

NOTICE OF CRITERIA AND STANDARDS REVIEW. This interim report was based upon and reviewed using the state-adopted Criteria and Standards. (Pursuant to Education Code (EC) sections 33129 and 42130)

Signed: _____ Date: _____
District Superintendent or Designee

NOTICE OF INTERIM REVIEW. All action shall be taken on this report during a regular or authorized special meeting of the governing board.

To the County Superintendent of Schools:

This interim report and certification of financial condition are hereby filed by the governing board of the school district. (Pursuant to EC Section 42131)

Meeting Date: March 10, 2011 Signed: _____
President of the Governing Board

CERTIFICATION OF FINANCIAL CONDITION

- POSITIVE CERTIFICATION
As President of the Governing Board of this school district, I certify that based upon current projections this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- QUALIFIED CERTIFICATION
As President of the Governing Board of this school district, I certify that based upon current projections this district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
- NEGATIVE CERTIFICATION
As President of the Governing Board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Contact person for additional information on the interim report:

Name: Betty Skala Telephone: 530-934-6600, ext 5
Title: Director of Business Services E-mail: bskala@willowsunified.org

Criteria and Standards Review Summary

The following summary is automatically completed based on data provided in the Criteria and Standards Review form (Form 01CSI). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern, which could affect the interim report certification, and should be carefully reviewed.

CRITERIA AND STANDARDS			Met	Not Met
1	Average Daily Attendance	Funded ADA for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.		X

CRITERIA AND STANDARDS (continued)			Met	Not Met
2	Enrollment	Projected enrollment for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.		X
3	ADA to Enrollment	Projected second period (P-2) ADA to enrollment ratio for the current and two subsequent fiscal years is consistent with historical ratios.		X
4	Revenue Limit	Projected revenue limit for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.		X
5	Salaries and Benefits	Projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures has not changed by more than the standard for the current and two subsequent fiscal years.	X	
6a	Other Revenues	Projected operating revenues (federal, other state, other local) for the current and two subsequent fiscal years have not changed by more than five percent since first interim.		X
6b	Other Expenditures	Projected operating expenditures (books and supplies, services and other expenditures) for the current and two subsequent fiscal years have not changed by more than five percent since first interim.	X	
7a	Deferred Maintenance	SBX3 4 (Chapter 12, Statutes of 2009) eliminates the local match requirement for Deferred Maintenance for a five-year period from 2008-09 through 2012-13. Therefore, this item has been inactivated for that period.		
7b	Ongoing and Major Maintenance Account	If applicable, changes occurring since first interim meet the required contribution to the ongoing and major maintenance account (i.e., restricted maintenance account).	X	
8	Deficit Spending	Unrestricted deficit spending, if any, has not exceeded the standard in any of the current or two subsequent fiscal years.		X
9a	Fund Balance	Projected general fund balance will be positive at the end of the current and two subsequent fiscal years.	X	
9b	Cash Balance	Projected general fund cash balance will be positive at the end of the current fiscal year.	X	
10	Reserves	Available reserves (e.g., designated for economic uncertainties, undesignated amounts) meet minimum requirements for the current and two subsequent fiscal years.	X	

SUPPLEMENTAL INFORMATION			No	Yes
S1	Contingent Liabilities	Have any known or contingent liabilities (e.g., financial or program audits, litigation, state compliance reviews) occurred since first interim that may impact the budget?	X	
S2	Using One-time Revenues to Fund Ongoing Expenditures	Are there ongoing general fund expenditures funded with one-time revenues that have changed since first interim by more than five percent?		X
S3	Temporary Interfund Borrowings	Are there projected temporary borrowings between funds?		X
S4	Contingent Revenues	Are any projected revenues for any of the current or two subsequent fiscal years contingent on reauthorization by the local government, special legislation, or other definitive act (e.g., parcel tax, forest reserves)?		X
S5	Contributions	Have contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed since first interim by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years?		X

