paid to the city

(3) Excludes premium/discount amortizations.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended December 31	POPULATION			PERSONAL INCOME				UNEMPLOYMENT RATE	
	Des Moines	King County	City as percent of county	Total Des Moines (in thousands)	Per Capita Income	Total King County (in thousands)	Per Capita Income	Des Moines	King County
2008	29,180	1,875,020	1.6%	1,710,752	58,628	109,927,858	58,628	6.1%	4.4%
2009	29,270	1,912,012	1.5%	1,578,620	53,933	103,120,593	53,933	10.8%	8.6%
2010	29,673	1,931,249	1.5%	1,634,827	55,095	106,401,739	55,095	10.5%	9.0%
2011	29,680	1,942,600	1.5%	1,740,563	58,644	113,922,436	58,644	8.1%	9.0%
2012	29,700	2,007,455	1.5%	1,838,878	61,915	124,291,775	61,915	6.2%	6.4%
2013	29,730	2,046,956	1.5%	1,863,878	62,694	128,330,859	62,694	5.9%	4.9%
2014	30,030	2,079,967	1.4%	2,068,363	68,877	143,260,986	68,877	5.1%	4.6%
2015	30,100	2,117,125	1.4%	2,036,798	67,668	143,260,986 *	67,668	5.3%	4.3%
2016	30,570	2,149,970	1.4%	2,037,000	66,634	143,260,986 *	66,634	4.0%	3.9%
2017	30,860	2,188,649	* 0.0141	2,019,983	65,456	143,260,986 *	65,456	4.4%	3.9%*

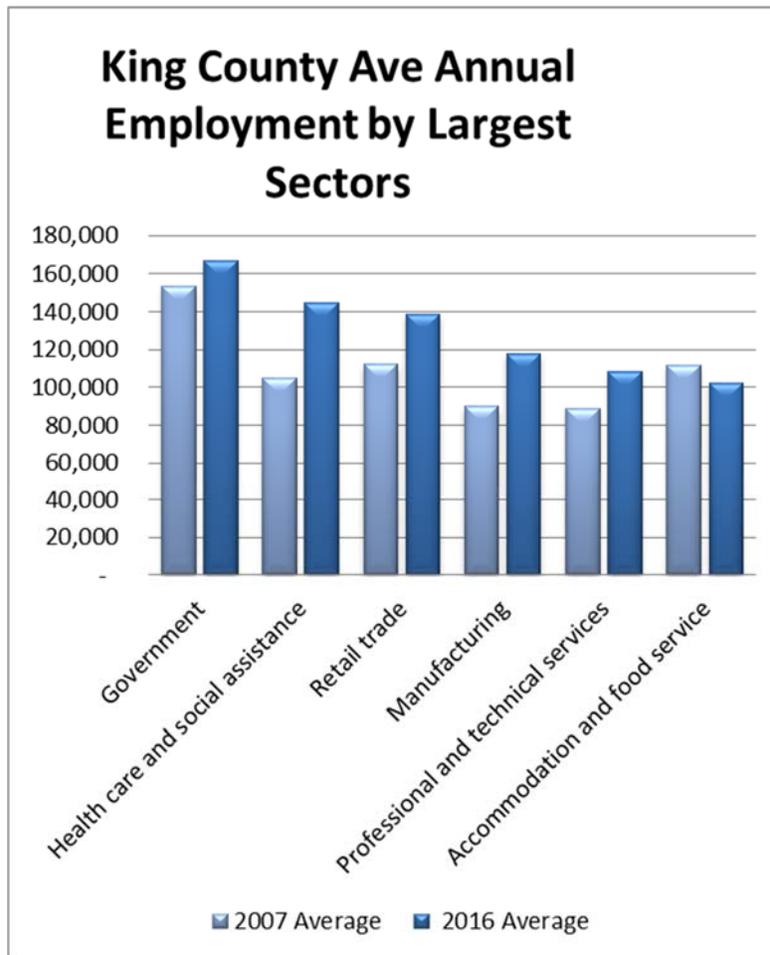
SOURCE: Des Moines Population www.ofm.wa.gov/pop/aprill/default.asp
 Des Moines Unemployment www.bls.gov/data/
 King County information per King County CAFR <https://www.kingcounty.gov/~media/depts/finance/financial-management-services/CAFR-2016/CAFR-2016.ashx?la=en>

