

# WILLOWS UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2017

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

**FINANCIAL SECTION**

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	16
Fiduciary Funds – Statement of Net Position.....	18
Fiduciary Funds – Statement of Changes in Net Position.....	19
Notes to Financial Statements .....	20

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Budgetary Comparison Schedule .....	50
Schedule of Funding Progress .....	51
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS .....	52
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	53
Schedule of District Contributions - CalSTRS .....	54
Schedule of District Contributions - CalPERS.....	55
Notes to Required Supplementary Information.....	56

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards .....	58
Schedule of Average Daily Attendance (ADA).....	59
Schedule of Instructional Time.....	60
Schedule of Financial Trends and Analysis.....	61
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	62
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	64
Local Education Agency Organization Structure .....	65
Notes to Supplementary Information.....	66

**WILLOWS UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

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* ..... 68  
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 70  
Report on State Compliance..... 72

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results ..... 75  
Financial Statement Findings..... 76  
Federal Award Findings and Questioned Costs ..... 77  
State Award Findings and Questioned Costs..... 78  
Summary Schedule of Prior Audit Findings ..... 79

---

---

# FINANCIAL SECTION

---

---

## 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, 2017, 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

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, 2017, 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.

### *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 funding progress for OPEB benefits, 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, which is 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 November 22, 2017 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 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 Associates*

San Diego, California

November 22, 2017

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

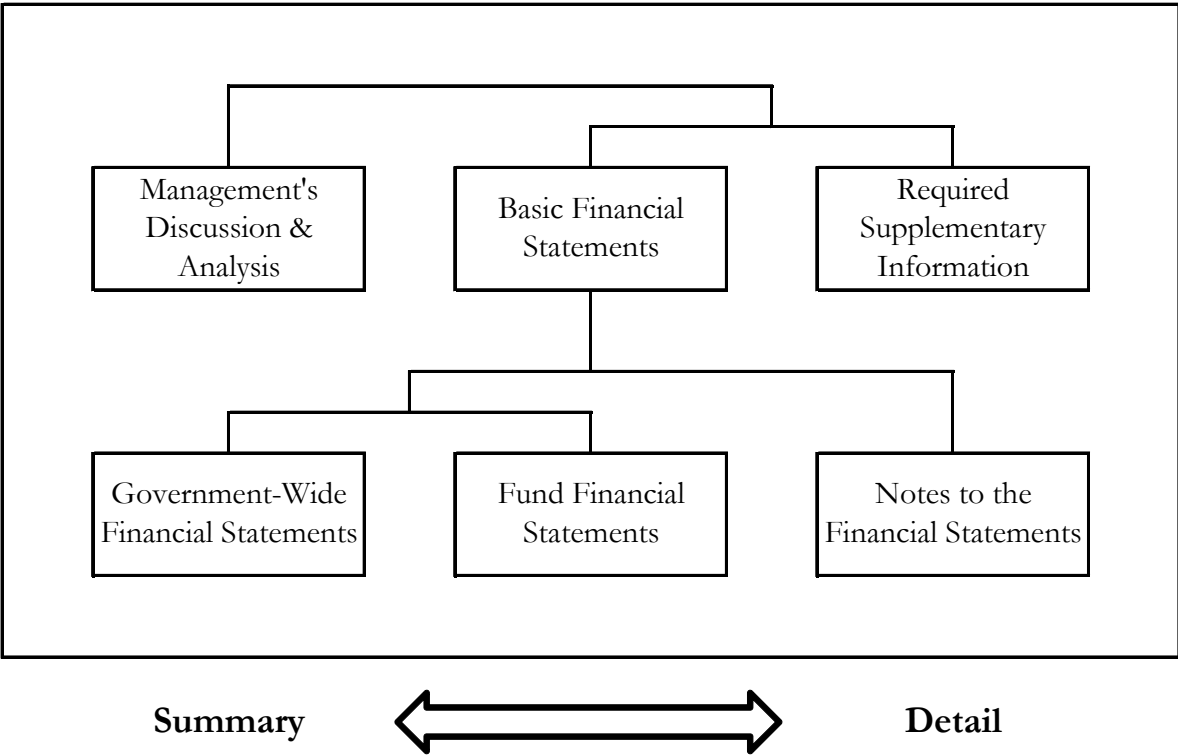
Our discussion and analysis of Willows Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Total net position was (\$1,994,820) at June 30, 2017. This was a decrease of \$644,500 from the prior year.
- Overall revenues were \$16,654,457 which was exceeded by expenses of \$17,298,957.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**





**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

---

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.
  
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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, 2017**

---

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

**Net Position**

The District's net position was (\$1,994,820) at June 30, 2017, as reflected in the table below. Of this amount, (\$8,259,402) 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>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 14,463,463	\$ 7,096,134	\$ 7,367,329
Capital assets	7,391,142	6,932,692	458,450
<b>Total Assets</b>	<b>21,854,605</b>	<b>14,028,826</b>	<b>7,825,779</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,134,004</b>	<b>1,369,067</b>	<b>1,764,937</b>
<b>LIABILITIES</b>			
Current liabilities	1,465,894	1,440,595	25,299
Long-term liabilities	25,086,326	14,300,526	10,785,800
<b>Total Liabilities</b>	<b>26,552,220</b>	<b>15,741,121</b>	<b>10,811,099</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>431,209</b>	<b>1,029,036</b>	<b>(597,827)</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,480,053	2,987,692	(1,507,639)
Restricted	4,784,529	3,147,437	1,637,092
Unrestricted	(8,259,402)	(7,485,449)	(773,953)
<b>Total Net Position</b>	<b>\$ (1,994,820)</b>	<b>\$ (1,350,320)</b>	<b>\$ (644,500)</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**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 them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 113,310	\$ 128,969	\$ (15,659)
Operating grants and contributions	2,300,905	1,872,570	428,335
General revenues			
Property taxes	4,383,433	4,110,134	273,299
Unrestricted federal and state aid	9,633,837	9,165,073	468,764
Other	222,972	460,033	(237,061)
<b>Total Revenues</b>	<b>16,654,457</b>	<b>15,736,779</b>	<b>917,678</b>
<b>EXPENSES</b>			
Instruction	9,092,239	7,563,406	1,528,833
Instruction-related services	1,879,465	1,579,524	299,941
Pupil services	1,537,695	1,511,892	25,803
General administration	918,454	888,981	29,473
Plant services	2,429,223	1,647,162	782,061
Debt service	97,574	53,117	44,457
Other Outgo	1,344,307	1,032,414	311,893
<b>Total Expenses</b>	<b>17,298,957</b>	<b>14,276,496</b>	<b>3,022,461</b>
<b>Change in net position</b>	<b>(644,500)</b>	<b>1,460,283</b>	<b>(2,104,783)</b>
<b>Net Position - Beginning</b>	<b>(1,350,320)</b>	<b>(2,810,603)</b>	<b>1,460,283</b>
<b>Net Position - Ending</b>	<b>\$ (1,994,820)</b>	<b>\$ (1,350,320)</b>	<b>\$ (644,500)</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