SUPPLEMENTAL INFORMATION (continued)			No	Yes
S6	Long-term Commitments	Does the district have long-term (multiyear) commitments or debt agreements?		X
		• If yes, have annual payments for the current or two subsequent fiscal years increased over prior year's (2009-10) annual payment?	X	
		• If yes, will funding sources used to pay long-term commitments decrease or expire prior to the end of the commitment period, or are they one-time sources?		X
S7a	Postemployment Benefits Other than Pensions	Does the district provide postemployment benefits other than pensions (OPEB)?	X	
		• If yes, have there been changes since first interim in OPEB liabilities?	n/a	
S7b	Other Self-insurance Benefits	Does the district operate any self-insurance programs (e.g., workers' compensation)?		X
		• If yes, have there been changes since first interim in self-insurance liabilities?	X	
S8	Status of Labor Agreements	As of second interim projections, are salary and benefit negotiations still unsettled for:		X
		• Certificated? (Section S8A, Line 1b)	X	
		• Classified? (Section S8B, Line 1b)	n/a	
S8	Labor Agreement Budget Revisions	For negotiations settled since first interim, per Government Code Section 3547.5(c), are budget revisions still needed to meet the costs of the collective bargaining agreement(s) for:		
		• Certificated? (Section S8A, Line 3)	X	
		• Classified? (Section S8B, Line 3)	n/a	
S9	Status of Other Funds	Are any funds other than the general fund projected to have a negative fund balance at the end of the current fiscal year?	X	

ADDITIONAL FISCAL INDICATORS			No	Yes
A1	Negative Cash Flow	Do cash flow projections show that the district will end the current fiscal year with a negative cash balance in the general fund?	X	
A2	Independent Position Control	Is personnel position control independent from the payroll system?		X
A3	Declining Enrollment	Is enrollment decreasing in both the prior and current fiscal years?		X
A4	New Charter Schools Impacting District Enrollment	Are any new charter schools operating in district boundaries that are impacting the district's enrollment, either in the prior or current fiscal year?		X
A5	Salary Increases Exceed COLA	Has the district entered into a bargaining agreement where any of the current or subsequent fiscal years of the agreement would result in salary increases that are expected to exceed the projected state funded cost-of-living adjustment?	X	
A6	Uncapped Health Benefits	Does the district provide uncapped (100% employer paid) health benefits for current or retired employees?	X	
A7	Independent Financial System	Is the district's financial system independent from the county office system?	X	
A8	Fiscal Distress Reports	Does the district have any reports that indicate fiscal distress? If yes, provide copies to the COE, pursuant to EC 42127.6(a).	X	
A9	Change of CBO or Superintendent	Have there been personnel changes in the superintendent or chief business official (CBO) positions within the last 12 months?		X

Description	ESTIMATED REVENUE LIMIT ADA Original Budget (A)	ESTIMATED REVENUE LIMIT ADA Board Approved Operating Budget (B)	ESTIMATED P-2 REPORT ADA Projected Year Totals (C)	ESTIMATED REVENUE LIMIT ADA Projected Year Totals (D)	DIFFERENCE (Col. D - B) (E)	PERCENTAGE DIFFERENCE (Col. E / B) (F)
ELEMENTARY						
1. General Education	1,113.88	1,107.69	1,016.08	1,107.69	0.00	0%
2. Special Education	0.00	0.00	0.00	0.00	0.00	0%
HIGH SCHOOL						
3. General Education	488.94	485.64	479.17	485.64	0.00	0%
4. Special Education	0.00	0.00	0.00	0.00	0.00	0%
COUNTY SUPPLEMENT						
5. County Community Schools	0.00	0.00	0.00	0.00	0.00	0%
6. Special Education	12.81	14.34	14.34	14.34	0.00	0%
7. TOTAL K-12 ADA	1,615.63	1,607.67	1,509.59	1,607.67	0.00	0%
8. ADA for Necessary Small Schools also included in lines 1 - 4.	0.00	0.00	0.00	0.00	0.00	0%
9. Regional Occupational Centers/Programs (ROC/P)*						
CLASSES FOR ADULTS						
10. Concurrently Enrolled Secondary Students*						
11. Adults Enrolled, State Apportioned*						
12. Independent Study - (Students 21 years or older and students 19 years or older and not continuously enrolled since their 18th birthday)*						
13. TOTAL, CLASSES FOR ADULTS						
14. Adults in Correctional Facilities	0.00	0.00	0.00	0.00	0.00	0%
15. ADA TOTALS (Sum of lines 7, 9, 13, & 14)	1,615.63	1,607.67	1,509.59	1,607.67	0.00	0%
SUPPLEMENTAL INSTRUCTIONAL HOURS						
16. Elementary*						
17. High School*						
18. TOTAL, SUPPLEMENTAL HOURS						