Note: 2015, 2016, & 2017 Personal info from King County is not available so prior year's info used until updates are available.
 Note: Estimate 2017 King County Population from the United States Census Bureau, State and County Quick Facts

Employment by Type of Employment Sector
King County
Last year and nine years prior

<u>Employment Sector</u>	2016 Average			2007 Average		
	<u>Annual Employment*</u>	<u>Rank</u>	<u>Percentage</u>	<u>Annual Employment</u>	<u>Rank</u>	<u>Percentage</u>
GOV Government	166,920	1	13%	153,172	1	13%
62 Health care and social assistance	144,614	2	12%	104,865	4	9%
44-45 Retail trade	138,960	3	11%	112,053	2	10%
54 Professional and technical services	117,875	4	10%	90,027	5	8%
72 Accommodation and food service	108,170	5	9%	88,979	6	8%
31-33 Manufacturing	102,224	6	8%	111,899	3	10%
	<u>778,763</u>		<u>63%</u>	<u>660,995</u>		<u>57%</u>

Source: Washington State Employment Security Department.



Full-Time Equivalent City Government Employees by Function
Last 10 Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Municipal Court										
Judge	0.80	0.80	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.80
Staff	6.40	6.40	6.40	6.22	6.40	6.70	6.70	6.80	7.80	9.08
City Manager	4.00	3.00	5.60	5.60	6.00	5.00	5.00	5.00	5.00	5.00
Finance	8.60	7.40	5.80	5.80	5.80	5.80	5.53	6.50	6.50	6.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
Legal	4.70	4.20	4.20	4.20	4.00	4.30	4.50	4.57	4.42	4.86
Public Safety										
Officers	46.00	46.00	38.00	38.00	39.00	33.00	33.00	33.00	34.00	37.00
Civilians	13.00	12.00	11.00	11.00	9.80	9.80	9.80	9.80	10.00	10.00
Transportation	5.80	5.13	5.45	5.45	5.45	5.15	4.85	5.15	4.15	1.72
Natural and Economic Environment										
Maintenance	9.65	8.65	8.95	8.85	8.55	7.90	8.55	9.20	9.20	9.97
Extra Hires	3.20	2.85	2.34	2.34	1.00	1.00	1.00	1.00	1.00	1.00
Engineering	6.05	5.05	4.85	4.95	5.05	5.05	4.55	5.15	5.15	5.16
Planning, Bldg Permits	14.30	9.80	10.80	10.80	10.70	8.00	8.00	10.00	10.00	12.15
Social Services	2.50	2.50	2.50	2.70	2.70	2.70	2.70	2.44	2.22	2.50
Culture and Recreation										
Regular	7.80	7.10	5.80	6.76	7.52	5.56	6.76	7.43	7.17	8.00
Extra Hires	8.72	8.21	8.20	10.74	11.28	11.24	11.09	10.97	11.12	13.99
Marina										
Regular	9.80	9.80	10.55	10.55	9.00	9.00	9.00	9.00	8.00	8.00
Extra Hires	1.69	1.69	2.13	2.13	2.13	2.13	2.13	2.13	3.13	3.13
Surface Water Management	9.50	10.47	10.55	11.17	11.40	11.55	11.00	12.50	12.50	12.10
Total	172.50	161.05	154.11	158.24	156.78	144.88	144.16	150.44	151.16	159.96