---

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

**Changes in Net Position (continued)**

The total cost of all our governmental activities this year was \$17,298,957, while the net cost of services was only \$14,884,742 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$4,383,433 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	<b>Net Cost of Services</b>	
	<b>2017</b>	<b>2016</b>
Instruction	\$ 7,867,581	\$ 6,619,427
Instruction-related services	1,642,682	1,420,587
Pupil services	746,041	702,722
General administration	884,843	815,895
Plant services	2,301,714	1,630,795
Debt service	97,574	53,117
Transfers to other agencies	1,344,307	1,032,414
<b>Total Expenses</b>	<b>\$ 14,884,742</b>	<b>\$ 12,274,957</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 \$13,244,433, which is more than last year’s ending fund balance of \$5,917,106. The District’s General Fund had \$1,081,952 more in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$1,978,188 more in operating expenditures than revenues, along with sources from the general obligation bonds of \$8,000,000 for the year ended June 30, 2017.

**CURRENT YEAR BUDGET 2016-17**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly 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, 2017**

---

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016-17 the District had invested \$7,391,142 in capital assets, net of accumulated depreciation.

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 106,915	\$ 106,915	\$ -
Land improvements	5,550,482	4,750,747	799,735
Buildings & improvements	8,820,070	8,820,070	-
Furniture & equipment	2,866,444	2,684,673	181,771
Accumulated depreciation	(9,952,769)	(9,429,713)	(523,056)
<b>Total Capital Assets</b>	<b>\$ 7,391,142</b>	<b>\$ 6,932,692</b>	<b>\$ 458,450</b>

**Long-Term Liabilities**

At year-end, the District had \$25,086,326 in long-term liabilities, an increase of 75.4% 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.)

	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 8,233,852	\$ -	\$ 8,233,852
Qualified zone academy bonds	3,699,049	3,945,000	(245,951)
Compensated absences	63,897	77,591	(13,694)
Net pension liability	13,347,560	10,523,886	2,823,674
Less: current portion of long-term debt	(258,032)	(245,951)	(12,081)
<b>Total Long-term Liabilities</b>	<b>\$ 25,086,326</b>	<b>\$ 14,300,526</b>	<b>\$ 10,785,800</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**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.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. 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. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

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.

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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.

All of these factors were considered in preparing the District's budget for the 2017-18 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, 2017**

---

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 14,038,242
Accounts receivable	335,546
Inventory	2,373
Net OPEB asset	87,302
Capital assets, not depreciated	106,915
Capital assets, net of accumulated depreciation	7,284,227
<b>Total Assets</b>	<b>21,854,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	3,134,004
<b>Total Deferred Outflows of Resources</b>	<b>3,134,004</b>
<b>LIABILITIES</b>	
Deficit cash	9,257
Accrued liabilities	1,069,062
Unearned revenue	129,543
Long-term liabilities, current portion	258,032
Long-term liabilities, non-current portion	25,086,326
<b>Total Liabilities</b>	<b>26,552,220</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	431,209
<b>Total Deferred Inflows of Resources</b>	<b>431,209</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,480,053
Restricted:	
Capital projects	416,478
Debt service	158,230
Educational programs	4,110,334
All others	99,487
Unrestricted	(8,259,402)
<b>Total Net Position</b>	<b>\$ (1,994,820)</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 9,092,239	\$ -	\$ 1,224,658	\$ (7,867,581)
Instruction-related services				
Instructional supervision and administration	147,687	-	106,124	(41,563)
Instructional library, media, and technology	153,106	-	25,308	(127,798)
School site administration	1,578,672	-	105,351	(1,473,321)
Pupil services				
Home-to-school transportation	230,322	-	-	(230,322)
Food services	743,992	112,837	553,510	(77,645)
All other pupil services	563,381	-	125,307	(438,074)
General administration				
Centralized data processing	84,914	-	-	(84,914)
All other general administration	833,540	-	33,611	(799,929)
Plant services	2,429,223	473	127,036	(2,301,714)
Interest on long-term debt	97,574	-	-	(97,574)
Other Outgo	1,344,307	-	-	(1,344,307)
<b>Total Governmental Activities</b>	<b>\$ 17,298,957</b>	<b>\$ 113,310</b>	<b>\$ 2,300,905</b>	<b>(14,884,742)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				4,149,581
Property taxes, levied for debt service				233,852
Federal and state aid not restricted for specific purposes				9,633,837
Interest and investment earnings				68,119
Interagency revenues				123,802
Miscellaneous				31,051
<b>Subtotal, General Revenue</b>				<b>14,240,242</b>
<b>CHANGE IN NET POSITION</b>				<b>(644,500)</b>
<b>Net Position - Beginning</b>				<b>(1,350,320)</b>
<b>Net Position - Ending</b>				<b>\$ (1,994,820)</b>

