

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**Office of the Superintendent**

Date: February 2, 2023

**Request For Placement on Board Agenda:**

**[ X ] ACTION            [ ] INFORMATION**

**AGENDA TOPIC:   Independent Auditors Report for Period Ending June  
30, 2021 (2020-21)**

**PRESENTER:   Debbie Costello, Director of Business Services**

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**Background Information:**

In accordance with Education Code section 41020.3, the governing board of Willows Unified School District (WUSD) must review and accept the prior year financial audit report. WUSD received a positive opinion from Christy White, CPA's as to the fair presentation of the District's annual financial statements, internal controls and federal compliance as of June 30, 2021.

Along with the opinion, the audit can be evaluated on findings of internal control and the number of audit adjustments required. WUSD received two findings for fiscal year 2020-21 and has provided corrective action plans for both which can be reviewed on pages 73 through 75 of the attached report.

No audit adjustments were necessary to be recorded into our 2020-21 financials.

**Recommendations:**

The administration requests the Board accept the fiscal year 2020-21 audit report as prepared by Christy White, Certified Public Accountants.



Certified Public Accountants serving  
K-12 School Districts and Charter  
Schools throughout California

January 30, 2023

Board of Education  
Willows Unified School District  
Willows, California

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Willows Unified School District (the "District") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the Willows Unified School District changed accounting policies related to Fiduciary Activities by adopting Governmental Accounting Standards (GASB) Statement No. 84, *Fiduciary Activities*, in 2021. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation of capital assets is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows of resources and deferred inflows of resources are based on actuarial valuations and pension contributions made during the year. We evaluated the key factors, assumptions, and proportionate share calculations used to develop the net pension liability and related deferred outflows of resources and deferred inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of total other postemployment benefits (OPEB) obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the total OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

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## **Significant Audit Matters (continued)**

### ***Qualitative Aspects of Accounting Practices (continued)***

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of capital assets in Note 4 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the pension plans, net pension liability and related deferred outflows of resources and deferred inflows of resources in Note 11 to the financial statements represents management's estimates based on actuarial valuations and pension contributions made during the year. Actual results could differ depending on the key factors, and assumptions and proportionate share calculations used to develop the net pension liability and related deferred outflows of resources and deferred inflows of resources.

The disclosure of other postemployment benefits and the total OPEB obligation in Note 10 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated January 30, 2023.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis, and the required supplementary information section, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the information and use of Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

Christy White, Inc.  
San Diego, California

# WILLOWS UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2021



**WILLOWS UNIFIED SCHOOL DISTRICT  
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JUNE 30, 2021**

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## **FINANCIAL SECTION**

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Schools throughout California

## INDEPENDENT AUDITORS' REPORT

Governing Board  
Willows Unified School District  
Willows, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Willows Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Willows Unified School District'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 entity'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 entity'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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Willows Unified School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## ***Emphasis of Matter***

### *Change in Accounting Principle*

As described in Note 11 to the basic financial statements, the Willows Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial report standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willows Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023 on our consideration of Willows Unified School District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Willows Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willows Unified School District's internal control over financial reporting and compliance.

*Christy White, Inc.*

San Diego, California  
January 30, 2023

# WILLOWS UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

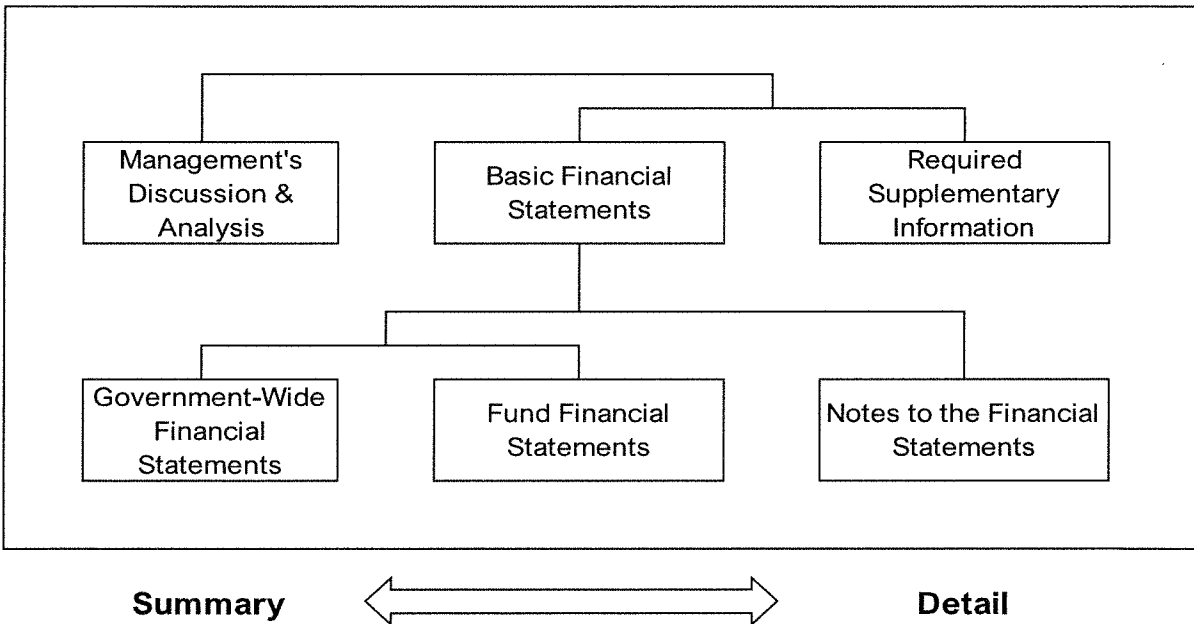
Our discussion and analysis of Willows Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ▶ The District's net position was \$(9,372,087) at June 30, 2021. This was a decrease of \$67,346 from the prior year, after restatement.
- ▶ Overall revenues were \$21,171,976 which exceeded expenses of \$21,240,322.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financial Section