Source: Annual Operating Budget

Operating Indicators by Function
Last Ten fiscal years

Function	Fiscal Year Ended December 31									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Municipal Court & Legal										
Traffic infraction - Cases closed	n/a	n/a	1,918	1,915	3,146	3,886	3,414	2,152	1,374	1,174
NonTraffic infraction - Cases closed	n/a	n/a	250	98	204	170	242	145	91	72
Parking infraction - Cases closed	n/a	n/a	578	524	408	183	128	55	63	89
DUI misdemeanors - Cases Closed	n/a	n/a	147	42	57	69	72	64	32	36
Other traffic misdemeanors -Closed	n/a	n/a	1,326	244	509	667	463	464	228	231
NonTraffic misdemeanors - Closed	n/a	n/a	1,137	303	561	334	494	384	245	285
Civil - Cases closed	n/a	n/a	4	1	45	-	1	-	1	-
Finance & Info Services										
Info services - # of computers	188	197	191	202	192	189	187	183	191	185
Finance - # of checks/wires written	5,213	4,726	4,456	4,408	3,807	3,766	3,577	3,995	3,782	3,832
Finance - # of A/R billed	286	167	308	248	466	269	502	298	306	256
City Clerk										
Public records request	n/a	n/a	n/a	n/a	n/a	1,223	1,600	1,573	1,728	1,708
Public Safety										
Police - Patrol Division										
Number of calls for service	n/a	n/a	n/a	n/a	19,677	21,025	17,663	18,317	17,932	18,847
Homicide	1	-	1	1	-	-	1	1	3	2
Robbery	59	48	47	37	34	53	58	53	41	58
Rape	14	18	9	7	2	8	8	24	34	14
Aggravated Assaults	42	47	26	45	57	39	38	38	42	54
Violent crime total	116	113	83	90	93	100	67	116	120	128
Burglary	255	229	192	230	244	207	234	167	159	164
Larceny	616	525	615	627	740	748	659	620	809	729
Motor Vehicle Accidents	n/a	n/a	n/a	n/a	310	249	299	350	388	384
Motor Vehicle Thefts	209	161	172	191	222	220	244	183	316	244
Arson	4	8	2	8	6	9	7	1	11	8
Property crime total	1,084	923	981	1,056	1,522	1,433	1,443	1,321	1,683	1,529
Citations/Infractions issued	n/a	n/a	n/a	n/a	6,060	6,258	4,600	3,551	2,549	2,885
Photo enforcement citations	n/a	n/a	n/a	n/a	2,432	3,465	2,901	2,898	6,050	38,105
Adult arrests	n/a	n/a	n/a	n/a	389	271	205	261	234	247
Juvenile arrests	n/a	n/a	n/a	n/a	63	37	29	24	16	25
Police - Detective Division										
Assigned cases	n/a	n/a	n/a	n/a	443	721	640	581	622	638
Closed cases	n/a	n/a	n/a	n/a	340	591	618	551	576	522
Cases closed by arrest	n/a	n/a	n/a	n/a	130	201	227	173	229	172
Police - Records Division										
Case reports	n/a	n/a	n/a	n/a	n/a	4,214	4,549	3,861	4,400	4,470
Warrants processed	n/a	n/a	n/a	n/a	n/a	1,579	1,534	1,562	1,533	1,737
Pet licenses processed	n/a	n/a	n/a	n/a	n/a	1,579	1,312	1,504	1,537	1,399
Concealed weapons licenses processed	n/a	n/a	n/a	n/a	n/a	417	391	367	532	427
Public records request	n/a	n/a	n/a	n/a	n/a	1,053	1,231	1,187	1,354	1,338
Transportation										
Street Maintenance Division										
Clean	n/a	n/a	n/a	n/a	n/a	23	19	15	19	14
Event	n/a	n/a	n/a	n/a	n/a	4	3	-	-	2
Inspect	n/a	n/a	n/a	n/a	n/a	5	5	2	-	1
Install	n/a	n/a	n/a	n/a	n/a	56	35	43	31	45
Inventory	n/a	n/a	n/a	n/a	n/a	2	3	1	1	7
Relocate	n/a	n/a	n/a	n/a	n/a	2	9	2	4	3
Remove	n/a	n/a	n/a	n/a	n/a	64	30	9	16	10
Repair	n/a	n/a	n/a	n/a	n/a	67	80	37	176	124
Snow/Ice	n/a	n/a	n/a	n/a	n/a	1	-	1	2	1
Vegetation	n/a	n/a	n/a	n/a	n/a	11	74	79	71	47
Various Other	n/a	n/a	n/a	n/a	n/a	2	5	8	16	6
Total Streets work orders						237	263	197	336	260

n/a - information not available

Source: Various government departments and capital assets lists.