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



**WILLOWS UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

---

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 7,080,890	\$ 6,364,344	\$ 593,008	\$ 14,038,242
Accounts receivable	231,150	21,990	82,406	335,546
Due from other funds	10,693	-	117,770	128,463
Stores inventory	-	-	2,373	2,373
<b>Total Assets</b>	<b>\$ 7,322,733</b>	<b>\$ 6,386,334</b>	<b>\$ 795,557</b>	<b>\$ 14,504,624</b>
<b>LIABILITIES</b>				
Deficit cash	\$ -	\$ -	\$ 9,257	\$ 9,257
Accrued liabilities	663,964	306,059	22,905	992,928
Due to other funds	59,307	58,463	10,693	128,463
Unearned revenue	129,543	-	-	129,543
<b>Total Liabilities</b>	<b>852,814</b>	<b>364,522</b>	<b>42,855</b>	<b>1,260,191</b>
<b>FUND BALANCES</b>				
Nonspendable	6,775	-	2,373	9,148
Restricted	4,110,334	6,021,812	750,329	10,882,475
Committed	276,547	-	-	276,547
Assigned	1,137,157	-	-	1,137,157
Unassigned	939,106	-	-	939,106
<b>Total Fund Balances</b>	<b>6,469,919</b>	<b>6,021,812</b>	<b>752,702</b>	<b>13,244,433</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,322,733</b>	<b>\$ 6,386,334</b>	<b>\$ 795,557</b>	<b>\$ 14,504,624</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, 2017**

---

**Total Fund Balance - Governmental Funds** \$ 13,244,433

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	\$ 17,343,911	
Accumulated depreciation	(9,952,769)	7,391,142
		<hr/>

Net OPEB asset:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including net OPEB assets. 87,302

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: (76,134)

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	\$ 8,233,852	
Qualified zone academy bonds	3,699,049	
Compensated absences	63,897	
Net pension liability	13,347,560	(25,344,358)
		<hr/>

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	\$ 3,134,004	
Deferred inflows of resources related to pensions	(431,209)	2,702,795
		<hr/>

**Total Net Position - Governmental Activities** \$ (1,994,820)

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 12,787,243	\$ -	\$ -	\$ 12,787,243
Federal sources	590,965	-	509,639	1,100,604
Other state sources	1,451,162	-	41,617	1,492,779
Other local sources	389,356	21,989	174,242	585,587
<b>Total Revenues</b>	<b>15,218,726</b>	<b>21,989</b>	<b>725,498</b>	<b>15,966,213</b>
<b>EXPENDITURES</b>				
Current				
Instruction	8,118,072	-	-	8,118,072
Instruction-related services				
Instructional supervision and administration	130,655	-	-	130,655
Instructional library, media, and technology	143,760	-	-	143,760
School site administration	1,449,847	-	-	1,449,847
Pupil services				
Home-to-school transportation	192,633	-	-	192,633
Food services	-	-	733,049	733,049
All other pupil services	499,021	-	-	499,021
General administration				
Centralized data processing	83,297	-	-	83,297
All other general administration	776,628	-	-	776,628
Plant services	1,238,270	-	2,738	1,241,008
Facilities acquisition and maintenance	58,240	1,819,214	-	1,877,454
Transfers to other agencies	1,163,344	-	-	1,163,344
Debt service				
Principal	245,951	-	-	245,951
Interest and other	37,056	180,963	-	218,019
<b>Total Expenditures</b>	<b>14,136,774</b>	<b>2,000,177</b>	<b>735,787</b>	<b>16,872,738</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>1,081,952</b>	<b>(1,978,188)</b>	<b>(10,289)</b>	<b>(906,525)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	135,000	135,000
Other sources	-	8,000,000	233,852	8,233,852
Transfers out	(135,000)	-	-	(135,000)
<b>Net Financing Sources (Uses)</b>	<b>(135,000)</b>	<b>8,000,000</b>	<b>368,852</b>	<b>8,233,852</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>946,952</b>	<b>6,021,812</b>	<b>358,563</b>	<b>7,327,327</b>
<b>Fund Balance - Beginning</b>	<b>5,522,967</b>	<b>-</b>	<b>394,139</b>	<b>5,917,106</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,469,919</b>	<b>\$ 6,021,812</b>	<b>\$ 752,702</b>	<b>\$ 13,244,433</b>

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, 2017**

---

**Net Change in Fund Balances - Governmental Funds** \$ 7,327,327

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:	\$ 1,015,421	
Depreciation expense:	(556,971)	458,450

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:

245,951

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(8,233,852)

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:

(60,518)

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:

13,694

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, 2017**

---

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 65,358

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: (460,910)

**Change in Net Position of Governmental Activities** \$ (644,500)

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

---

	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 74,198	\$ 103,561
Accounts receivable	264	-
Stores inventory	-	8,459
<b>Total Assets</b>	<u>74,462</u>	<u>\$ 112,020</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 112,020
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 112,020</u>
<b>NET POSITION</b>		
Unrestricted	<u>74,462</u>	
<b>Total Net Position</b>	<u>\$ 74,462</u>	

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

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

---

	<u>Trust Funds</u> <u>Private-Purpose</u> <u>Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 497
Other	1,500
<b>Total Additions</b>	<u>1,997</u>
<b>DEDUCTIONS</b>	
Other trust activities	22,500
<b>Total Deductions</b>	<u>22,500</u>
<b>CHANGE IN NET POSITION</b>	(20,503)
<b>Net Position - Beginning</b>	94,965
<b>Net Position - Ending</b>	<u>\$ 74,462</u>

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

WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

---

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, except for fiduciary activities. 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.



WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2017

---

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

C. Basis of Presentation (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – 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.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

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.