**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financial Section (continued)**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$(9,372,087) at June 30, 2021, as reflected in the table below. Of this amount, \$(17,406,309) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2021</b>	<b>2020</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 12,268,559	\$ 9,891,930	\$ 2,376,629
Capital assets	10,976,442	11,455,192	(478,750)
<b>Total Assets</b>	<b>23,245,001</b>	<b>21,347,122</b>	<b>1,897,879</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,398,242</b>	<b>6,150,759</b>	<b>247,483</b>
<b>LIABILITIES</b>			
Current liabilities	3,248,056	2,309,989	938,067
Long-term liabilities	34,473,517	33,151,305	1,322,212
<b>Total Liabilities</b>	<b>37,721,573</b>	<b>35,461,294</b>	<b>2,260,279</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,293,757</b>	<b>1,638,583</b>	<b>(344,826)</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,326,861	678,777	2,648,084
Restricted	4,707,361	4,503,998	203,363
Unrestricted	(17,406,309)	(14,784,771)	(2,621,538)
<b>Total Net Position</b>	<b>\$ (9,372,087)</b>	<b>\$ (9,601,996)</b>	<b>\$ 229,909</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	<b>Governmental Activities</b>		
	<b>2021</b>	<b>2020</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 241,574	\$ 43,217	\$ 198,357
Operating grants and contributions	3,679,424	1,066,321	2,613,103
General revenues			
Property taxes	6,235,869	5,954,363	281,506
Unrestricted federal and state aid	9,742,101	10,222,390	(480,289)
Other	1,274,008	1,598,540	(324,532)
<b>Total Revenues</b>	<b>21,172,976</b>	<b>18,884,831</b>	<b>2,288,145</b>
<b>EXPENSES</b>			
Instruction	9,927,495	9,534,375	393,120
Instruction-related services	2,172,589	1,972,453	200,136
Pupil services	2,045,628	1,994,059	51,569
General administration	1,896,536	1,493,807	402,729
Plant services	2,608,379	2,335,194	273,185
Ancillary and community services	296,818	150,186	146,632
Debt service	331,906	310,707	21,199
Other outgo	1,960,971	1,909,869	51,102
<b>Total Expenses</b>	<b>21,240,322</b>	<b>19,700,650</b>	<b>1,539,672</b>
<b>Change in net position</b>	<b>(67,346)</b>	<b>(815,819)</b>	<b>748,473</b>
<b>Net Position - Beginning*, as Restated</b>	<b>(9,304,741)</b>	<b>(8,786,177)</b>	<b>(518,564)</b>
<b>Net Position - Ending</b>	<b>\$ (9,372,087)</b>	<b>\$ (9,601,996)</b>	<b>\$ 229,909</b>

*\*Beginning net position was restated for the 2021 year only.*

The cost of all our governmental activities this year was \$21,240,322 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$6,235,869 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions \$3,679,424.

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2021</b>	<b>2020</b>
Instruction	\$ 8,038,697	\$ 9,378,242
Instruction-related services	2,013,018	1,873,345
Pupil services	974,996	1,184,120
General administration	1,717,532	1,451,372
Plant services	2,223,254	2,333,271
Ancillary and community services	191,053	150,186
Debt service	331,906	310,707
Transfers to other agencies	1,828,868	1,909,869
<b>Total Expenses</b>	<b>\$ 17,319,324</b>	<b>\$ 18,591,112</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$9,589,111, which is more than this year's restated beginning fund balance of \$8,432,704. The District's General Fund had \$696,718 more in operating revenues than expenditures for the year ended June 30, 2021.

**CURRENT YEAR BUDGET 2020-2021**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.



**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2020-2021 the District had invested \$10,976,442 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2021</b>	<b>2020</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 106,915	\$ 106,915	\$ -
Land improvements	6,049,855	6,049,855	-
Buildings & improvements	14,836,926	14,758,771	78,155
Furniture & equipment	3,683,270	3,391,979	291,291
Accumulated depreciation	(13,700,524)	(12,852,328)	(848,196)
<b>Total Capital Assets</b>	<b>\$ 10,976,442</b>	<b>\$ 11,455,192</b>	<b>\$ (478,750)</b>

**Long-Term Liabilities**

At year-end, the District had \$34,473,517 in long-term liabilities, an increase of 3.99% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2021</b>	<b>2020</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 7,649,876	\$ 7,829,620	\$ (179,744)
Qualified zone academy bonds	2,691,655	2,947,086	(255,431)
Compensated absences	112,754	95,190	17,564
Total OPEB liability	7,536,111	7,337,466	198,645
Net pension liability	16,935,723	15,377,118	1,558,605
Less: current portion of long-term liabilities	(452,602)	(435,175)	(17,427)
<b>Total Long-term Liabilities</b>	<b>\$ 34,473,517</b>	<b>\$ 33,151,305</b>	<b>\$ 1,322,212</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

According to the UCLA Anderson Forecast, the U.S. economy is in a "depression-like crisis" and it will take at least three years before its GDP and unemployment rate return to the levels it saw before the COVID-19 pandemic struck. Between February 2020 and April 2020, California lost 2.56 million nonfarm payroll jobs, a 15% drop that is nearly double the job loss during the Great Recession in 2008 and 2009.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom and the State Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22.

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)**

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the District. In response to the ongoing pandemic, the 2020-21 State Budget reduced employer contribution rates in 2020-21 and 2021-22. This will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020-21 and from 18.2% to 16.0% in 2021-22. The CalPERS employer contribution rate will be reduced from CalPERS recently set rate for 2020-21 of 22.68% to 20.7% and 2021-22 estimated rate of 24.6% to 23.0%. Despite this reduction in the planned rate increases, the projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides California K-12 education with \$1.65 billion in Elementary and Secondary School Emergency Relief (ESSER) Funds, \$355 million in Governor's Emergency Education Relief (GEER) Funds, and \$4.4 billion in Coronavirus Relief Funds (CRF). Collectively, GEER Funds, CRF, and \$540 million in state General Fund (GF) contributions are known as Learning Loss Mitigation Funding (LLMF). CARES Act funds will be apportioned in 2020-21, however, ESSER and GEER are to be used on eligible expenditures beginning March 13, 2020 through September 30, 2022, GF is to be used on eligible expenditures beginning March 1, 2020 through June 30, 2021, and CRF is to be used on eligible expenditures beginning March 1, 2020 through December 30, 2020. On December 27, 2020, the President signed the Consolidated Appropriations Act which extended the CRF spending deadline to December 30, 2021.

All of these factors were considered in preparing the District's budget for the 2020-21 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District Office: Willows Unified School District; 823 W. Laurel Street; Willows, CA 95988.

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	9,236,598
Accounts receivable	3,003,065
Inventory	11,077
Prepaid expenses	17,819
Capital assets, not depreciated	106,915
Capital assets, net of accumulated depreciation	<u>10,869,527</u>
<b>Total Assets</b>	<u>23,245,001</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	4,768,086
Deferred outflows related to OPEB	<u>1,630,156</u>
<b>Total Deferred Outflows of Resources</b>	<u>6,398,242</u>
<b>LIABILITIES</b>	
Accrued liabilities	2,224,504
Unearned revenue	570,950
Long-term liabilities, current portion	452,602
Long-term liabilities, non-current portion	<u>34,473,517</u>
<b>Total Liabilities</b>	<u>37,721,573</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,195,306
Deferred inflows related to OPEB	<u>98,451</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,293,757</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,326,861
Restricted:	
Capital projects	1,113,790
Debt service	277,972
Educational programs	2,896,696
Food service	229,437
Associated student body	189,466
Unrestricted	<u>(17,406,309)</u>
<b>Total Net Position</b>	<u>\$ (9,372,087)</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 9,927,495	\$ 34,522	\$ 1,854,276	\$ (8,038,697)
Instruction-related services				
Instructional supervision and administration	256,932	-	37,318	(219,614)
Instructional library, media, and technology	207,328	72	49,095	(158,161)
School site administration	1,708,329	18	73,068	(1,635,243)
Pupil services				
Home-to-school transportation	304,811	-	24,861	(279,950)
Food services	954,153	17,797	842,804	(93,552)
All other pupil services	786,664	44	185,126	(601,494)
General administration				
Centralized data processing	91,579	-	-	(91,579)
All other general administration	1,804,957	6,605	172,399	(1,625,953)
Plant services	2,608,379	3,042	382,083	(2,223,254)
Ancillary services	185,404	-	1,007	(184,397)
Community services	111,414	94,952	9,806	(6,656)
Interest on long-term debt	331,906	-	-	(331,906)
Other outgo	1,960,971	84,522	47,581	(1,828,868)
<b>Total Governmental Activities</b>	<b>\$ 21,240,322</b>	<b>\$ 241,574</b>	<b>\$ 3,679,424</b>	<b>(17,319,324)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				5,757,570
Property taxes, levied for debt service				478,299
Federal and state aid not restricted for specific purposes				9,742,101
Interest and investment earnings				126,942
Interagency revenues				121,494
Miscellaneous				1,025,572
<b>Subtotal, General Revenue</b>				<b>17,251,978</b>
<b>CHANGE IN NET POSITION</b>				<b>(67,346)</b>
<b>Net Position - Beginning, as Restated</b>				<b>(9,304,741)</b>
<b>Net Position - Ending</b>				<b>\$ (9,372,087)</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021**