Description	ESTIMATED REVENUE LIMIT ADA Original Budget (A)	ESTIMATED REVENUE LIMIT ADA Board Approved Operating Budget (B)	ESTIMATED P-2 REPORT ADA Projected Year Totals (C)	ESTIMATED REVENUE LIMIT ADA Projected Year Totals (D)	DIFFERENCE (Col. D - B) (E)	PERCENTAGE DIFFERENCE (Col. E / B) (F)
COMMUNITY DAY SCHOOLS - Additional Funds						
19. ELEMENTARY						
a. 5th & 6th Hour (ADA) - Mandatory Expelled Pupils only	0.00	0.00	0.00	0.00	0.00	0%
b. 7th & 8th Hour Pupil Hours (Hours)*						
20. HIGH SCHOOL						
a. 5th & 6th Hour (ADA) - Mandatory Expelled Pupils only	0.00	0.00	0.00	0.00	0.00	0%
b. 7th & 8th Hour Pupil Hours (Hours)*						
CHARTER SCHOOLS						
21. Charter ADA funded thru the Block Grant						
a. Charters Sponsored by Unified Districts - Resident (EC 47660) (applicable only for unified districts with Charter School General Purpose Block Grant Offset recorded on line 30 in Form RLI)	0.00	0.00	0.00	0.00	0.00	0%
b. All Other Block Grant Funded Charters	0.00	0.00	0.00	0.00	0.00	0%
22. Charter ADA funded thru the Revenue Limit	0.00	0.00	0.00	0.00	0.00	0%
23. TOTAL, CHARTER SCHOOLS ADA (sum lines 21a, 21b, and 22)	0.00	0.00	0.00	0.00	0.00	0%
24. SUPPLEMENTAL INSTRUCTIONAL HOURS*						

*ADA is no longer collected as a result of flexibility provisions of SBX3 4 (Chapter 12, Statutes of 2009), currently in effect for a five-year period from 2008-09 through 2012-13.

Second Interim
2010-11 INTERIM REPORT
Cashflow Worksheet

ACTUALS THROUGH THE MONTH OF (Enter Month Name):	Object	July	August	September	October	November	December
A. BEGINNING CASH	9110	1,342,959.00	1,740,516.00	2,073,083.00	2,931,988.00	2,488,219.00	2,153,593.00
B. RECEIPTS							
Revenue Limit Sources	8020-8079	0.00	(2,630.00)	0.00		144,118.00	1,951,200.00
Property Taxes	8010-8019	0.00	1,108,635.00	1,148,596.00	230,348.00		816,824.00
Principal Apportionment	8080-8099	2,160.00	2,572.00	2,623.00	2,478.00	2,453.00	2,450.00
Miscellaneous Funds	8100-8299	131,174.00	111,300.00	523,091.00	(5,705.00)		169,465.00
Federal Revenue	8300-8599	0.00	0.00	630.00	125,534.00	345,343.00	176,141.00
Other State Revenue	8600-8799	0.00	28.00	1,109.00	21,240.00	3,342.00	2,213.00
Other Local Revenue	8910-8929	0.00	0.00	0.00			
Interfund Transfers In	8930-8979	0.00	0.00	0.00			
All Other Financing Sources							
Other Receipts/Non-Revenue							
TOTAL RECEIPTS		133,334.00	1,219,905.00	1,676,049.00	373,895.00	495,256.00	3,118,293.00
C. DISBURSEMENTS							
Certificated Salaries	1000-1999	55,710.00	526,587.00	532,720.00	539,075.00	536,470.00	547,111.00
Classified Salaries	2000-2999	93,386.00	115,717.00	120,420.00	117,933.00	114,651.00	123,011.00
Employee Benefits	3000-3999	112,224.00	147,948.00	175,595.00	108,313.00	157,661.00	160,599.00
Books, Supplies and Services	4000-5999	361,972.00	106,316.00	161,751.00	151,968.00	45,207.00	70,101.00
Capital Outlay	6000-6599	0.00	0.00	0.00			
Other Outgo	7000-7499	0.00	10,809.00	4,283.00	50,495.00	10,809.00	(10,809.00)
Interfund Transfers Out	7600-7629	0.00	0.00	0.00			
All Other Financing Uses	7630-7699	0.00	0.00	0.00	0.00		
Other Disbursements/							
Non Expenditures		(960,000.00)					
TOTAL DISBURSEMENTS		(336,708.00)	907,377.00	994,769.00	967,784.00	864,798.00	890,013.00
D. PRIOR YEAR TRANSACTIONS							
Accounts Receivable	9200	464,582.00	402,453.00	249,634.00	150,641.00	(460.00)	3,915.00
Accounts Payable	9500	537,067.00	382,414.00	72,009.00	521.00	(35,376.00)	(43,800.00)
TOTAL PRIOR YEAR TRANSACTIONS		(72,485.00)	20,039.00	177,625.00	150,120.00	34,916.00	47,115.00
E. NET INCREASE/DECREASE (B - C + D)		397,557.00	332,567.00	858,905.00	(443,769.00)	(334,626.00)	2,275,995.00
F. ENDING CASH (A + E)		1,740,516.00	2,073,083.00	2,931,988.00	2,488,219.00	2,153,593.00	4,429,588.00
G. ENDING CASH, PLUS ACCRUALS							