**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*).

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:

**Cafeteria Special Revenue 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*).

WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2017

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

**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).

**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*).

**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.

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Foundation Private-Purpose Trust Fund:** This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

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

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

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund 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.

**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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**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.

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.

WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2017

---

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*)

**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.

**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.

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*)

**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.

**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.

**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.

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**

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.

*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.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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.

**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.



WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2017

---

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

J. New Accounting Pronouncements

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard’s primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

**GASB Statement No. 82** – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2017

---

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 14,028,967	\$ 74,198
Cash on hand and in banks	5,000	103,561
Cash in revolving fund	4,275	-
<b>Total cash and investments</b>	<b>\$ 14,038,242</b>	<b>\$ 177,759</b>

\*Deficit cash of \$9,257 in the Non-Major Cafeteria Fund is not included in this amount.

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.

**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.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 \$14,110,300 and an amortized book value of \$14,103,165.

**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, 2017, the pooled investments in the County Treasury were not rated.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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, 2017, 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, 2017 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	\$ 14,110,300
<b>Total fair market value of investments</b>	<b><u>\$ 14,110,300</u></b>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	\$ 116,981	\$ -	\$ 75,325	\$ 192,306	\$ -
State Government					
Categorical aid	11,587	-	5,210	16,797	-
Lottery	59,947	-	-	59,947	-
Local Government					
Other local sources	42,635	21,990	1,871	66,496	264
<b>Total</b>	<b>\$ 231,150</b>	<b>\$ 21,990</b>	<b>\$ 82,406</b>	<b>\$ 335,546</b>	<b>\$ 264</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 106,915	\$ -	\$ -	\$ 106,915
<b>Total Capital Assets not Being Depreciated</b>	<b>106,915</b>	<b>-</b>	<b>-</b>	<b>106,915</b>
Capital assets being depreciated				
Land improvements	4,750,747	799,735	-	5,550,482
Buildings & improvements	8,820,070	-	-	8,820,070
Furniture & equipment	2,684,673	215,686	33,915	2,866,444
<b>Total Capital Assets Being Depreciated</b>	<b>16,255,490</b>	<b>1,015,421</b>	<b>33,915</b>	<b>17,236,996</b>
Less Accumulated Depreciation				
Land improvements	1,189,462	251,027	-	1,440,489
Buildings & improvements	6,621,184	169,875	-	6,791,059
Furniture & equipment	1,619,067	136,069	33,915	1,721,221
<b>Total Accumulated Depreciation</b>	<b>9,429,713</b>	<b>556,971</b>	<b>33,915</b>	<b>9,952,769</b>
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 6,932,692</b>	<b>\$ 458,450</b>	<b>\$ -</b>	<b>\$ 7,391,142</b>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**NOTE 4 – CAPITAL ASSETS (continued)**

Depreciation expense was allocated to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 173,071
Instructional supervision and administration	752
Instructional library, media, and technology	5,149
Home-to-school transportation	32,115
Food services	3,561
All other pupil services	4,499
Centralized data processing	1,617
All other general administration	38,404
Plant services	297,803
Total depreciation expense	\$ 556,971

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2017 consisted of the following:

Due To Other Funds	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 59,307	\$ 59,307
Building Fund	-	58,463	58,463
Non-Major Governmental Funds	10,693	-	10,693
<b>Total Due From Other Funds</b>	\$ 10,693	\$ 117,770	\$ 128,463

The General Fund owed the Non-Major Cafeteria Fund for cash flow purposes.	\$ 59,307
The Building Fund owed the Non-Major Bond Interest & Redemption Fund to properly record sources related to general obligation bond issuance.	58,463
The Non-Major Cafeteria Fund owed the General Fund for indirect costs.	10,693
<b>Total</b>	\$ 128,463

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2017 consisted of the General Fund transferring \$135,000 to the Non-Major Cafeteria Fund for cash flow purposes.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2017 consisted of the following:

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Total Governmental Activities</b>
Payroll	\$ 257,772	\$ 19,026	\$ -	\$ 19,026	\$ -	\$ 276,798
Construction	-	-	306,059	-	-	306,059
Vendors payable	406,192	3,879	-	3,879	-	410,071
Unmatured interest	-	-	-	-	76,134	76,134
<b>Total</b>	<b>\$ 663,964</b>	<b>\$ 22,905</b>	<b>\$ 306,059</b>	<b>\$ 22,905</b>	<b>\$ 76,134</b>	<b>\$ 1,069,062</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2017, consisted of the following:

	<b>General Fund</b>
Federal sources	\$ 10,570
State categorical sources	118,973
<b>Total</b>	<b>\$ 129,543</b>

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	<b>Balance July 01, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>	<b>Balance Due In One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ -	\$ 8,000,000	\$ -	\$ 8,000,000	\$ -
Unamortized premium	-	233,852	-	233,852	9,744
Total general obligation bonds	-	8,233,852	-	8,233,852	9,744
Qualified zone academy bonds	3,945,000	-	245,951	3,699,049	248,288
Compensated absences	77,591	-	13,694	63,897	-
Net pension liability	10,523,886	2,823,674	-	13,347,560	-
<b>Total</b>	<b>\$ 14,546,477</b>	<b>\$ 11,057,526</b>	<b>\$ 259,645</b>	<b>\$ 25,344,358</b>	<b>\$ 258,032</b>

- 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.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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			Bonds
					Outstanding July 01, 2016	Additions	Deductions	Outstanding June 30, 2017
Election 2016, 2017 Series A	March 28, 2017	August 1, 2040	2.00% - 5.00%	\$8,000,000	\$ -	\$ 8,000,000	\$ -	\$ 8,000,000
					\$ -	\$ 8,000,000	\$ -	\$ 8,000,000

