**CITY OF NAPAVINE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING DECEMBER 31, 2024**

**Note 1 – Summary of Significant Accounting Policies**

The City of Napavine was incorporated on 11/21/1913 and operates under the laws of the state of Washington applicable to a code city with a mayor-council form of government. The City of Napavine is a general-purpose local government and provides public safety law enforcement, municipal court, street maintenance and improvements, parks, building permits and inspections and general administrative services. In addition, the City of Napavine owns and operates a water and sewer system servicing the residents and businesses.

The City of Napavine reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter [43.09](https://app.leg.wa.gov/RCW/default.aspx?cite=43.09&full=true) RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

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

**A. Fund Accounting**

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

Governmental Fund Types:

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

Special Revenue Funds  
These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Capital Projects Funds  
These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Proprietary Fund Types:

Enterprise Funds  
These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds  
These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

Fiduciary Fund Types:

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

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

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid. In accordance with state law the City of Napavine also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

**C. Cash and Investments**

See [Note 4 – *Deposits and Investments*](https://sao.wa.gov/bars_cash/reporting/notes-to-financial-statements/note-x-deposits-and-investments/).

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than $5,000 and an estimated useful life more than one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 240 hours or 30 days for employees covered under the Collective Bargaining Agreement and is payable upon separation or retirement. Vacation leave may be accumulated for non-represented employees based on length of service with an accrual cap and cash out limitations per city policy. An annual vacation schedule is provided for employees with one to twenty years of service with the city. Vacation may be accumulated ranging from 104 hours or 13 days to 240 hours or 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,040 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

**F. Long-Term Debt**

See [Note 6 – Long-term Debt (*Formerly Debt Service Requirement*s)](https://sao.wa.gov/bars_cash/reporting/notes-to-financial-statements/note-x-debt-service-requirements/).