ACTUALS THROUGH THE MONTH OF (Enter Month Name):	Object	January	February	March	April	May	June	Accruals	TOTAL
A. BEGINNING CASH	9110	4,429,588.00	3,150,993.00	1,545,687.00	742,829.00	2,070,689.00	1,449,269.00		
B. RECEIPTS									
Revenue Limit Sources	8020-8079	(19,617.00)			1,402,035.00				3,475,106.00
Property Taxes	8010-8019	326,729.00	25,986.00		583,635.00			937,733.00	5,178,486.00
Principal Apportionment	8080-8099	2,464.00							17,200.00
Miscellaneous Funds	8100-8299	125,722.00	78,835.00	56,218.00	2,382.00	296,715.00	5,360.00	352,018.00	1,846,575.00
Federal Revenue	8300-8599	237,360.00	117,522.00	113,772.00	372,740.00	113,772.00	147,729.00	99,074.00	1,849,614.00
Other State Revenue	8600-8799	13,765.00	3,921.00	66,005.00	5,921.00	6,946.00	208,649.00	23,670.00	356,809.00
Other Local Revenue	8910-8929						560.00	0.00	560.00
Interfund Transfers In	8930-8979								0.00
All Other Financing Sources									0.00
Other Receipts/Non-Revenue									0.00
TOTAL RECEIPTS		686,423.00	226,264.00	235,995.00	2,366,713.00	417,433.00	362,298.00	1,412,492.00	12,724,350.00
C. DISBURSEMENTS									
Certificated Salaries	1000-1999	553,262.00	557,712.00	557,712.00	557,712.00	557,712.00	557,712.00		6,079,495.00
Classified Salaries	2000-2999	117,224.00	127,047.00	127,047.00	127,047.00	127,047.00	127,047.00		1,437,577.00
Employee Benefits	3000-3999	161,304.00	172,703.00	172,703.00	172,703.00	172,703.00	172,703.00		1,887,159.00
Books, Supplies and Services	4000-5999	153,568.00	181,391.00	181,391.00	181,391.00	181,391.00	181,391.00		1,957,838.00
Capital Outlay	6000-6599						1,103.00		1,103.00
Other Outgo	7000-7499	0.00	353,549.00	0.00			425,284.00		793,925.00
Interfund Transfers Out	7600-7629	20,715.00							71,210.00
All Other Financing Uses	7630-7699		0.00						0.00
Other Disbursements/									0.00
Non Expenditures		960,000.00							0.00
TOTAL DISBURSEMENTS		1,966,073.00	1,392,402.00	1,038,853.00	1,038,853.00	1,038,853.00	1,465,240.00	0.00	12,228,307.00
D. PRIOR YEAR TRANSACTIONS									
Accounts Receivable	9200	393.00	208,479.00				3,693.00		1,483,330.00
Accounts Payable	9500	(662.00)	647,647.00				101,750.00		1,661,570.00
TOTAL PRIOR YEAR TRANSACTIONS		1,055.00	(439,168.00)	0.00	0.00	0.00	(98,057.00)	0.00	(178,240.00)
E. NET INCREASE/DECREASE (B - C + D)		(1,278,595.00)	(1,605,306.00)	(802,858.00)	1,327,860.00	(621,420.00)	(1,200,999.00)	1,412,492.00	317,803.00
F. ENDING CASH (A + E)		3,150,993.00	1,545,687.00	742,829.00	2,070,689.00	1,449,269.00	248,270.00		
G. ENDING CASH, PLUS ACCRUALS									1,660,762.00

2010-11 SECOND INTERIM MULTIYEAR ASSUMPTIONS

We are following the recommendations provided by School Services (SSC) utilizing their suggested dashboard.

For both unrestricted and restricted, we have created QSS models for both 2011/12 and 2012/13 for projection purposes. The models are used as the basis for multiyear projections and will be updated throughout the year as information is known from various funding streams, updated projections from School Services, Governor's budget along with the May revise, position control refinement and authorized Board actions resulting in our 2011/12 model becoming the Adopted budget for Willows Unified School District for fiscal year 2011/12.