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,	Principal	Interest	Total
2018	\$ -	\$ 231,597	\$ 231,597
2019	215,000	285,350	500,350
2020	160,000	280,800	440,800
2021	170,000	275,850	445,850
2022	185,000	270,525	455,525
2023 - 2027	1,160,000	1,256,700	2,416,700
2028 - 2032	1,620,000	1,051,044	2,671,044
2033 - 2037	2,185,000	743,238	2,928,238
2038 - 2041	2,305,000	236,550	2,541,550
Total	\$ 8,000,000	\$ 4,631,654	\$ 12,631,654



**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**NOTE 8 – LONG-TERM DEBT (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:

2018	\$	248,288	\$	33,962	\$	282,250
2019		250,647		31,592		282,239
2020		253,028		29,199		282,227
2021		255,431		26,784		282,215
2022		257,858		24,346		282,204
2023 - 2027		1,326,504		84,339		1,410,843
2028 - 2031		1,107,293		21,163		1,128,456
Total	\$	3,699,049	\$	251,385	\$	3,950,434

**C. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$63,897. This amount is included as part of long-term liabilities in the government-wide financial statements.

**D. Net Pension Liability**

The District's beginning net pension liability was \$10,523,886 and increased by \$2,823,674 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$13,347,560. See Note 11 for additional information regarding the net pension liability.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 4,275	\$ -	\$ -	\$ 4,275
Stores inventory	-	-	2,373	2,373
All others	2,500	-	-	2,500
Total non-spendable	6,775	-	2,373	9,148
Restricted				
Educational programs	4,110,334	-	-	4,110,334
Capital projects	-	6,021,812	416,478	6,438,290
Debt service	-	-	234,364	234,364
All others	-	-	99,487	99,487
Total restricted	4,110,334	6,021,812	750,329	10,882,475
Committed				
Other commitments	276,547	-	-	276,547
Total committed	276,547	-	-	276,547
Assigned				
PAR carryover	4,128	-	-	4,128
Lottery carryover	14,273	-	-	14,273
MAA carryover	21,207	-	-	21,207
Classified vacation accrual	63,897	-	-	63,897
STRS/PERS 2018-19 increase	125,000	-	-	125,000
STRS/PERS 2019-20 increase	130,000	-	-	130,000
Contra increase to Title II	51,263	-	-	51,263
CTEIG increase match	50,000	-	-	50,000
CTEIG MOE 2018-19	125,000	-	-	125,000
CTEIG MOE 2019-20	125,000	-	-	125,000
CTEIG MOE 2020-21	125,000	-	-	125,000
SELPA encroachment	175,788	-	-	175,788
Loss of US Forestry funding	12,000	-	-	12,000
Loss of US Wildlife funding	24,000	-	-	24,000
Van driver position	29,700	-	-	29,700
Contra increase to Title I	6,434	-	-	6,434
Biology textbook adoption	12,500	-	-	12,500
Food service van	7,756	-	-	7,756
Homeless/foster youth carryover	2,961	-	-	2,961
Health curriculum 9th grade	31,250	-	-	31,250
Total assigned	1,137,157	-	-	1,137,157
Unassigned				
Reserve for economic uncertainties	859,173	-	-	859,173
Remaining unassigned	79,933	-	-	79,933
Total unassigned	939,106	-	-	939,106
<b>Total</b>	<b>\$ 6,469,919</b>	<b>\$ 6,021,812</b>	<b>\$ 752,702</b>	<b>\$ 13,244,433</b>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**NOTE 9 – FUND BALANCES (continued)**

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.

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

**A. Plan Description and Contribution Information**

The District provides postemployment medical, dental, and vision benefits to all certificated employees and spouses who retire on or after attaining the age of 55, but not after age 65, with at least 15 consecutive years of service if employed by the District prior to June 30, 1992, and with at least 15 consecutive years of service if on salary step 16 or above in Class V if employed by the District on or after June 30, 1992. The District also provides postemployment health care benefits to all classified employees and spouses who retire on or after attaining the age of 55 with at least 20 years of service to the District, but not after age 65, unless they commenced their employment prior to January 1, 1995, in which case they are eligible for lifetime benefits. The District also provides postemployment health care benefits to all confidential/management employees and spouses who retire on or after attaining the age of 55 with at least 16 years of service to the District, but not after age 65, unless they commenced their employment prior to January 1, 1995, in which case they are eligible for lifetime benefits.

The District provides these benefits through their retiree health program, a single-employer defined benefit health care plan administered by the District. As of the July 1, 2014 actuary study, 47 met these eligibility requirements and an estimated 102 participants will be eligible in future years.

**B. Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District and District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed \$603,538 (including the implicit rate subsidy) to the Plan, all of which was used for current premiums.

As of June 30, 2017, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**C. Annual OPEB Cost and Net OPEB Obligation/(Asset)**

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation/(asset) to the Plan:

Annual required contribution	\$ 537,788
Interest on net OPEB obligation	(878)
Adjustment to annual required contribution	1,270
Annual OPEB cost (expense)	<u>538,180</u>
Contributions made	<u>(603,538)</u>
Increase (decrease) in net OPEB obligation	(65,358)
Net OPEB asset, beginning of the year	<u>(21,944)</u>
Net OPEB asset, end of the year	<u>\$ (87,302)</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation/(asset) for the year ended June 30, 2017 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB (Asset)/Obligation
2017	\$ 538,180	112%	\$ (87,302)
2016	\$ 537,012	115%	\$ (21,944)
2015	\$ 535,620	92%	\$ 43,519

**D. Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 6,824,685	\$ 6,824,685	0%	\$ 7,288,468	94%

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**D. Funded Status and Funding Progress (continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level dollar, open
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	8.0%
Inflation rate	4.0%

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

**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	\$ 10,910,972	\$ 2,378,013	\$ 266,160	\$ 1,179,246
PERS Pension	2,436,588	755,991	165,049	311,731
<b>Total</b>	<u>\$ 13,347,560</u>	<u>\$ 3,134,004</u>	<u>\$ 431,209</u>	<u>\$ 1,490,977</u>

**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:

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 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

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.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

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

**Benefits provided (continued)**

*CalSTRS 2% at 62*

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.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, 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 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$813,458 for the year ended June 30, 2017.