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	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 6,959,981	\$ 2,276,617	\$ 9,236,598
Accounts receivable	2,930,781	72,284	3,003,065
Due from other funds	26,890	-	26,890
Stores inventory	250	10,827	11,077
Prepaid expenditures	17,819	-	17,819
<b>Total Assets</b>	<b>\$ 9,935,721</b>	<b>\$ 2,359,728</b>	<b>\$ 12,295,449</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 2,068,924	\$ 39,574	\$ 2,108,498
Due to other funds	-	26,890	26,890
Unearned revenue	570,950	-	570,950
<b>Total Liabilities</b>	<b>2,639,874</b>	<b>66,464</b>	<b>2,706,338</b>
<b>FUND BALANCES</b>			
Nonspendable	22,344	10,827	33,171
Restricted	2,896,696	1,926,966	4,823,662
Committed	226,664	355,471	582,135
Assigned	566,836	-	566,836
Unassigned	3,583,307	-	3,583,307
<b>Total Fund Balances</b>	<b>7,295,847</b>	<b>2,293,264</b>	<b>9,589,111</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,935,721</b>	<b>\$ 2,359,728</b>	<b>\$ 12,295,449</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
POSITION  
JUNE 30, 2021**

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**Total Fund Balance - Governmental Funds** \$ 9,589,111

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 24,676,966	
Accumulated depreciation	<u>(13,700,524)</u>	10,976,442

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(116,006)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 7,649,876	
Qualified zone academy bonds	2,691,655	
Compensated absences	112,754	
Total OPEB liability	7,536,111	
Net pension liability	<u>16,935,723</u>	(34,926,119)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 4,768,086	
Deferred inflows of resources related to pensions	<u>(1,195,306)</u>	3,572,780

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 1,630,156	
Deferred inflows of resources related to OPEB	<u>(98,451)</u>	1,531,705

<b>Total Net Position - Governmental Activities</b>		<u>\$ (9,372,087)</u>
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**WILLOWS UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
LCFF sources	\$ 14,753,526	\$ 368,740	\$ 15,122,266
Federal sources	1,808,192	745,951	2,554,143
Other state sources	2,621,326	63,074	2,684,400
Other local sources	644,384	714,914	1,359,298
<b>Total Revenues</b>	<u>19,827,428</u>	<u>1,892,679</u>	<u>21,720,107</u>
<b>EXPENDITURES</b>			
Current			
Instruction	10,021,803	-	10,021,803
Instruction-related services			
Instructional supervision and administration	262,154	-	262,154
Instructional library, media, and technology	179,362	-	179,362
School site administration	1,608,736	-	1,608,736
Pupil services			
Home-to-school transportation	227,677	-	227,677
Food services	46,659	839,652	886,311
All other pupil services	762,543	-	762,543
General administration			
Centralized data processing	88,118	-	88,118
All other general administration	1,474,737	26,890	1,501,627
Plant services	1,859,044	-	1,859,044
Facilities acquisition and maintenance	130,482	13,440	143,922
Ancillary services	77,991	107,158	185,149
Community services	106,875	-	106,875
Transfers to other agencies	1,970,715	-	1,970,715
Debt service			
Principal	255,431	170,000	425,431
Interest and other	58,383	275,850	334,233
<b>Total Expenditures</b>	<u>19,130,710</u>	<u>1,432,990</u>	<u>20,563,700</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>696,718</u>	<u>459,689</u>	<u>1,156,407</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	821,283	821,283
Transfers out	(821,283)	-	(821,283)
<b>Net Financing Sources (Uses)</b>	<u>(821,283)</u>	<u>821,283</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(124,565)	1,280,972	1,156,407
<b>Fund Balance - Beginning, as Restated</b>	7,420,412	1,012,292	8,432,704
<b>Fund Balance - Ending</b>	<u>\$ 7,295,847</u>	<u>\$ 2,293,264</u>	<u>\$ 9,589,111</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Net Change in Fund Balances - Governmental Funds** \$ 1,156,407

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

**Capital outlay:**

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 369,446	
Depreciation expense:	<u>(848,196)</u>	(478,750)

**Debt service:**

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

425,431

**Unmatured interest on long-term debt:**

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

2,327

**Compensated absences:**

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(17,564)

**Postemployment benefits other than pensions (OPEB):**

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(131,070)

**Pensions:**

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

(1,033,871)

**Amortization of debt issuance premium or discount:**

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

9,744

**Change in Net Position of Governmental Activities** \$ (67,346)

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



**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Willows Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**Fund Financial Statements.** The fund financial statements provide information about the District’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Non-Major Governmental Funds**

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Student Activity Fund:** This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Capital Project Funds (continued)**

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**D. Basis of Accounting – Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Cash and Cash Equivalents**

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are valued at cost using average cost method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Land Improvements	10 – 50 years
Buildings & Improvements	25 – 50 years
Furniture & Equipment	5 – 50 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**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 the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Fund Balance (continued)**

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**F. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**G. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.



**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**J. New Accounting Pronouncements**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. New Accounting Pronouncements (continued)**

**GASB Statement No. 92** – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

**GASB Statement No. 97** – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Activities</b>
Investment in county treasury	\$ 9,036,591
Cash on hand and in banks	195,732
Cash in revolving fund	4,275
<b>Total</b>	<b>\$ 9,236,598</b>

**B. Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**B. Policies and Practices (continued)**

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$9,123,504 and an amortized book value of \$9,036,591.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were not rated.