REVENUES:

Revenue Limit (Object 8010-8099): Projected year totals for 2010/11 include the funded negative cola of .39% and the restorations of the deficit of 17.963% as opposed to the 18.355% + 2.85% that was advised in the 2009/10 Governor's May Revision. As recommended by SSC, no Cola for 2011/12 (thus the deficit rose to 19.608%) and a 1.80% increase for 2012/13 (no corresponding increase to deficit). No Cola for 2011/12 results in a loss of approximately \$166,000 in revenue. We budgeted for an additional loss of potentially \$330 per ADA ongoing revenue limit cut in both 2011/12 and 2012/13 equaling approximately a 5.38% reduction. The figure is approximately a \$527,000 loss of revenue for 2011/12. Because we have declining enrollment, we have projected that we will have further losses in ADA. We are estimating funded ADA of 1,510 for 2011/12 (ADA projected from 2010/11) and 1,444 for 2012/13 (ADA projected from 2011/12). The change in ADA from First Interim for 2012/13 is based on closure of WCHS and loss of all students. This will be re-calculated once we have actual data in 2011/12 to use as projections. No other assumptions are within our ADA projections for Second Interim.

Federal Revenues (Object 8100-8299): The 2010/11 projected budget includes carryover (deferred revenue and unappropriated from prior year) whereas 2011/12 and 2012/13 accounts only for current year estimates except for a limited amount of Federal Jobs Funding and Title I funding which we have budgeted as carryover into 2011/12. Funds for 2012/13 do not reflect any additional one-time federal funding. Using prior year resources to support out year ongoing costs may result in having to restructure programs to continue this practice. The 2012/13 does include a limited amount of MAA receipts to account for operational costs and 2011/12 has been budgeted based on what is anticipated to be claimed and earned from 2009/10 and 2010/11 time surveys.

State Revenues (Object 8300-8599): The 2010/11 projected budget includes carryover (deferred revenue and unappropriated from prior year) whereas 2011/12 and 2012/13 accounts only for current year estimates. It is not currently budgeted in 2011/12, but there is restricted designation in 2010/11 for restricted lottery to be appropriated into the budget after year end close out to fund instructional materials. The Governor's January budget proposal includes the continuance of K-3 Class Size Reduction funding, therefore in our multiyear that information has been restored as compared to First Interim for 2012/13.

Local Revenues (Object 8600-8799): Overall about the same throughout the multiyear. We will need to reevaluate as actual revenue receipts come in to determine if budget is over or understated. Projected includes some one-time funding that will no longer be available into the multiyear.

Other Financing Sources (Object 8900-8999): Funding for 2012/13 increases by the amount needed from Fund 17 Special Reserve for one-time only funding transfers in the amount of \$494,443 to balance the budget.

EXPENDITURES:

Certificated & Classified Salary & Employee Benefits (Object 1000-3999): The 2010/11 salaries and fringe were updated based on position control (outside of financial system) and reflect any changes since First Interim.

The 2011/12 projection reflects the Board's approval of the current "cut" list which includes the reduction of certificated teaching staff (attrition has been factored in), reduction of WCHS staff, and classified staff supported by general fund. Step and column has been factored in at roughly .7% and since furloughs have not been negotiated, they have been re-instated for 2011/12 and 2012/13.

The last of the Federal Jobs Funding will be exhausted after 2011/12; therefore, temporary positions restored in 2010/11 and 2011/12 may need to be eliminated. For 2012/13, as with all categorical funding, we may need to reduce the workforce if funding is determined not adequate to support those positions, to be determined in the future as more information is known. At this time, the assumption is that it will be classified positions and work reduction for certificated positions.

Books and Supplies & Services and Other Operating Expenditures (Object 4000-5999): The 2010/11 reflects carryover and the multiyear reflect current year with the exception of planned usage of carryover for instructional materials purchases under restricted resource codes. There have been slight revisions to various categoricals to realign to current year awards. Because of the current economic environment we continue to be on a spending freeze only for essential and emergency expenditures. This will hold true within the multiyear until the state fully funds schools. Various reductions have been made due to the "cut" list, such as reduction of fingerprinting, operational costs associated with WCHS and other misc. changes. The 2012/13 4000-4999 significantly changed from First Interim due to the change in CSR and we will be able to continue to support it using Title II transfer to CSR, therefore not available for other expenditures.

Capital Outlay (Object 6000-6999): The only capital outlay will be budgeted if it becomes essential and/or funded from outside restricted resources.

Other Outgo (Object 7100-7299 & 7400-7499): The 2010/11 may be overstated based on what has been provided by the SELPA as an estimate for this year and will be realigned. This realignment will take place after the final SELPA projection is provided in April/May. This year includes the final ARRA IDEA offset. The 2011/12 and 2012/13 excess costs will increase due to the one-time utilization of ARRA

IDEA funding being exhausted after 2010/11. Once we have multiyear projections from the SELPA, we may need to revise our multiyear excess cost estimates.