**G. Restricted and Committed Portion of Ending Cash and Investments**

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **2024 Actual Restricted Funds** | | | |
| **General Fund** | | | |
| Resource | RCW | Use | End Balance |
| Liquor Excise Tax | **70.96A.087** | 2% Substance abuse treatments | - |
| Liquor Board Profits | **70.96A.085** | 2% Substance abuse treatments | - |
| Liquor Control Board Profits | **66.24.065** | 20.23% Public Safety | - |
| Sale Proceeds RR Spur | Res 14-07-62 Committed | Future Capital Needs Assigned | 105,796.20 |
|  |  | **Total Restricted Funds** | 105,796.20 |
| **Substance Abuse Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Seizures, Drug Fines, Interest | 572 | Care Evidence, Training, Investigative | 5,974.86 |
|  |  | **Total Restricted Funds** | 5,974.86 |
| **Park Improvement Fund** | | | |
| Resource | RCW | Use | End Balance |
| Real Estate Excise Tax | **82.46.010 (2)** | Capital Facilities Plan Capital Projects | 152,628.64 |
| Investment Interest |  |  | 1,912.82 |
|  |  | **Total Restricted Funds** | 154,541.46 |
| **General Gov Capital Equipment Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Sale Old City Hall | 610 | Maintain CH, Capital Equipment | 45,571.45 |
| Investment Interest |  |  | 3,189.20 |
|  |  | **Total Restricted Funds** | 48,760.65 |
| **Street Fund** | | | |
| Resource | RCW | Use | End Balance |
| Multimodal Transportation City | **47.66.070** | Transportation purpose only | 5,258.83 |
|  |  | **Total Restricted Funds** | 5,258.83 |
| **Street Capital Equipment Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Transfers from Street Fund | 588 | Capital Equipment | 24,813.46 |
|  |  | **Total Restricted Funds** | 24,813.46 |
| **Street Improvement Fund** | | | |
| Resource | RCW | Use | End Balance |
| Real Estate Excise Tax | **82.46.010 (2)** | Capital Facilities Plan/Capital Projects | 199,386.06 |
| Investment Interest |  |  | 1,741.44 |
| Performance Bond Agreement |  | Trailer Station Street Lights | 580.22 |
| Retainage Deposits |  | Clark Street Lights | 6,267.50 |
| Retainage Deposits |  | Dlein Street Lights | 1,049.78 |
| Public Transport Tax |  | Ordinance 645 | 97,134.69 |
| Rognlin Exit 72 Impact Fee |  | Developers Agreement | 135,390.00 |
| Transfer from General Fund |  |  | 40,000.00 |
|  |  | **Total Restricted Funds** | 481,549.69 |
| **Criminal Justice Fund** | | | |
| Resource | RCW | Use | End Balance |
| Criminal Justice Lo-Pop | **82.14.330** | Criminal Justice purpose non-recurring (Purchase police cars) | 2,878.92 |
| CJ-Special Programs | **82.14.330 (2)(b)** | Innovative Law Strategies, At-Risk Children, Child Abuse, Domestic Violence | 2,331.42 |
| DUI - Cities |  | DUI OT Enforcement | 1,328.97 |
| CJ - Sales Tax | **82.14.340** | Criminal Justice Purposes | 56,840.08 |
|  |  | **Total Restricted Funds** | 63,379.39 |
| **Local Fiscal Recovery Fund** | | | |
| Resource | RCW | Use | End Balance |
| COVID-19 ARPA Federal |  | *Covid-19 ARPA Fiscal Recovery* | 7,236.83 |
|  |  | **Total Restricted Funds** | 7,236.83 |
| **Project Planning** | | | |
| Resource | RCW | Use | End Balance |
| 2nd Quarter Real Estate Excise Tax | **82.46.035 (2)** | Capital Facilities Plan/Capital Projects | 396,575.29 |
| Investment Interest |  |  | 4,677.10 |
|  |  | **Total Restricted Funds** | 401,252.39 |
| **USDA Bond Reserve Fund** | | | |
| Resource | RCW | Use | End Balance |
| Reserves from Water Fund |  | Held per loan agreement | 22,710.00 |
|  |  | **Total Restricted Funds** | 22,710.00 |
| **Water Deposit Trust Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Customer Utility Deposits | 246, 502, 521 | Customer Utility Account/Refund Deposit | 4,714.45 |
|  |  | **Total Restricted Funds** | 4,714.45 |
| **Sewer Capital Equipment Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Transfers from Sewer Fund | 588 | Capital Equipment | 24,813.55 |
|  |  | **Total Restricted Funds** | 24,813.55 |
| **Water Capital Equipment Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Transfers from Water Fund | 588 | Capital Equipment | 24,813.54 |
|  |  | **Total Restricted Funds** | 24,813.54 |
| **LID 2011-1 Bond Redemption Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| LID 2011-1 Assessments | 549 | DOH Loan Payments | 562,889.42 |
|  |  | **Total Restricted Funds** | 562,889.42 |
| **Unemployment Compensation Fund** | | | |
| Resource | Ordinance | Use | End Balance |
| Transfers from General, Street, Water, Sewer | 609 | Self Insured Liability Unemployment Compensation | 34,836.47 |
|  |  | **Total Restricted Funds** | 34,836.47 |
| **Agency Fund - Non-spendable Donation** | | | |
| Resource | Donation | Use | End Balance |
| NYB Deposit | Donation | Damage/Electric/Key Deposit | 750.00 |
|  |  | **Total Restricted Funds** | 750.00 |

**Note 2 – Budget Compliance**

The City of Napavine adopts an annual appropriated budgets for General Fund, Street Funds, Criminal Justice Special Revenue Fund, Water and Wastewater Enterprise Funds, LID 2011-1 Debt Redemption Fund and Unemployment Compensation Fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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



Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Napavine City Council legislative body.

The Napavine City Council approved amendments to the 2024 Budget with Ordinance 655-A on Dec 9, 2024.

**Note 3 – Deposits and Investments**

Investments are reported at original cost value.  Deposits and investments by type on December 31, 2023, are as follows:

|  |  |  |
| --- | --- | --- |
| Type of deposit or investment | City of Napavine’s  **own**  deposits and investments | Total |
| Bank deposits | $ 3,927,649 | $3,927,649 |
| Cash on Hand | $ 650 | $650 |
| Local Government Investment Pool | $ 443,172 | $443,172 |
| U.S. Government Bonds | $ 1,598,155 | $1,598,155 |
| Napavine Municipal Court | $ 1,598,155 | $1,598,155 |
| **Total** | $ 6,470 | $6,470 |
|  | **$5,976,096** | **$5,976,096** |

It is the City of Napavine’s policy to invest all temporary cash surpluses. The interest on these investments is prorated based on contribution to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The City of Napavine is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer.  The pool is not rated and not registered with the SEC.  Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](https://app.leg.wa.gov/rcw/default.aspx?cite=43.250).  Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share.  The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

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

All investments are insured, registered or held by the City of Napavine or its agent in the government’s name.