**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 \$420,181 to CalSTRS.

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

At June 30, 2017, 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	\$ 10,910,972
State's proportionate share of the net pension liability associated with the District	6,212,337
Total	<u>\$ 17,123,309</u>

The net pension liability was measured as of June 30, 2016, 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, 2015, and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District’s proportion was 0.013 percent, which was an increase of 0.00075 percent from its proportion measured as of June 30, 2015.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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, 2017, the District recognized pension expense of \$1,179,246. In addition, the District recognized pension expense and revenue of \$1,108,425 for support provided by the State. At June 30, 2017, 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	\$ 867,417	\$ -
Differences between expected and actual experience	-	266,160
Changes in proportion and differences between District contributions and proportionate share of contributions	697,138	-
District contributions subsequent to the measurement date	813,458	-
	<u>\$ 2,378,013</u>	<u>\$ 266,160</u>

The \$813,458 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, 2018. 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>
2018	\$ 143,505	\$ 48,576
2019	143,505	48,576
2020	628,813	48,576
2021	449,918	48,576
2022	124,579	48,576
2023	74,235	23,280
	<u>\$ 1,564,555</u>	<u>\$ 266,160</u>



**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

\* 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 RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Absolute Return	9%	2.90%
Cash/Liquidity	2%	-1.00%
	<u>100%</u>	

\* 20-year geometric average

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

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

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 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 (7.60 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 7.60 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1%</b> <b>Decrease</b> <b>(6.60%)</b>	<b>Current</b> <b>Discount Rate</b> <b>(7.60%)</b>	<b>1%</b> <b>Increase</b> <b>(8.60%)</b>
District's proportionate share of the net pension liability	\$ 15,703,350	\$ 10,910,972	\$ 6,930,702

**Pension plan fiduciary net position**

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

NOTE 11 – PENSION PLANS (continued)

**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 6.0% 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 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$216,609 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$2,436,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District's proportion was 0.012 percent, which was a decrease of 0.00088 percent from its proportion measured as of June 30, 2015.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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, 2017, the District recognized pension expense of \$311,731. At June 30, 2017, 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	\$ 378,080	\$ -
Differences between expected and actual experience	104,797	-
Changes in assumptions	-	73,205
Changes in proportion and differences between District contributions and proportionate share of contributions	56,505	91,844
District contributions subsequent to the measurement date	216,609	-
	<u>\$ 755,991</u>	<u>\$ 165,049</u>

The \$216,609 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, 2018. 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>
2018	\$ 131,266	\$ 70,226
2019	124,707	66,374
2020	184,734	28,449
2021	98,675	-
	<u>\$ 539,382</u>	<u>\$ 165,049</u>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

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

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 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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 rounded down to the nearest one quarter of one percent.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017**

---

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

**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	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

\* An expected inflation of 2.5% used for this period  
\*\* An expected inflation of 3.0% used for this period

**Discount rate**

The discount rate used to measure the total pension liability was 7.65 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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 3,635,402	\$ 2,436,588	\$ 1,438,339

**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, 2017**

---

**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, 2017.

**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, 2017.

**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.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---



**WILLOWS UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 12,391,011	\$ 12,758,082	\$ 12,787,243	\$ 29,161
Federal sources	575,600	610,054	590,965	(19,089)
Other state sources	902,167	1,091,178	1,030,981	(60,197)
Other local sources	157,404	1,799,045	389,356	(1,409,689)
<b>Total Revenues</b>	<b>14,026,182</b>	<b>16,258,359</b>	<b>14,798,545</b>	<b>(1,459,814)</b>
<b>EXPENDITURES</b>				
Certificated salaries	6,702,315	6,692,785	6,618,640	74,145
Classified salaries	1,580,615	1,666,277	1,658,598	7,679
Employee benefits	2,430,234	2,475,862	2,275,576	200,286
Books and supplies	496,886	1,717,312	680,600	1,036,712
Services and other operating expenditures	1,030,605	1,093,684	865,545	228,139
Capital outlay	103,500	865,787	171,283	694,504
Other outgo				
Excluding transfers of indirect costs	1,337,180	1,542,412	1,446,351	96,061
Transfers of indirect costs	(33,000)	(36,600)	-	(36,600)
<b>Total Expenditures</b>	<b>13,648,335</b>	<b>16,017,519</b>	<b>13,716,593</b>	<b>2,300,926</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>377,847</b>	<b>240,840</b>	<b>1,081,952</b>	<b>841,112</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(104,600)	(104,600)	(135,000)	(30,400)
<b>Net Financing Sources (Uses)</b>	<b>(104,600)</b>	<b>(104,600)</b>	<b>(135,000)</b>	<b>(30,400)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>273,247</b>	<b>136,240</b>	<b>946,952</b>	<b>810,712</b>
<b>Fund Balance - Beginning</b>	<b>5,522,967</b>	<b>5,522,967</b>	<b>5,522,967</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,796,214</b>	<b>\$ 5,659,207</b>	<b>\$ 6,469,919</b>	<b>\$ 810,712</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 because, on behalf payments of \$420,181 are not included in the actual revenues and expenditures reported in this schedule.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2014	\$ -	\$ 6,824,685	\$ 6,824,685	0%	\$ 7,288,468	94%
July 1, 2011	\$ -	\$ 7,109,278	\$ 7,109,278	0%	\$ 7,056,519	101%
January 1, 2009	\$ -	\$ 7,640,500	\$ 7,640,500	0%	\$ 10,292,300	74%