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Glenn County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2021 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	\$ 9,123,504
<b>Total</b>	<b><u>\$ 9,123,504</u></b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 161,698	\$ 30,441	\$ 192,139
State Government			
Apportionment	1,989,445	-	1,989,445
Categorical aid	300,948	2,407	303,355
Lottery	94,732	-	94,732
Local Government			
Other local sources	383,958	39,436	423,394
<b>Total</b>	<b>\$ 2,930,781</b>	<b>\$ 72,284</b>	<b>\$ 3,003,065</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 106,915	\$ -	\$ -	\$ 106,915
Total Capital Assets not Being Depreciated	106,915	-	-	106,915
Capital assets being depreciated				
Land improvements	6,049,855	-	-	6,049,855
Buildings & improvements	14,758,771	78,155	-	14,836,926
Furniture & equipment	3,391,979	291,291	-	3,683,270
Total Capital Assets Being Depreciated	24,200,605	369,446	-	24,570,051
Less Accumulated Depreciation				
Land improvements	2,435,543	324,766	-	2,760,309
Buildings & improvements	8,453,165	329,951	-	8,783,116
Furniture & equipment	1,963,620	193,479	-	2,157,099
Total Accumulated Depreciation	12,852,328	848,196	-	13,700,524
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 11,455,192</b>	<b>\$ (478,750)</b>	<b>\$ -</b>	<b>\$ 10,976,442</b>

Depreciation expense was allocated to governmental activities as follows:

<b>Governmental Activities</b>	
Instructional supervision and administration	\$ 92,043
School site administration	1,113
Home-to-school transportation	6,354
Food services	40,485
All other pupil services	8,569
Centralized data processing	3,071
All other general administration	3,461
Plant services	32,323
Facilities acquisition and maintenance	659,758
Ancillary services	1,019
	<u>\$ 848,196</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2021 consisted of \$26,890 due from the Cafeteria Fund to the General Fund for indirect costs.

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2021 consisted of the following:

	<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>	
		<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund		\$ 821,283	\$ 821,283
<b>Total</b>		<b>\$ 821,283</b>	<b>\$ 821,283</b>
Transfer from the General Fund to the Cafeteria Fund for annual contribution to the program.		\$	50,000
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for contributions.			771,283
<b>Total</b>		<b>\$</b>	<b>821,283</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>District-Wide</u>	<u>Governmental Activities</u>
Vendors payable	\$ 872,266	\$ 39,574	\$ -	\$ 911,840
Unmatured interest	-	-	116,006	116,006
Other liabilities	1,196,658	-	-	1,196,658
<b>Total</b>	<b>\$ 2,068,924</b>	<b>\$ 39,574</b>	<b>\$ 116,006</b>	<b>\$ 2,224,504</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2021, consisted of the following:

	<u>General Fund</u>
Federal sources	\$ 154,306
State categorical sources	416,644
<b>Total</b>	<b>\$ 570,950</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term debt for the year ended June 30, 2021 consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 7,625,000	\$ -	\$ 170,000	\$ 7,455,000	\$ 185,000
Unamortized premium	204,620	-	9,744	194,876	9,744
Total general obligation bonds	7,829,620	-	179,744	7,649,876	194,744
Qualified zone academy bonds	2,947,086	-	255,431	2,691,655	257,858
Compensated absences	95,190	17,564	-	112,754	-
Total OPEB liability	7,337,466	198,645	-	7,536,111	-
Net pension liability	15,377,118	1,558,605	-	16,935,723	-
<b>Total</b>	<b>\$ 33,586,480</b>	<b>\$ 1,774,814</b>	<b>\$ 435,175</b>	<b>\$ 34,926,119</b>	<b>\$ 452,602</b>

- Payments for the general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for qualified zone academy bonds are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. General Obligation Bonds**

In the November 2016 election, the citizens of the District approved the issuance and sale of not more than \$8,000,000 of general obligation bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list. Under such voters' authorization, there has been one bond issuance (2017 Series A) with terms summarized as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2020	Additions	Deductions	Bonds Outstanding June 30, 2021
Election 2016, 2017 Series A	March 28, 2017	August 1, 2040	2.00% - 5.00%	\$8,000,000	\$ 7,625,000	\$ -	\$ 170,000	\$ 7,455,000
					\$ 7,625,000	\$ -	\$ 170,000	\$ 7,455,000

Debt service payments are made from property tax levy authorized by the voters.

The annual requirements to amortize these bonds and the remaining outstanding balance of Election 2016, 2017 Series A are as follows:

Year Ended June 30,	General obligation bonds		
	Principal	Interest	Total
2022	\$ 185,000	\$ 270,525	\$ 455,525
2023	200,000	264,750	464,750
2024	215,000	258,525	473,525
2025	230,000	251,850	481,850
2026	250,000	244,650	494,650
2027 - 2031	1,520,000	1,098,041	2,618,041
2032 - 2036	2,060,000	816,184	2,876,184
2037 - 2041	2,795,000	353,531	3,148,531
<b>Total</b>	<b>\$ 7,455,000</b>	<b>\$ 3,558,056</b>	<b>\$ 11,013,056</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**B. Qualified Zone Academy Bonds**

On August 15, 2013, the District entered into a lease agreement with Public Property Financing Corporation of California under a Qualified Zone Academy Bond (QZAB) to provide financing in the maximum amount of \$3,955,000 for an educational program of the District, which consists of comprehensive lighting retrofit along with power generation including electrical distribution upgrades, and as funds permit, general building rehabilitation and repairs at Murdock Elementary School, Willows Intermediate School, and Willows High School. Semi-annual payments are to be made each June 16 and December 16, commencing December 16, 2013 and continuing through December 16, 2030. The interest rate is stated at 0.95% per year. The QZAB has payments as follows:

Year Ended June 30,	QZAB		
	Principal	Interest	Total
2022	\$ 257,858	\$ 24,346	\$ 282,204
2023	260,308	21,885	282,193
2024	262,781	19,400	282,181
2025	265,277	16,892	282,169
2026	267,797	14,360	282,157
2027 - 2031	1,377,634	32,966	1,410,600
<b>Total</b>	<b>\$ 2,691,655</b>	<b>\$ 129,849</b>	<b>\$ 2,821,504</b>

**C. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$112,754. This amount is included as part of long-term liabilities in the government-wide financial statements.

**D. Other Postemployment Benefits**

The District's beginning total OPEB liability was \$7,337,466 and increased by \$198,645 during the year ended June 30, 2021. The ending total OPEB liability at June 30, 2021 was \$7,536,111. See Note 10 for additional information regarding the total OPEB liability.

**E. Net Pension Liability**

The District's beginning net pension liability was \$15,377,118 and increased by \$1,558,605 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was \$16,935,723. See Note 11 for additional information regarding the net pension liability.



**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 4,275	\$ -	\$ 4,275
Stores inventory	250	10,827	11,077
Prepaid expenditures	17,819	-	17,819
Total non-spendable	<u>22,344</u>	<u>10,827</u>	<u>33,171</u>
Restricted			
Educational programs	2,896,696	-	2,896,696
Food service	-	229,437	229,437
Associated student body	-	189,466	189,466
Capital projects	-	1,114,085	1,114,085
Debt service	-	393,978	393,978
Total restricted	<u>2,896,696</u>	<u>1,926,966</u>	<u>4,823,662</u>
Committed			
Textbooks Curriculum	226,664	-	226,664
Deferred Maintenance	-	355,471	355,471
Total committed	<u>226,664</u>	<u>355,471</u>	<u>582,135</u>
Assigned			
Classified vacation accruals	75,000	-	75,000
Title I & Title II shortfall 22-24	125,000	-	125,000
STRS & PERS increased costs: 2022	366,836	-	366,836
Total assigned	<u>566,836</u>	<u>-</u>	<u>566,836</u>
Unassigned	3,583,307	-	3,583,307
<b>Total Fund Balance</b>	<u>\$ 7,295,847</u>	<u>\$ 2,293,264</u>	<u>\$ 9,589,111</u>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The Willows Unified School District’s defined benefit OPEB plan, Willows Unified School District’s Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District.