Other Disclosures

The City of Napavine’s bank requires a government to maintain a predetermined average daily balance in a noninterest bearing bank account to compensate the bank for handling the government’s bank services. The city must maintain a balance to cover the various fees for all the services the bank institution provides for the city to avoid bank fees for each month. The bank provides an Account Analysis Statement each month showing the balance required for the services provided with a total analyzed fee and the amount of investable balances to offset service fees. The analyzed results are based on earnings credit earned at 0.25% of the investable balance less the analyzed fees equal the analyzed results. The City of Napavine maintained an *average* investable balance in the of $53,766,413.02 with an average balance required for services in the amount of $3,227,127.82 with an excess balance in the amount of $539,285.20. The average monthly analyzed fees for 2024 was $772.

**Note 4 – Environmental and Certain Asset Retirement Liabilities**

The City of Napavine has well #1 that has been decommissioned since the late 1990’s. Currently the city is reviewing its options on how to revitalize the well or abandon the well. The cost to revitalize the well is unknown. These liabilities are reported on the Schedule of Liabilities and will be once the liability amount is known. During 2024 the city paid zero dollars for the related work.

During Summer 2024 the City tested wells for PFAS and found trace amounts in Wells 2 & 3 and immediately shut them down for public safety. The City is working with Department of Health on options to replace the water source, which may include increase production in other wells or digging a new source.

**Note 5 – Long-Term Debt** *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Napavine and summarizes the city’s debt transactions for year ended December 31, 2024.

The debt service requirements for general obligation bonds, revenue bonds and special assessment bonds are as follows:



Unused Line of Credit

At fiscal year end, the City of Napavine had $17,865.09 available of unused line of credit with the State Credit Card Program via US Bank.

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

|  |  |
| --- | --- |
| Debt: | Asset: |
| 2009 L. G. T. O. Bond (USDA Rural Development Loan) | 407 Birch Ave SW, Napavine, WA (Napavine City Hall) |

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

|  |  |
| --- | --- |
| Debt | Clause |
| 2009 L. G. T. O. Bond (USDA Rural Development Loan) | If any installment of principal and interest is not paid when due, the City shall be obligated to pay interest on that installment at the same rate provided in the Bond from and after its payment date until that installment, both principal and interest, is paid in full. |

**Note 6 – OPEB Plans**

During the year ended 2022, the City of Napavine adopted guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities.

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Napavine as required by (RCW 41.26). The plan pays for 100% of eligible retirees’ healthcare costs on a pay-as-you-go basis. As of December 31, 2024, the plan had one member, a retiree. As of December 31, 2024, the City’s total OPEB liability was $-0-, as calculated using the alternative measurement method. For the year ended December 31, 2024, the city paid $5,393.92 in benefits.

**Note 7 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all City of Napavine’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employment Retirement System (PERS 2) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF 2).

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

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

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

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov/).

At June 30, 2024 the City of Napavine’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Employer Contributions | Allocation % | Liability (Asset) |
| PERS 1 | $24,415 | .004079% | $72,477 |
| PERS 2/3 | $51,381 | .005220% | $(172,081) |
| LEOFF 1 | N/A | .000% | $0 |
| LEOFF 2 | $21,502.06 | .008766% | $(164,352) |

LEOFF Plan 1

The City of Napavine also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City of Napavine also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Defined Contribution Pension Plans

The city of Napavine offers to its employees an additional retirement plan, a Deferred Compensation 457B plan, which is an optional participation plan. The employee can contribute any amount they wish as a deduction from their wages. The plan administrator is Nationwide Retirement Solutions as a defined contribution plan. The employer contribution rate is 50% of the employee contribution amount with a maximum amount of $300 per month for union employees. Non union employees received a contribution equal to the additional benefits the union employees received for medical care. There were fifteen (15) employees participating in the deferred compensation program as of December 31, 2024. The dollar amount the employer contributed during the reporting period was $57,070.28.