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, 2017**

---

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.013%	0.013%	0.012%
District's proportionate share of the net pension liability	\$ 10,910,972	\$ 8,576,263	\$ 7,187,076
State's proportionate share of the net pension liability associated with the District	6,212,337	4,535,886	4,339,866
Total	<u>\$ 17,123,309</u>	<u>\$ 13,112,149</u>	<u>\$ 11,526,942</u>
District's covered payroll	\$ 6,499,814	\$ 6,911,670	\$ 5,810,473
District's proportionate share of the net pension liability as a percentage of its covered payroll	167.9%	124.1%	123.7%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

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, 2017**

---

	<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%	0.012%
District's proportionate share of the net pension liability	\$ 2,436,588	\$ 1,947,623	\$ 1,414,181
District's covered payroll	\$ 1,558,120	\$ 1,490,941	\$ 1,477,995
District's proportionate share of the net pension liability as a percentage of its covered payroll	156.4%	130.6%	95.7%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 813,458	\$ 683,286	\$ 554,757
Contributions in relation to the contractually required contribution*	(813,458)	(683,286)	(554,757)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,499,814	\$ 6,911,670	\$ 5,810,473
Contributions as a percentage of covered payroll	12.52%	9.89%	9.55%

\*Amounts do not include on behalf contributions

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 216,609	\$ 186,165	\$ 173,627
Contributions in relation to the contractually required contribution	(216,609)	(186,165)	(173,627)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,558,120	\$ 1,490,941	\$ 1,477,995
Contributions as a percentage of covered payroll	13.90%	12.49%	11.75%

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**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 Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**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.

**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, 2017**

---

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

For the year ended June 30, 2017, the District incurred no excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.



---

---

**SUPPLEMENTARY  
INFORMATION**

---

---

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low -Income and Neglected	84.010	14329	\$ 359,837
Title II, Part A, Teacher Quality	84.367	14341	109,360
Title III, English Learner Student Program	84.365	14346	63,626
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	31,625
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	5,269
<b>Total U. S. Department of Education</b>			<u>569,717</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	122,444
National School Lunch Program	10.555	13391	334,967
USDA Commodities	10.555	*	38,460
Meal Supplements	10.555	*	13,768
Subtotal Child Nutrition Cluster			<u>509,639</u>
<b>Total U. S. Department of Agriculture</b>			<u>509,639</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Billing Option	93.778	10013	322
Medi-Cal Administrative Activities	93.778	10060	21,146
Subtotal Medicaid			<u>21,468</u>
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>21,468</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,100,824</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2017**

---

	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	397.84	397.49
Fourth through Sixth		
Regular ADA	313.02	313.60
Seventh through Eighth		
Regular ADA	202.32	202.11
Ninth through Twelfth		
Regular ADA	451.07	447.71
TOTAL SCHOOL DISTRICT	1,364.25	1,360.91

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2017**

---

<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2016-17</b>		<b>Status</b>
		<b>Actual Minutes</b>	<b>Number of Days</b>	
Kindergarten	36,000	49,830	180	Complied
Grade 1	50,400	51,765	180	Complied
Grade 2	50,400	50,970	180	Complied
Grade 3	50,400	50,430	180	Complied
Grade 4	54,000	55,185	180	Complied
Grade 5	54,000	55,185	180	Complied
Grade 6	54,000	59,920	180	Complied
Grade 7	54,000	59,920	180	Complied
Grade 8	54,000	59,920	180	Complied
Grade 9	64,800	68,925	180	Complied
Grade 10	64,800	68,925	180	Complied
Grade 11	64,800	68,925	180	Complied
Grade 12	64,800	68,925	180	Complied

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

	2018 (Budget)		2017		2016		2015
General Fund - Budgetary Basis**							
Revenues And Other Financing Sources	\$ 14,611,899	\$	14,798,545	\$	14,651,911	\$	12,752,123
Expenditures And Other Financing Uses	14,776,459		13,851,593		13,253,536		13,462,953
Net change in Fund Balance	\$ (164,560)	\$	946,952	\$	1,398,375	\$	(710,830)
Ending Fund Balance	\$ 6,305,359	\$	6,469,919	\$	5,522,967	\$	4,124,592
Available Reserves*	\$ 876,620	\$	939,106	\$	861,840	\$	1,372,385
Available Reserves As A Percentage Of Outgo	5.93%		6.78%		6.50%		10.19%
Long-term Debt	\$ 25,086,326	\$	25,344,358	\$	14,546,477	\$	12,689,980
Average Daily Attendance At P-2	1,357		1,364		1,371		1,370

The General Fund balance has increased by \$2,345,327 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$164,560. 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 2017-18 fiscal year. Total long-term obligations have increased by \$12,654,378 over the past two years.

Average daily attendance has decreased by 6 ADA over the past two years. A decrease of 7 ADA is anticipated during the 2017-18 fiscal year.

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

\*\*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 because, on behalf payments of \$420,181 are not included in the actual revenues and expenditures reported in this schedule.

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

*There were no items requiring reconciliation between the annual financial and budget report and the audited financial statements for the year ended June 30, 2017.*

**WILLOWS UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2017**

---

	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,500	\$ 415,120	\$ 175,388	\$ 593,008
Accounts receivable	80,535	1,358	513	82,406
Due from other funds	59,307	-	58,463	117,770
Stores inventory	2,373	-	-	2,373
<b>Total Assets</b>	<b>\$ 144,715</b>	<b>\$ 416,478</b>	<b>\$ 234,364</b>	<b>\$ 795,557</b>
<b>LIABILITIES</b>				
Deficit cash	\$ 9,257	\$ -	\$ -	\$ 9,257
Accrued liabilities	22,905	-	-	22,905
Due to other funds	10,693	-	-	10,693
<b>Total Liabilities</b>	<b>42,855</b>	<b>-</b>	<b>-</b>	<b>42,855</b>
<b>FUND BALANCES</b>				
Non-spendable	2,373	-	-	2,373
Restricted	99,487	416,478	234,364	750,329
<b>Total Fund Balances</b>	<b>101,860</b>	<b>416,478</b>	<b>234,364</b>	<b>752,702</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 144,715</b>	<b>\$ 416,478</b>	<b>\$ 234,364</b>	<b>\$ 795,557</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, 2017**