**B. Benefits Provided**

The eligibility requirements and benefits provided by the Plan are described below.

Certificated employees who have attained age 55 and have completed at least 15 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to an annual cap of \$11,611 (\$12,579 for retirements before July 1, 2014, and \$12,095 for retirements between July 1, 2014 and June 30, 2017). District-paid benefits end at age 65.

Classified employees who have attained age 55 and have completed at least 20 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to an annual cap of \$12,000 (\$11,611 for retirements before July 1, 2014). District-paid benefits end at age 65 for those hired on or after January 1, 1995, and continue for life for those hired before January 1, 1995.

Management and Confidential employees who have attained age 55 and have completed at least 15 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to an annual cap of \$12,000 (\$11,611 for retirements before July 1, 2014). District-paid benefits end at age 65 for those hired on or after January 1, 1995, and continue for life for those hired before January 1, 1995.

**C. Contributions**

For fiscal year 2020-21, the District contributed \$471,738 to the Plan, all of which was used for current premiums

**D. Plan Membership**

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	44
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>95</u>
<b>Total number of participants**</b>	<u>139</u>

\*Information not provided

\*\*As of the July 1, 2019 valuation date

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**E. Total OPEB Liability**

The Willows Unified School District’s total OPEB liability of \$7,536,111 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019.

**F. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

**Economic assumptions:**

Inflation	2.75%
Salary increases	3.00%
Healthcare cost trend rates	4.00%

**Non-economic assumptions:**

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection

The actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2020 to June 30, 2021.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

**G. Changes in Total OPEB Liability**

	<u>June 30, 2021</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 141,541
Interest on total OPEB liability	177,492
Changes of assumptions	351,350
Benefits payments	<u>(471,738)</u>
Net change in total OPEB liability	198,645
Total OPEB liability - beginning	<u>7,337,466</u>
Total OPEB liability - ending	<u>\$ 7,536,111</u>
Covered-employee payroll	\$ 8,375,087
District's total OPEB liability as a percentage of covered-employee payroll	89.98%

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Willows Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92 percent) or one percentage point higher (2.92 percent) than the current discount rate:

	<u>1% Decrease (0.92%)</u>	<u>Valuation Discount Rate (1.92%)</u>	<u>1% Increase (2.92%)</u>
Total OPEB liability (asset)	\$ 8,279,733	\$ 7,536,111	\$ 6,894,918

**I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability of the Willows Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	<u>1% Decrease (3.00%)</u>	<u>Valuation Trend Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
Total OPEB liability (asset)	\$ 7,321,941	\$ 7,536,111	\$ 7,708,358

**J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2021 the Willows Unified School District recognized OPEB expense of \$602,808. At June 30, 2021, the Willows Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 470,794	\$ -
Changes in assumptions	1,159,362	98,451
<b>Total</b>	<u>\$ 1,630,156</u>	<u>\$ 98,451</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 318,936	\$ 35,161
2023	318,936	35,161
2024	318,936	28,129
2025	301,492	-
2026	284,050	-
2027	87,806	-
<b>Total</b>	<u>\$ 1,630,156</u>	<u>\$ 98,451</u>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 11,963,431	\$ 3,336,767	\$ 1,195,306	\$ 1,527,349
PERS Pension	4,972,292	1,431,319	-	1,128,559
<b>Total</b>	<u>\$ 16,935,723</u>	<u>\$ 4,768,086</u>	<u>\$ 1,195,306</u>	<u>\$ 2,655,908</u>

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,177,660 for the year ended June 30, 2021.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$739,954 to CalSTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 11,963,431
State's proportionate share of the net pension liability associated with the District	<u>6,167,100</u>
<b>Total</b>	<b><u>\$ 18,130,531</u></b>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.012 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2019.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

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

For the year ended June 30, 2021, the District recognized pension expense of \$1,527,349. In addition, the District recognized pension expense and revenue of \$192,823 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 284,182	\$ -
Differences between expected and actual experience	21,110	337,389
Changes in assumptions	1,166,604	-
Changes in proportion and differences between District contributions and proportionate share of contributions	687,211	857,917
District contributions subsequent to the measurement date	1,177,660	-
<b>Total</b>	<u>\$ 3,336,767</u>	<u>\$ 1,195,306</u>

The \$1,177,660 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 400,408	\$ 320,044
2023	670,762	296,342
2024	693,311	275,234
2025	308,021	113,574
2026	68,457	111,476
2027	18,148	78,636
<b>Total</b>	<u>\$ 2,159,107</u>	<u>\$ 1,195,306</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

\*20-year geometric average



**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 18,075,078	\$ 11,963,431	\$ 6,917,406

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$406,114 for the year ended June 30, 2021.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported a liability of \$4,972,292 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.016 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2019.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS) (continued)**

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

For the year ended June 30, 2021, the District recognized pension expense of \$1,128,560. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 103,507
Differences between expected and actual experience	246,610
Changes in assumptions	18,234
Changes in proportion and differences between District contributions and proportionate share of contributions	656,854
District contributions subsequent to the measurement date	406,114
<b>Total</b>	<u>\$ 1,431,319</u>

The \$406,114 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2022	\$ 354,312
2023	334,184
2024	287,281
2025	49,428
<b>Total</b>	<u>\$ 1,025,205</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

\*An expected inflation of 2.00% used for this period.

\*\*An expected inflation of 2.92% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 7,148,576	\$ 4,972,292	\$ 3,166,085

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

**C. Construction Commitments**

As of June 30, 2021, the District had \$394,295 of commitments with respect to unfinished capital projects.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of three joint powers authorities (JPAs). The first is the California's Valued Trust (CVT) to provide the District's health and welfare benefits; another is Golden State Risk Management Authority (GSRMA) to provide the District's property and liability coverage; and the final is the Schools Excess Liability Fund (SELF) to provide excess liability coverage. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total deferred outflows related to pensions was \$4,768,086 and total deferred inflows related to pensions was \$1,195,306.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)**

**B. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2021, total deferred outflows related to other postemployment benefits was \$1,630,156 and total deferred inflows related to other postemployment benefits was \$98,451.

**NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE**

The amounts previously reported at June 30, 2020 as the ending net position for Governmental Activities and Private-Purpose Trust Fund and the ending fund balance for the Student Activity Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding scholarship accounts and associated student body (ASB) accounts, it has been determined that the District’s Private-Purpose Trust Fund and ASB accounts are not fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. The June 30, 2020 ending balances have been restated as follows:

	<u>Governmental Activities</u>	<u>Private-Purpose Trust Fund</u>
Net Position - Beginning, as Previously Reported	\$ (9,601,996)	\$ 114,611
Restatement	297,255	(114,611)
Net Position - Beginning, as Restated	<u>\$ (9,304,741)</u>	<u>\$ -</u>

	<u>General Fund</u>	<u>Student Activity Fund</u>	<u>Private-Purpose Trust Fund</u>
Fund Balance - Beginning, as Previously Reported	\$ 7,308,281	\$ -	\$ 112,131
Restatement	112,131	182,644	(112,131)
Fund Balance - Beginning, as Restated	<u>\$ 7,420,412</u>	<u>\$ 182,644</u>	<u>\$ -</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 13,744,278	\$ 15,039,031	\$ 15,122,266	\$ 83,235
Federal sources	579,379	2,085,953	1,855,417	(230,536)
Other state sources	544,822	864,917	1,881,372	1,016,455
Other local sources	350,910	527,355	595,639	68,284
<b>Total Revenues</b>	<b>15,219,389</b>	<b>18,517,256</b>	<b>19,454,694</b>	<b>937,438</b>
<b>EXPENDITURES</b>				
Certificated salaries	7,391,994	7,575,155	7,778,252	(203,097)
Classified salaries	1,885,351	2,079,172	2,362,186	(283,014)
Employee benefits	2,701,960	2,847,089	2,885,688	(38,599)
Books and supplies	1,063,538	2,047,095	1,420,595	626,500
Services and other operating expenditures	1,256,758	1,799,802	1,283,125	516,677
Capital outlay	114,807	354,744	403,271	(48,527)
Other outgo				
Excluding transfers of indirect costs	2,544,151	2,391,662	2,280,529	111,133
Transfers of indirect costs	(22,065)	(22,065)	(26,890)	4,825
<b>Total Expenditures</b>	<b>16,936,494</b>	<b>19,072,654</b>	<b>18,386,756</b>	<b>685,898</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,717,105)</b>	<b>(555,398)</b>	<b>1,067,938</b>	<b>1,623,336</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(110,000)	(110,000)	(1,190,023)	(1,080,023)
<b>Net Financing Sources (Uses)</b>	<b>(110,000)</b>	<b>(110,000)</b>	<b>(1,190,023)</b>	<b>(1,080,023)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,827,105)</b>	<b>(665,398)</b>	<b>(122,085)</b>	<b>543,313</b>
<b>Fund Balance - Beginning</b>	<b>7,305,800</b>	<b>7,305,800</b>	<b>7,305,800</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,478,695</b>	<b>\$ 6,640,402</b>	<b>\$ 7,183,715</b>	<b>\$ 543,313</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of \$739,954 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Private-Purpose Trust Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 84.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 141,541	\$ 121,800	\$ 89,155	\$ 94,060
Interest on total OPEB liability	177,492	218,232	203,445	190,611
Difference between expected and actual experience	-	651,870	-	-
Changes of assumptions	351,350	1,021,267	226,758	(239,095)
Benefits payments	<u>(471,738)</u>	<u>(566,485)</u>	<u>(492,820)</u>	<u>(538,119)</u>
Net change in total OPEB liability	198,645	1,446,684	26,538	(492,543)
Total OPEB liability - beginning	<u>7,337,466</u>	<u>5,890,782</u>	<u>5,864,244</u>	<u>6,356,787</u>
Total OPEB liability - ending	<u>\$ 7,536,111</u>	<u>\$ 7,337,466</u>	<u>\$ 5,890,782</u>	<u>\$ 5,864,244</u>
Covered-employee payroll	\$ 8,375,087	\$ 8,085,289	\$ 7,999,660	\$ 8,253,556
District's total OPEB liability as a percentage of covered-employee payroll	89.98%	90.75%	73.64%	71.05%

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.012%	0.013%	0.013%	0.012%	0.013%	0.013%	0.012%
District's proportionate share of the net pension liability	\$ 11,963,431	\$ 11,771,519	\$ 11,595,192	\$ 11,083,490	\$ 10,910,972	\$ 8,576,263	\$ 7,187,076
State's proportionate share of the net pension liability associated with the District	6,167,100	6,422,201	6,638,822	6,556,953	6,212,337	4,535,886	4,339,866
<b>Total</b>	<u>\$ 18,130,531</u>	<u>\$ 18,193,720</u>	<u>\$ 18,234,014</u>	<u>\$ 17,640,443</u>	<u>\$ 17,123,309</u>	<u>\$ 13,112,149</u>	<u>\$ 11,526,942</u>
District's covered payroll	\$ 7,200,759	\$ 7,055,698	\$ 6,715,588	\$ 6,499,814	\$ 6,911,670	\$ 5,810,473	\$ 5,477,939
District's proportionate share of the net pension liability as a percentage of its covered payroll	166.1%	166.8%	172.7%	170.5%	157.9%	147.6%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.016%	0.012%	0.012%	0.012%	0.012%	0.013%	0.012%
District's proportionate share of the net pension liability	\$ 4,972,292	\$ 3,605,599	\$ 3,261,224	\$ 2,919,832	\$ 2,436,588	\$ 1,947,623	\$ 1,414,181
District's covered payroll	\$ 1,778,506	\$ 1,708,645	\$ 1,617,546	\$ 1,558,120	\$ 1,490,941	\$ 1,477,995	\$ 1,307,682
District's proportionate share of the net pension liability as a percentage of its covered payroll	279.6%	211.0%	201.6%	187.4%	163.4%	131.8%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,177,660	\$ 1,229,703	\$ 1,149,523	\$ 970,017	\$ 813,458	\$ 683,286	\$ 554,757
Contributions in relation to the contractually required contribution*	(1,177,660)	(1,229,703)	(1,149,523)	(970,017)	(813,458)	(683,286)	(554,757)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,331,568	\$ 7,200,759	\$ 7,055,698	\$ 6,715,588	\$ 6,499,814	\$ 6,911,670	\$ 5,810,473
Contributions as a percentage of covered payroll	16.06%	17.08%	16.29%	14.44%	12.52%	9.89%	9.55%

\*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 406,114	\$ 350,220	\$ 309,172	\$ 250,987	\$ 216,609	\$ 186,165	\$ 173,627
Contributions in relation to the contractually required contribution*	(406,114)	(350,220)	(309,172)	(250,987)	(216,609)	(186,165)	(173,627)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,958,719	\$ 1,778,506	\$ 1,708,645	\$ 1,617,546	\$ 1,558,120	\$ 1,490,941	\$ 1,477,995
Contributions as a percentage of covered payroll	20.73%	19.69%	18.09%	15.52%	13.90%	12.49%	11.75%

\*Amounts do not include on-behalf contributions

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Total OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Changes in Benefit Terms**

There were no change in benefit terms since the previous valuation for OPEB.