www.fbi.gov

Natural and Economic**Planning**

Land use activities	65	44	44	28	38	32	26	69	47	51
Preapplication meetings	32	20						23	23	28
Comm'l projects reviewed	31	61	26	10	2	6	10	21	103	128
Short plats/ subdivisions reviewed	63	50	14	8	12	7	1	10	9	9
Residential permits reviewed	76	123	21	15	15	22	46	76	128	182
Right of Way Permits	234	187	189	171	146	148	230	189	214	211

Building & Inspections

Plumbing, Mech & Electric permits	1,082	933	893	938	809	948	614	1,148	1,231	1,327
Building permits	636	429	339	270	285	556	56	304	289	457
Building inspections	6,980	6,497	5,169	5,262	4,035	4,201	4,036	4,310	4,954	6,218

Code Enforcement (Position eliminated 2016)

New cases opened	790	730	504	477	446	495	484	259	146	290
Cases closed	758	762	739	531	469	590	450	172	110	245

Social services

Meal participants	10,341	11,969	11,933	10,887	10,258	9,752	10,453	10,117	10,196	12,817
Fee based class participants	4,281	5,857	10,310	11,124	9,292	10,268	8,013	12,087	7,139	6,798
Drop in activities participants	17,214	23,249	19,377	16,543	14,909	14,753	12,733	8,496	7,628	8,394
Volunteer hours	19,081	14,234	13,119	12,415	10,770	8,285	8,489	7,358	6,178	6,270

Culture and recreation

Number of recreation participants	n/a	5,981	5,587	4,717	4,943	5,477	6,362	8,512	7,069	11,011
# of Facility rentals - Activity Ctr	n/a	36	41	36	38	27	27	15	12	31
# of Facility rentals - Field House	n/a	30	28	21	44	33	23	28	16	46
# of Facility rentals - Beach Park	n/a	16	19	20	49	104	184	118	192	181
# of Facility rentals - Wooton	n/a	5	4	8	7	13	6	6	-	11
Hrs of Facility rentals - Activity Ctr	n/a	295	298	223	229	149	180	91	75	150
Hrs of Facility rentals - Field House	n/a	702	478	391	368	246	326	214	117	159
Hrs of Facility rentals - Beach Park	n/a	202	242	307	178	438	932	872	1,191	1,136
Hrs of Facility rentals - Wooton	n/a	55	59	99	78	143	75	44	-	128

Marina

Dec wait list - Covered 32' (mo's)	26	31	16	n/a	12	12	24	12	18	16
Dec wait list - Covered 36' (mo's)	20	17	10	n/a	24	18	18	24	24	17
Dec wait list - Open 32' (mo's)	85	53	42	n/a	60	48	48	60	60	14
Dec wait list - Open 36' (mo's)	40	38	38	n/a	60	60	60	24	24	

Surface Water Management

Clean	n/a	n/a	n/a	n/a	n/a	n/a	32	38	47	74
Dig	n/a	n/a	n/a	n/a	n/a	n/a	15	3	2	-
Flush	n/a	n/a	n/a	n/a	n/a	n/a	15	10	61	746
IDDE Inspect	n/a	n/a	n/a	n/a	n/a	n/a	28	46	46	60
Inspect	n/a	n/a	n/a	n/a	n/a	n/a	2	102	16	72
Install	n/a	n/a	n/a	n/a	n/a	n/a	31	17	15	15
Line Trim	n/a	n/a	n/a	n/a	n/a	n/a	12	-	-	2
Repair	n/a	n/a	n/a	n/a	n/a	n/a	39	64	172	121
Various Other	n/a	n/a	n/a	n/a	n/a	n/a	67	2	111	500
Total SWM work orders							<u>241</u>	<u>282</u>	<u>470</u>	<u>1,590</u>

n/a - information not available

Source: Various government departments and capital assets lists.