---

	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>				
Federal sources	\$ 509,639	\$ -	\$ -	\$ 509,639
Other state sources	41,617	-	-	41,617
Other local sources	117,547	56,183	512	174,242
<b>Total Revenues</b>	<b>668,803</b>	<b>56,183</b>	<b>512</b>	<b>725,498</b>
<b>EXPENDITURES</b>				
Current				
Pupil services				
Food services	733,049	-	-	733,049
Plant services	2,738	-	-	2,738
<b>Total Expenditures</b>	<b>735,787</b>	<b>-</b>	<b>-</b>	<b>735,787</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(66,984)</b>	<b>56,183</b>	<b>512</b>	<b>(10,289)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	135,000	-	-	135,000
Other sources	-	-	233,852	233,852
<b>Net Financing Sources (Uses)</b>	<b>135,000</b>	<b>-</b>	<b>233,852</b>	<b>368,852</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>68,016</b>	<b>56,183</b>	<b>234,364</b>	<b>358,563</b>
<b>Fund Balance - Beginning</b>	<b>33,844</b>	<b>360,295</b>	<b>-</b>	<b>394,139</b>
<b>Fund Balance - Ending</b>	<b>\$ 101,860</b>	<b>\$ 416,478</b>	<b>\$ 234,364</b>	<b>\$ 752,702</b>

See accompanying note to supplementary information.



**WILLOWS UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2017**

---

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>
Alex Parisio	President	December 2018
Gina Taylor	Vice President	December 2018
James "Buck" Ward	Clerk	December 2020
Jeromy Geiger	Member	December 2020
Michelle Knight	Member	December 2018

**DISTRICT ADMINISTRATORS**

Dr. Mort Geivett  
*Superintendent*

Debby Beymer  
*Director of Business Services*

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2017**

---

**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2017 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2017.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 1,100,604
Medi-Cal Billing Option	93.778	220
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 1,100,824</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, the District had not yet met its target funding.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION, continued**  
**JUNE 30, 2017**

---

**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**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.

---

---

**OTHER INDEPENDENT  
AUDITORS' REPORTS**

---

---

**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**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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, 2017, 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 November 22, 2017.

**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) to determine the 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.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Willows Unified School District's financial statements are free of 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 determination of financial statement amounts. 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 Associates*

San Diego, California  
November 22, 2017

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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, 2017. 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.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

### *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, 2017.

### **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 Associates*

San Diego, California  
November 22, 2017



## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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 *2016-17 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, 2017, 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 *2016-17 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.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
348 Olive Street  
San Diego, CA 92103

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

*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, 2017.

*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>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
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
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not test the California Clean Energy Jobs Act program because the District did not have any expenditures or completed projects for the year ended June 30, 2017.

*Christy White Associates*

San Diego, California  
November 22, 2017

---

---

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

---

---

**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553, 10.555	Child Nutrition Cluster	
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>None Reported</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, 2017**

---

**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, 2017.*

**WILLOWS UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**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, 2017.*

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*There were no state award findings or questioned costs for the year ended June 30, 2017.*



**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**FINDING #2016-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** 1 of 33 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as FRPM did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population (482 students), 15 students were identified as ineligible.

**Cause:** While the District does have procedures in place to identify changes as they are made and update the CALPADS records, an error occurred and the student record was not updated.

**Effect:** The District is not in compliance with State requirements.

**Context:** 15 of 3,002 (990 for 2015-16, 986 for 2014-15, and 999 for 2013-14) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their EL designation.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**FINDING #2016-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)**

**Questioned Costs:** \$13,742, calculated as follows:

<b>UPP Audit Adjustment</b>		<b>Section 1: Regular UPP</b>	<b>Section 2: Alternate UPP*</b>
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	4,368	4,372
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	3,020	3,004
3	Number of Unduplicated Pupil Count audit adjustment		(15)
4	Revised Adjusted Unduplicated Pupil Count	3,005	2,989
5	UPP calculated as of P-2	0.6914	0.6871
6	Revised UPP for audit finding	0.6880	0.6837
7	Greater of Revised UPP for audit finding from Section 1 or 2		<b>0.6880</b>
8	<b>Charter Schools Only:</b> Determinative School District Concentration Cap		-
9	Revised UPP adjusted for Concentration Cap		<b>0.6880</b>
<b>LCFF Target Base Grant Funding</b>		<b>Estimated Values</b>	
10	Total Base Grant Funding as of P-2	\$10,986,668	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>			
11	Target Supplemental Grant Funding calculated as of P-2	\$1,519,236	
12	Revised Target Supplemental Grant Funding for audit finding	\$1,511,766	
13	Target Supplemental Grant Funding audit adjustment	<b>(\$7,470)</b>	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>			
14	Target Concentration Grant Funding calculated as of P-2	\$776,757	
15	Revised Target Concentration Grant Funding for audit finding	\$758,080	
16	Target Concentration Grant Funding audit adjustment	<b>(\$18,677)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>			
17	Total Target Supplemental and Concentration audit adjustment	<b>(\$26,147)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$13,742)</b>	

**Recommendation:** We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

**District Response:** The district has implemented internal controls to ensure that the most current data is uploaded into our Student Information System (Aeries) prior to submitting CALPADS certification. Those controls consist of manual cross checking by site personnel to ensure all students are coded appropriately in our Food Service Program and validated by site personnel. Once each site has validated the information, our IT department will push the data into Aeries prior to uploading into CALPADS.

**Current Status:** Implemented.