**Changes in Assumptions**

The healthcare trend rate changed from 4.50% to 4.00% since the previous valuation for OPEB.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 7,575,155	\$ 7,778,252	\$ 203,097
Classified salaries	\$ 2,079,172	\$ 2,362,186	\$ 283,014
Employee benefits	\$ 2,847,089	\$ 2,885,688	\$ 38,599
Capital outlay	\$ 354,744	\$ 403,271	\$ 48,527



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## **SUPPLEMENTARY INFORMATION**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 346,220
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	34,859
Title III, English Learner Student Program	84.365	14346	31,597
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	27,191
California State Gear Up Program	84.048	10088	65,639
<b>COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:</b>			
Governor's Emergency Education Relief (GEER) Fund	84.425C	10148	3,034
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	127,532
Subtotal Education Stabilization Fund Discretionary Grants			<u>130,566</u>
<b>Total U. S. Department of Education</b>			<u>636,072</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
<b>COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast Program - Needy	10.553	13526	221,534
National School Lunch Program	10.555	13391	433,870
USDA Commodities	10.555	*	43,932
Meal Supplements	10.555	*	46,615
Subtotal Child Nutrition Cluster			<u>745,951</u>
Forest Reserve Funds	10.665	10044	8,984
<b>Total U. S. Department of Agriculture</b>			<u>754,935</u>
<b>U. S. DEPARTMENT OF INTERIOR</b>			
<i>Direct Award</i>			
U.S. Wildlife Reserve Funds	15.673	*	20,230
<b>Total U. S. Department of the Treasury</b>			<u>20,230</u>
<b>U. S. DEPARTMENT OF THE TREASURY:</b>			
<i>Passed through California Department of Education:</i>			
<b>COVID-19 Emergency Acts Funding:</b>			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	10149	1,142,906
<b>Total U. S. Department of the Treasury</b>			<u>1,142,906</u>
<b>Total Federal Expenditures</b>			<u>\$ 2,554,143</u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2021**

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<b>Grade Level</b>	<b>2020-21 Number of Days</b>	<b>Status</b>
Kindergarten	180	Complied
Grade 1	180	Complied
Grade 2	180	Complied
Grade 3	180	Complied
Grade 4	180	Complied
Grade 5	180	Complied
Grade 6	180	Complied
Grade 7	180	Complied
Grade 8	180	Complied
Grade 9	180	Complied
Grade 10	180	Complied
Grade 11	180	Complied
Grade 12	180	Complied

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 20,308,077	\$ 19,454,694	\$ 17,187,487	\$ 16,437,907
Expenditures And Other Financing Uses	18,973,276	19,576,779	16,664,932	16,322,112
Net change in Fund Balance	\$ 1,334,801	\$ (122,085)	\$ 522,555	\$ 115,795
Ending Fund Balance	\$ 8,518,516	\$ 7,183,715	\$ 7,305,801	\$ 6,783,246
Available Reserves*	\$ 1,918,330	\$ 1,838,675	\$ 1,666,493	\$ 1,805,663
Available Reserves As A Percentage Of Outgo	10.11%	9.39%	10.00%	11.06%
Long-term Liabilities	\$ 34,473,517	\$ 34,926,119	\$ 33,588,861	\$ 32,029,070
Average Daily Attendance At P-2***	1,299	1,370	1,370	1,386

The General Fund ending fund balance has increased by \$400,469 over the past two years. The fiscal year 2021-22 budget projects a further increase of \$1,334,801. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term obligations have increased by \$2,897,049 over the past two years.

Average daily attendance has decreased by 16 ADA over the past two years. A further decrease of 71 ADA is anticipated during the 2021-22 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\*On-behalf payments of \$739,954 are not included in the actual revenues and expenditures reported in this schedule.

\*\*\*Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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	<b>General Fund</b>	<b>Foundation Private-Purpose Trust Fund</b>
June 30, 2021, annual financial and budget report fund balance	\$ 7,183,716	\$ 112,131
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 84)	112,131	(112,131)
Net adjustments and reclassifications	112,131	(112,131)
June 30, 2021, audited financial statement fund balance	<u>\$ 7,295,847</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2021**

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and investments	\$ 189,466	\$ 235,937	\$ 368,740	\$ 294	\$ 341,573	\$ 771,283	\$ 369,324	\$ 2,276,617
Accounts receivable	-	46,447	171	1	934	-	24,731	72,284
Stores inventory	-	10,827	-	-	-	-	-	10,827
<b>Total Assets</b>	<b>\$ 189,466</b>	<b>\$ 293,211</b>	<b>\$ 368,911</b>	<b>\$ 295</b>	<b>\$ 342,507</b>	<b>\$ 771,283</b>	<b>\$ 394,055</b>	<b>\$ 2,359,728</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$ -	\$ 26,057	\$ 13,440	\$ -	\$ -	\$ -	\$ 77	\$ 39,574
Due to other funds	-	26,890	-	-	-	-	-	26,890
<b>Total Liabilities</b>	<b>-</b>	<b>52,947</b>	<b>13,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>66,464</b>
<b>FUND BALANCES</b>								
Non-spendable	-	10,827	-	-	-	-	-	10,827
Restricted	189,466	229,437	-	295	342,507	771,283	393,978	1,926,966
Committed	-	-	355,471	-	-	-	-	355,471
<b>Total Fund Balances</b>	<b>189,466</b>	<b>240,264</b>	<b>355,471</b>	<b>295</b>	<b>342,507</b>	<b>771,283</b>	<b>393,978</b>	<b>2,293,264</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 189,466</b>	<b>\$ 293,211</b>	<b>\$ 368,911</b>	<b>\$ 295</b>	<b>\$ 342,507</b>	<b>\$ 771,283</b>	<b>\$ 394,055</b>	<b>\$ 2,359,728</b>

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2021**

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>								
LCHF sources	\$ -	\$ -	\$ 368,740	\$ -	\$ -	\$ -	\$ -	\$ 368,740
Federal sources	-	745,951	-	-	-	-	-	745,951
Other state sources	-	60,312	-	-	-	-	2,762	63,074
Other local sources	113,980	20,114	171	4	100,686	-	479,959	714,914
<b>Total Revenues</b>	<b>113,980</b>	<b>826,377</b>	<b>368,911</b>	<b>4</b>	<b>100,686</b>	<b>-</b>	<b>482,721</b>	<b>1,892,679</b>
<b>EXPENDITURES</b>								
Current								
Pupil services								
Food services	-	839,652	-	-	-	-	-	839,652
General administration								
All other general administration	-	26,890	-	-	-	-	-	26,890
Facilities acquisition and maintenance	-	-	13,440	-	-	-	-	13,440
Ancillary services	107,158	-	-	-	-	-	-	107,158
Debt service								
Principal	-	-	-	-	-	-	170,000	170,000
Interest and other	-	-	-	-	-	-	275,850	275,850
<b>Total Expenditures</b>	<b>107,158</b>	<b>866,542</b>	<b>13,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>445,850</b>	<b>1,432,990</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>6,822</b>	<b>(40,165)</b>	<b>355,471</b>	<b>4</b>	<b>100,686</b>	<b>-</b>	<b>36,871</b>	<b>459,689</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	50,000	-	-	-	771,283	-	821,283
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>771,283</b>	<b>-</b>	<b>821,283</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,822</b>	<b>9,835</b>	<b>355,471</b>	<b>4</b>	<b>100,686</b>	<b>771,283</b>	<b>36,871</b>	<b>1,280,972</b>
<b>Fund Balance - Beginning, as Restated</b>	<b>182,644</b>	<b>230,429</b>	<b>-</b>	<b>291</b>	<b>241,821</b>	<b>-</b>	<b>357,107</b>	<b>1,012,292</b>
<b>Fund Balance - Ending</b>	<b>\$ 189,466</b>	<b>\$ 240,264</b>	<b>\$ 355,471</b>	<b>\$ 295</b>	<b>\$ 342,507</b>	<b>\$ 771,283</b>	<b>\$ 393,978</b>	<b>\$ 2,293,264</b>