Indirect (Object 7300-7399): The 2010/11 rate is at 8.6% and for 2011/12 will increase to 9.61%. Indirect for cafeteria as determined by the State remains at 4.52%.

Other Financing Uses (Object 7600-7699): Out years anticipate a slight increased contribution to Cafeteria.

FUND BALANCE:

Components of Ending Fund Balance (Objects 9700-9799):

A. The 2010-11 Second Interim Fund 01 General Fund multiyear, form MYPI provides information that will be discussed below (Refer to 2010-11 Second Interim General Fund, Multiyear Projections, Unrestricted/Restricted, pages 2, Column A, C, E, Lines D 1-3).

Fund balance reserves objects 9710-9740 in unrestricted is for cash in other banks to account for revolving and clearing accounts. Restricted would be for Restricted Lottery RS 6300 set aside for future instructional materials purchases (object 9740- Legally Restricted).

Object 9770 Designated for Economic Uncertainties is the amount we should have available to meet our 3% reserve requirement. For the 2010/11 Projected Year Totals, we have \$299,350.78 from General Fund and the balance of our requirement is being met via Fund 17 Special Reserve in the amount of \$690,169.34 (excluding designation for due back to Fund 20 Post Retirement). Total undesignated available reserves are in the amount of \$989,520.12 (refer to Fund 01, MYPI, page 2, Column A, line E) at 7.70%. In fiscal year 2011/12, (Refer to Fund 01, MYPI, page 2, Column C, line E) our total available reserves without designations is at 6.20% and this includes \$6,597.76 from General Fund and balance from Fund 17 (excluding designation for due back to Fund 20). In 2012/13 is at 3% with zero available from General Fund and balance from Fund 17 (excluding designation for due back to Fund 20).

Other designations, object 9780, 2010/11 Projected Year Totals Unrestricted have been established to set aside for CAHSEE, instructional materials, vacation liability, and bus replacement/retrofit match to ensure we can provide those supplies and/or services in the current year, 2011/12 and 2012/13. Restricted designations are for deferred maintenance. However, in 2012/13 due to deficit spending in unrestricted, we will be absorbing the designated amounts unless we reduce deficit spending or draw from one-time sources such as Fund 17 in order to maintain those set asides. In the multiyear for restricted, it reflects restricted lottery RS 6300 being appropriated into 2011/12 to meet our primary instructional materials needs with the remaining balance reserved for Deferred Maintenance, RS 9205, that can be used beyond 2012/13.

B. The 2010-11 Second Interim Fund 17 Special Reserve multiyear refer to Fund 17 Special Reserve Multiyear, Unrestricted/Restricted , form MYPIO. It provides additional information that will be

discussed below. Even though providing multiyear for all other funds is optional, we provide the multiyear for all funds to ensure we have a comprehensive and transparent financial plan for added information benefiting all stakeholders.

Fund 17 reserves do more than meet our DEU requirements. Along with other funds, it provides for cash flow needs for the District to borrow internally to serve as cash float as the State continues to defer cash payments due. The purpose of a DEU requirement is not only to be compliant and pass our various reporting requirements, but to serve as "what if" we have a short fall, midyear cuts, and/or any other number of possibilities that can happen during the course of the current year. Additionally, we have used this fund to balance the current and multiyear budgets, adjusting to changes in revenue projections and/or expenditure changes. It is strongly recommended not to depend on the minimum requirement of 3% but actually increase reserve levels during these fiscally economically unstable times due to the State's fiscal crisis and the uncertainty of time needed for overall economic recovery. Our District is very vulnerable to these many variables and needs to maintain if at all possible our current level of reserve to be used as our ebb and flow of multiyear budgeting.

In Fund 17 for 2010/11 Projected Year Totals (Refer to Fund 17, MYPIO, column A, line D), we have a projected ending balance of \$1,190,169.34 with a designation of \$500,000 as due back to Fund 20. The balance in Fund 17 outside of Fund 20 designation comes from one-time transfers due to our ability to sweep prior year categorical balances. It is the desire of the District to restore some of those programs and/or use for one-time expenditures in the event the economy improves such that revenues and expenditures are stable and predictable.

In regards to Fund 17 for 2011/2012 we continue to designate the \$500,000 as due to Fund 20 and have a projected ending balance of \$1,192,169.34. However, if the State's adopted budget should prove to take on one of the worse case scenarios (greater loss than the \$349 per ADA within Second Interim projections), we would be obligated to use this one-time source to balance the budget to support ongoing costs and could immediately change the financial condition of our out years.