Capital Used by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Hall building	1	1	1	1	1	1	1	1	1	1
Engineering building	1	1	1	1	1	1	1	1	1	1
Vehicles assigned to Court							1*	1*	1	1
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	34	34	35	37	43	43	34*	34*	34	33
Transportation										
Maintenance & vehicle repair building	1	1	1	1	1	1	1	1	1	1
Street/PW maintenance vehicles, trailers,	n/a	n/a	n/a	n/a	n/a	n/a	41	41	41	38
Asphalt Road Mix Miles	87	87	87	87	87	87	87	87	87	87
Bitu Surface Treatment Miles	6	6	6	6	6	6	6	6	6	6
Gravel Crush Rock Miles	2	2	2	2	2	2	2	2	2	2
Traffic signals	19	19	19	19	19	20	20	20	20	18
All way flashing stops	3	3	3	3	3	3	3	3	3	4
Warning/school zone beacons	3	3	3	4	4	6	7	7	7	8
Natural and Economic										
Building (shares City Hall building)	-	-	-	-	-	-	-	-	-	-
Vehicles (Shares with Streets/PW maint)	-	-	-	-	-	-	-	-	-	-
Social services										
Activty Center	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Number of City Parks	n/a	n/a	n/a	n/a	n/a	n/a	26	26	26	26
Parks acreage	n/a	n/a	n/a	n/a	n/a	n/a	185	186	186	186
Event center buildings	2	2	2	2	2	2	2	2	2	2
Recreation & admin building	1	1	1	1	1	1	1	1	1	1
Parks maintenance vehicles, trailers, etc.							29	29	29	28
Marina										
Administration building	1	1	1	1	1	1	1	1	1	1
Maintenance vehicles, trailers, etc.	n/a	n/a	n/a	n/a	n/a	n/a	9	9	9	9
Moorage slips for wet & dry storage	840	840	840	840	840	840	840	840	840	840
Surface Water Management										
Major creek basins	8	8	8	8	8	8	8	8	8	8
SWM maintenance vehicles, trailers, etc.	n/a	n/a	n/a	n/a	n/a	n/a	10	10	11	11
Catchments	n/a	n/a	n/a	n/a	n/a	n/a	4,896	4,827	5,021	4,596
Control structures	n/a	n/a	n/a	n/a	n/a	n/a	102	268	277	87
Detention facilities	n/a	n/a	n/a	n/a	n/a	n/a	45	97	104	95
Discharge points	n/a	n/a	n/a	n/a	n/a	n/a	238	232	232	230
Easements	n/a	n/a	n/a	n/a	n/a	n/a	94	91	100	100
Facilities	n/a	n/a	n/a	n/a	n/a	n/a	70	72	72	72
Gravity mains	n/a	n/a	n/a	n/a	n/a	n/a	5,820	5,878	6,061	5,768
Misc structures	n/a	n/a	n/a	n/a	n/a	n/a	116	120	110	106
Open drain lines	n/a	n/a	n/a	n/a	n/a	n/a	1,459	1,401	1,369	1,348

n/a - not available

Source: Various government departments.

*Restated Prior Year Information

OUR THANKS TO AN EXCELLENT TEAM

We recognize the contributions of the following City of Des Moines employees for their contributions to this report. Each member of this team of professionals played a key role in producing this CAFR. Their dedication and teamwork are essential to the success of this report and all their efforts greatly appreciated.

Beth Anne Wroe
Finance Director

Cecilia Pollock
Finance Manager

Eric Mandelas
Staff Accountant