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2021**

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The Willows Unified School District was established in 1966. There were no changes in the boundaries of the District during the current year. The District operates one elementary school, one intermediate school, one high school, and one continuation school.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Jeromy Geiger	President	December 2024
Gina Taylor	Vice President	December 2026
Lourdes Ruiz	Clerk	December 2026
Kirsten Gray	Member	December 2026
Margaret Parisio	Member	December 2024

**DISTRICT ADMINISTRATORS**

Emmett Koerperich  
*Superintendent*

Debbie Costello  
*Director of Business Services*



**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*..

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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Certified Public Accountants serving  
K-12 School Districts and Charter  
Schools throughout California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

Governing Board  
Willows Unified School District  
Willows, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Willows Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Willows Unified School District's basic financial statements, and have issued our report thereon dated January 30, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Willows Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willows Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Willows Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Willows Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christy White, Inc.*

San Diego, California  
January 30, 2023



Certified Public Accountants serving  
K-12 School Districts and Charter  
Schools throughout California

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

Governing Board  
Willows Unified School District  
Willows, California

**Report on Compliance for Each Major Federal Program**

We have audited Willows Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Willows Unified School District's major federal programs for the year ended June 30, 2021. Willows Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Willows Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Willows Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Willows Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Willows Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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## Report on Internal Control Over Compliance

Management of Willows Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Willows Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Willows Unified School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Christy White, Inc.*

San Diego, California  
January 30, 2023



Certified Public Accountants serving  
K-12 School Districts and Charter  
Schools throughout California

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Governing Board  
Willows Unified School District  
Willows, California

#### **Report on State Compliance**

We have audited Willows Unified School District's compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Willows Unified School District's state programs for the fiscal year ended June 30, 2021, as identified below.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Willows Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Willows Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Willows Unified School District's compliance with those requirements.

#### ***Opinion on State Compliance***

In our opinion, Willows Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

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**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2021-001, and #2021-002. Our opinion on state compliance is not modified with respect to these matters.

Willows Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Willows Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Procedures Performed**

In connection with the audit referred to above, we selected and tested transactions and records to determine Willows Unified School District’s compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
<b>School Districts, County Offices of Education, and Charter Schools</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
<b>Charter Schools</b>	
Independent Study-Course Based; for charter schools	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

*Christy White, Inc.*

San Diego, California  
January 30, 2023



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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
21.019	Coronavirus Relief Fund (CRF)	
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

*There were no financial statement findings for the year ended June 30, 2021.*

**WILLOWS UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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FIVE DIGIT CODE  
50000

AB 3627 FINDING TYPE  
Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2021.*

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2021-001: ATTENDANCE AND DISTANCE LEARNING (10000)**

**Criteria:** In accordance with Education Code sections 43500-43504, the local education agency providing distance learning should adhere to the distance learning record keeping requirements, including documentation of weekly engagement records and daily participation.

**Condition:** The school sites did not maintain adequate documentation of weekly engagement records for its students participating in distance learning during the week of January 25, 2021. This was noted at all school sites throughout the District.

**Effect:** The District is not in compliance with distance learning requirements. There was a total of 5 days in which the District was out of compliance.

**Cause:** The District struggled in its response to COVID-19, including staffing shortages and lack of professional development. District personnel were not fully aware of documentation requirements specific to distance learning offered during the 2020-21 school year.

**Questioned Cost:** The total distance learning penalty amounts to \$3,850 as calculated below using guidance available from the California Department of Education (CDE):

Item Number	Calculating the Cost of a Distance Learning Audit Penalty	Grade Span				
		K	1-3	4-6	7-8	9-12
1	Affected grade level(s)	K	1-3	4-6	7-8	9-12
2	Days out of Compliance	5	15	15	10	20
3	Number of Days Required to be Offered	180	180	180	180	180
4	Derived Value of ADA by Grade Span	\$ 10,537.68	\$ 10,537.68	\$ 9,688.77	\$ 9,976.28	\$ 11,862.48
5	Distance Learning Penalty	\$ 293	\$ 878	\$ 807	\$ 554	\$ 1,318
6	Total Distance Learning Penalty	N/A	N/A	N/A	N/A	\$ 3,850

**Repeat Finding:** This is not a repeat finding.

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINDING #2021-001: ATTENDANCE AND DISTANCE LEARNING (10000) (continued)**

**Recommendation:** We recommend that the District ensure that school site personnel are properly trained and ensure the most updated information and guidance available from the CDE is implemented with respect to attendance procedures applicable to the school year.

**Corrective Action Plan:** The Director of Curriculum, Instruction and Assessment and the Attendance and Data Management Technician are now working more closely with school site personnel to ensure they are properly trained and to ensure the most updated information and guidance from the CDE is implemented with respect to attendance procedures applicable to each school year. Regular and frequent training, collaboration, and review of site attendance practices and data are now occurring to prevent a recurrence of this issue.

**FINDING #2021-002: CLASSROOM TEACHER SALARIES (61000)**

**Criteria:** As set forth in California Education Code section 41372, a unified school district should expend a minimum of 55% of the District's current expenses of education towards salaries of classroom teachers.

**Condition:** In the 2020-21 fiscal year, the District did not meet the minimum percentage requirement of 55%. The District only spent 52.73% on classroom teacher salaries in the 2020-21 fiscal year.

**Effect:** The District's current expense of education for the year ended June 30, 2021 was \$14,759,785 and the total salaries and benefits for classroom teachers was \$7,783,130. The District was below the minimum required percentage of 55% by 2.27% which calculates out to a deficiency of \$335,047.

**Cause:** The deficiency amount was due to the large amount of one-time funding received.

**Questioned Costs:** The questioned costs are the deficiency of \$335,047.

**Repeat Finding:** Not a repeat finding.

**Recommendation:** We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 55% minimum requirement. In addition, the District should file a waiver with Glenn County Office of Education.

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINDING #2021-002: CLASSROOM TEACHER SALARIES (61000) (continued)**

**Corrective Action Plan:** The District understood that there would be unilateral exemptions or suspension of the CEA minimum percentage for 2020-2021 due to the influx of one-time funding for COVID relief. The District expended \$1,938,928.39 in COVID relief funding of which only \$468,002.28 was for teachers' salaries and benefits. When the expenditure of COVID relief funds are excluded from the calculation, the District would have exceeded the required 55% threshold for unified school districts. As the one-time funds were intended for safety and COVID mitigation costs, not excluding them from the calculation results in punitive actions to those districts that expended the funding as required. The District will be submitting an Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries with the Glenn County Office of Education.

Willows Unified School District  
Analysis of CEA for the 2020-21 Fiscal Year

	Per CEA	Resources 32xx, 742x	CEA w COVID \$ excluded	
Current expense of education	14,759,785.00	1,938,928.39	12,820,856.61	
Total salaries and benefits for classroom teachers	7,783,129.61	468,002.28	7,315,127.33	
Percentage:	52.73%		57.06%	
Required Percentage:	55.00%		55.00%	
Deficiency	2.27%		-2.06%	Exceeds Required %

**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

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*There were no findings or questioned costs for the year ended June 30, 2020.*