Fiscal year 2012/13 projected ending balance would be at \$700,226. This is because in order to balance General Fund, a one-time transfer would be needed to support ongoing costs. We would continue to meet our DEU minimum requirement; however that would be because our designation of \$500,000 would require us to lower it to \$369,071, thus freeing the balance to meet reserve requirements. Additionally, in 2012/13, General Fund designations would be absorbed to balance the budget. If the need is not to absorb those designations, then an additional \$251,680 would have to be transferred from Fund 17 for a total transfer of \$746,123. This would leave a balance of \$117,391 due back to Fund 20 versus the \$500,000 originally transferred and meet our minimum 3% of \$331,155.

Our next reporting cycle, that of budget adoption in June, we will be required to include 2013/14 and required to maintain 3% reserve level to have an adoptable budget. Using and/or exhausting our reserves from Fund 17 to balance 2012/13 will make it difficult to show a positive status for 2013/14 during the adoption process. At first blush assuming no change in expenditures or revenues from 2012/13 (Not realistic as we would need to take declining enrollment into account along with step and

column increases to expenditures, along with CPI adjustments), we would need to absorb all of Fund 17 to balance (designation due to Fund 20 would be eliminated) and close out Fund 20 leaving a balance of approximately \$165,000 in General Fund to meet our DEU for 2013/14 at roughly 1.9%. This could seriously impact our internal cash borrowing for 2013/14 by not having these two funds available along with not meeting our 3% minimum DEU requirement or any variables that could happen when 2011/12 becomes our current year budget.

THE FUTURE:

We cannot wait and see what the legislatures and/or tax payers will do as we need to have a plan of action in place if what the Governor has proposed does not come to pass. We can at this time have a range of revenue reductions from as low as \$19 per ADA (everything goes as proposed), to \$330, to \$620 to \$1,000 being coined "Doomsday". For us that equals a loss of \$29,000, \$527,000, \$936,000 to \$1,500,000 respectively. Recently the LAO indicated if the tax doesn't pass it could be around \$800 per ADA equaling \$1,200,000. Not only is this difficult to conceive of or plan for, but difficult to budget for within reports such as Second Interim, Third Interim and 2011/12 Budget Adoption that require definitive assumptions. The Second Interim is using SSC's recommendation of \$330 + \$19 per ADA coupled with the most recent Board approved cut list. It affords the District with an adoptable budget but tremendous difficulty from an operational and academic aspect. It will result in significant challenges for all staff to address in the coming year to meet the needs of our stakeholders, all students of Willows Unified School District. Ending on a positive note, we are confident as stated in our mission statement, WUSD staff are ready to "Preparing today's students for tomorrow's Challenges" despite the challenges we face to achieve that mission.

Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2011-12 Projection (C)	% Change (Cols. E-C/C) (D)	2012-13 Projection (E)
A. REVENUES AND OTHER FINANCING SOURCES						
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
1. Revenue Limit Sources	8010-8099	8,639,274.00	-12.51%	7,558,112.23	-2.66%	7,356,774.96
2. Federal Revenues	8100-8299	1,846,574.77	-32.15%	1,252,812.00	-30.21%	874,353.00
3. Other State Revenues	8300-8599	1,772,845.67	-1.81%	1,740,827.00	-0.46%	1,732,825.00
4. Other Local Revenues	8600-8799	356,535.16	-12.09%	313,430.00	2.81%	322,223.00
5. Other Financing Sources	8900-8999	560.00	0.00%	560.00	88121.87%	494,042.48
6. Total (Sum lines A1 thru A5)		12,615,869.25	-13.87%	10,865,741.23	-0.79%	10,780,218.44
B. EXPENDITURES AND OTHER FINANCING USES						
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
1. Certificated Salaries						
a. Base Salaries				6,146,566.20		5,564,505.20
b. Step & Column Adjustment				37,124.00		36,463.00
c. Cost-of-Living Adjustment				0.00		0.00
d. Other Adjustments				(619,185.00)		(32,070.00)
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	6,146,566.20	-9.47%	5,564,505.20	0.08%	5,568,898.20
2. Classified Salaries						
a. Base Salaries				1,450,576.00		1,300,806.00
b. Step & Column Adjustment				14,505.00		14,946.00
c. Cost-of-Living Adjustment				0.00		0.00
d. Other Adjustments				(164,275.00)		(81,732.00)
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	1,450,576.00	-10.32%	1,300,806.00	-5.13%	1,234,020.00
3. Employee Benefits	3000-3999	1,887,157.93	-8.81%	1,720,841.00	-2.23%	1,682,476.00
4. Books and Supplies	4000-4999	909,457.33	-56.11%	399,161.00	-34.45%	261,645.00
5. Services and Other Operating Expenditures	5000-5999	1,499,725.02	-8.87%	1,366,634.00	-0.07%	1,365,611.00
6. Capital Outlay	6000-6999	1,102.59	-100.00%	0.00	0.00%	0.00
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	907,325.00	-3.11%	879,119.00	0.00%	879,119.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	(29,815.00)	-2.83%	(28,972.00)	0.00%	(28,972.00)
9. Other Financing Uses	7600-7699	71,210.00	3.26%	73,529.00	2.95%	75,699.00
10. Other Adjustments				0.00		0.00
11. Total (Sum lines B1 thru B10)		12,843,305.07	-12.21%	11,275,623.20	2.10%	11,038,496.20
C. NET INCREASE (DECREASE) IN FUND BALANCE						
(Line A6 minus line B11)						
		(227,435.82)		(409,881.97)		(258,277.76)
D. FUND BALANCE						
1. Net Beginning Fund Balance (Form 011, line F1e)		1,114,354.65		886,918.83		477,036.86
2. Ending Fund Balance (Sum lines C and D1)		886,918.83		477,036.86		218,759.10
3. Components of Ending Fund Balance (Form 011)						
a. Fund Balance Reserves	9710-9740	98,657.09		5,775.00		5,775.00
b. Designated for Economic Uncertainties	9770	299,350.78		6,597.76		0.00
c. Fund Balance Designations	9775, 9780	488,831.31		464,664.10		212,984.10
d. Undesignated/Unappropriated Balance	9790	0.00		0.00		0.00
e. Total Components of Ending Fund Balance						
(Line D3e must agree with line D2)		886,839.18		477,036.86		218,759.10

Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2011-12 Projection (C)	% Change (Cols. E-C/C) (D)	2012-13 Projection (E)
E. AVAILABLE RESERVES (Unrestricted except as noted)						
1. General Fund						
a. Designated for Economic Uncertainties	9770	299,350.78		6,597.76		0.00
b. Undesignated/Unappropriated Amount	9790	0.00		0.00		0.00
c. Negative Restricted Ending Balances (Negative resources 2000-9999) (Enter projections)	979Z			0.00		0.00
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Designated for Economic Uncertainties	9770	0.00		0.00		0.00
b. Undesignated/Unappropriated Amount	9790	690,169.34		692,669.00		331,154.89
3. Total Available Reserves - by Amount (Sum lines E1 thru E2b)		989,520.12		699,266.76		331,154.89
4. Total Available Reserves - by Percent (Line E3 divided by Line F3c)		7.70%		6.20%		3.00%
F. RECOMMENDED RESERVES						
1. Special Education Pass-through Exclusions						
For districts that serve as the administrative unit (AU) of a special education local plan area (SELPA):						
a. Do you choose to exclude from the reserve calculation the pass-through funds distributed to SELPA members?	No					
b. If you are the SELPA AU and answered Yes to excluding special education pass-through funds: 1. Enter the name(s) of the SELPA(s):						
<hr/>						
2. Special education pass-through funds						
(Column A: Fund 01, resources 3300-3499 and 6500-6540, objects 7211-7213 and 7221-7223; enter projections for subsequent years 1 and 2 in Columns C and E)						
		0.00				
2. District ADA						
Used to determine the reserve standard percentage level on line F3d (Column A: Form A1, Estimated P-2 ADA column, lines 1-4 and 22; enter projections)						
		1,495.25		1,455.90		1,411.75
3. Calculating the Reserves						
a. Total Expenditures and Other Financing Uses (Line B11)		12,843,305.07		11,275,623.20		11,038,496.20
b. Less: Special Education Pass-through Funds (Line F1b2)		0.00		0.00		0.00
c. Net Expenditures and Other Financing Uses (Line F3a, minus line F3b if line F1a is Yes)		12,843,305.07		11,275,623.20		11,038,496.20
d. Reserve Standard Percentage Level (Refer to Form 01CSI, Criterion 10 for calculation details)		3%		3%		3%
e. Reserve Standard - By Percent (Line F3c times F3d)		385,299.15		338,268.70		331,154.89
f. Reserve Standard - By Amount (Refer to Form 01CSI, Criterion 10 for calculation details)		0.00		0.00		0.00
g. Reserve Standard (Greater of Line F3e or F3f)		385,299.15		338,268.70		331,154.89
h. Available Reserves (Line E3) Meet Reserve Standard (Line F3g)		YES		YES		YES