**Note 8 – Property Tax**

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

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

The city’s regular levy for the year 2024 was $1.080775440818 per $1,000 on an assessed valuation of $343,111,368 for a total regular levy of $370,826.

**Note 9 – Risk Management**

City of Napavine is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington jointed together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2024, membership includes 194 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit the member’s various needs.

The program acquires liability reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to a group aggregate limit of $50,000,000 with a self-insured retention (SIR) of $750,000. Members are responsible for a $1,000 to $50,000 deductible for each claim (can vary by member), while the program is responsible for the $750,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the $750,000 SIR, in addition to the deductible. The program also purchased a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $8,297,362, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of $750,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $750,000 self-insured retention, in addition to the deductible.

Crime insurance is subject to a per occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of $2,500 (cities and special districts) and $500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of $50,000. Members are responsible for a $10,000 deductible for each claim, while the program is responsible for the remaining $40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory in the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2024, were $3,307,706.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

**Note 9 – Health & Welfare**

The City of Napavine is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal Agreement under Chapter 36.34 RCW, form together to join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

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

As of December 31, 2024, 268 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2024 the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an individual stop loss (ISL) of $2 million through united States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

**Note 10 – Other Disclosures**

Contingencies and Litigations:

On June 13, 2019, the city roadway was damaged from a hay fire from a vehicle hauling hay on a flat trailer. Second Avenue NE sustained damage over a total area of 11,646 square feet. The damage included substantially burned asphalt binder with several locations showing signs of raveling and rapid degradation. The city filed a claim to our insurance Cities Insurance Association of Washington also known as Choose Clear Risk Solutions. The damage sustained to the city’s streets was not covered by the city’s insurance. The city declared the damage an emergency to repair the roadway before the coming winter resulted in additional damage. The first phase to repair the roadway asphalt cost $53,277.

A second phase to repair the roadway back to its original state prior to the hay fire is an additional estimate of $20,119. The owner of the vehicle transporting the hay on city streets have been invoiced by the city to try to recoup the costs of the damage to the city’s street.

The total damage to Second Ave NE caused by the hay fire is $73,397. The city entered litigation with the driver of the trailer hauling the hay. As of the date of this report, the city went to mitigation and the other party was not found liable. The city is currently in process of requesting a trial denovo.

On March 12, 2023 a traffic accident caused damage to a city light pole, Claim # C2430. The total cost of damage was over $16,000. A claim was turned into the city’s insurance Choose Clear, which was denied due to no coverage on the lights. The city is pursuing recovery of financial damages with the assistance from the claim manager which the city has recovered $600. At this time, there have been no further payments made, the event could result in legal litigation.

There is no other potential litigation that the city or City Attorney is aware of currently.

**Subsequent Events:**

The city had reimbursed several utility accounts with a credit balance resulting from overestimate of escrow, double payments, or overpayments.

The City of Napavine and Hamilton Walnut Shade LLC had an agreement referring to the Rush Rd LID 2011-1 Bond Redemption. The ARC Agreement had several parcels that were classified as agricultural land that Hamilton Walnut Shade LLC had paid the annual assessment. Once the parcels that were part of this agreement were sold, the assessment was to be paid in full including the assessment that was previously paid by Hamilton Walnut Shade LLC including interest. The parcels were sold at the end of 2020 and during 2024, no reimbursements were made.

Significant Commitment and/or Obligation: The city was approached by Washington State Transportation Improvement Board to lead a pilot program for chip sealing projects for the cities of Mossyrock, Winlock, Vader, Tenino, Toledo and the Town of Bucoda for summer 2023. Washington State TIB loaned the City $1,800,000 for projects and the city joined interlocal contracts with each entity. The city contracted engineering services and did all bidding and administration of the projects in each city. Each entity was responsible for grant reimbursement requests and to make payments to Napavine for their portion of work. After final completion approximately $1.5 million was paid back to TIB for the loan, and the project was complete. The city found this to be very successful.

The city was approached by the cities of Morton and Mossyrock to provide court services through an interlocal agreement. Court for both cities is held in the City of Napavine court chambers. The city also has an interlocal agreement with the City of Winlock for court administration on an “as needed" basis.