

WILLOWS UNIFIED SCHOOL DISTRICT
Office of the Superintendent

Date: August 5, 2021

Request For Placement on Board Agenda:

[X] ACTION [] INFORMATION

**AGENDA TOPIC: Independent Auditors Report for Period Ending June
30, 2020 (2019-20)**

PRESENTER: Debbie Costello, Director of Business Services

Background Information:

In accordance with Education Code section 41020.3, the governing board of Willows Unified School District (WUSD) must review and accept the prior year financial audit report. WUSD received a positive opinion from Christy White, CPA's as to the fair presentation of the District's annual financial statements, internal controls and federal compliance as of June 30, 2020.

Along with the opinion, the audit can be evaluated on findings of internal control and the number of audit adjustments required. WUSD received no findings for fiscal year 2019-20.

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

Recommendations:

The administration requests the Board accept the fiscal year 2019-20 audit report as prepared by Christy White, Certified Public Accountants.

July 30, 2021

Board of Education
Willows Unified School District
Willows, CA

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 30, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, and the required supplementary information section, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

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

Christy White, Inc.

WILLOWS UNIFIED SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2020**



WILLOWS UNIFIED SCHOOL DISTRICT
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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, 2020, and the related notes to the financial statements, which collectively comprise the Willows Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Willows Unified School District, as of June 30, 2020, 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 changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2021 on our consideration of Willows Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Willows Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willows Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
July 30, 2021

WILLOWS UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

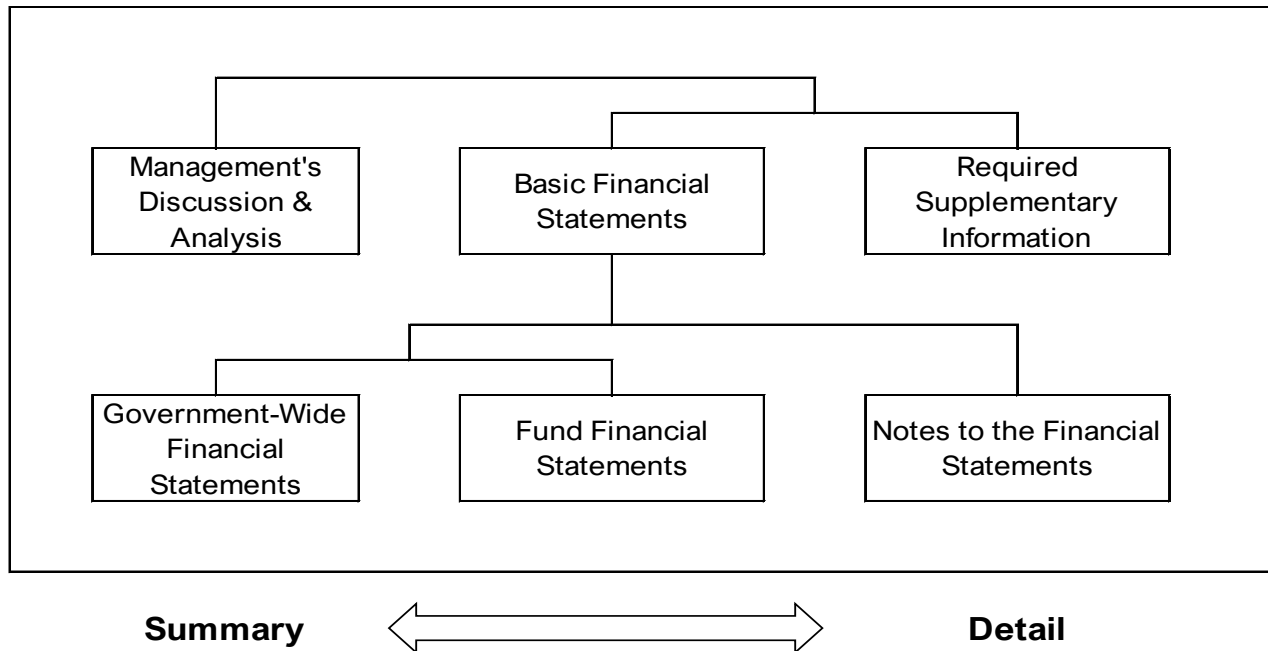
Our discussion and analysis of Willows Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$(9,601,996) at June 30, 2020. This was a decrease of \$815,819 from the prior year.
- Overall revenues were \$18,884,831 which were less than expenses of \$19,700,650.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**WILLOWS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **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, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(9,601,996) at June 30, 2020, as reflected in the table below. Of this amount, \$(14,784,771) 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.

	Governmental Activities		
	2020	2019	Net Change
ASSETS			
Current and other assets	\$ 9,891,930	\$ 8,347,425	\$ 1,544,505
Capital assets	11,455,192	12,742,841	(1,287,649)
Total Assets	21,347,122	21,090,266	256,856
DEFERRED OUTFLOWS OF RESOURCES	6,150,759	4,933,085	1,217,674
LIABILITIES			
Current liabilities	2,309,989	1,570,878	739,111
Long-term liabilities	33,151,305	31,606,298	1,545,007
Total Liabilities	35,461,294	33,177,176	2,284,118
DEFERRED INFLOWS OF RESOURCES	1,638,583	1,632,352	6,231
NET POSITION			
Net investment in capital assets	678,777	1,543,363	(864,586)
Restricted	4,503,998	4,214,931	289,067
Unrestricted	(14,784,771)	(14,544,471)	(240,300)
Total Net Position	\$ (9,601,996)	\$ (8,786,177)	\$ (815,819)

**WILLOWS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2020	2019	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 43,217	\$ 40,947	\$ 2,270
Operating grants and contributions	1,066,321	1,715,677	(649,356)
General revenues			
Property taxes	5,954,363	4,853,605	1,100,758
Unrestricted federal and state aid	10,222,390	10,481,793	(259,403)
Other	1,598,540	884,233	714,307
Total Revenues	18,884,831	17,976,255	908,576
EXPENSES			
Instruction	9,534,375	9,486,269	48,106
Instruction-related services	1,972,453	1,927,216	45,237
Pupil services	1,994,059	1,855,602	138,457
General administration	1,493,807	1,185,362	308,445
Plant services	2,335,194	2,432,280	(97,086)
Ancillary and community services	150,186	12,188	137,998
Debt service	310,707	319,768	(9,061)
Other outgo	1,909,869	1,541,715	368,154
Total Expenses	19,700,650	18,760,400	940,250
Change in net position	(815,819)	(784,145)	(31,674)
Net Position - Beginning	(8,786,177)	(8,002,032)	(784,145)
Net Position - Ending	\$ (9,601,996)	\$ (8,786,177)	\$ (815,819)

The cost of all our governmental activities this year was \$19,700,650 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$5,954,363 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$1,066,321).

**WILLOWS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2020	2019
Instruction	\$ 9,378,242	\$ 8,840,754
Instruction-related services	1,873,345	1,749,314
Pupil services	1,184,120	1,058,862
General administration	1,451,372	1,132,413
Plant services	2,333,271	2,423,197
Ancillary and community services	150,186	12,188
Debt service	310,707	319,768
Transfers to other agencies	1,909,869	1,467,280
Total Expenses	\$ 18,591,112	\$ 17,003,776

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 \$8,135,449, which is more than last year's ending fund balance of \$7,319,852. The District's General Fund had \$572,555 more in operating revenues than expenditures for the year ended June 30, 2020.

CURRENT YEAR BUDGET 2019-2020

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

**WILLOWS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2019-2020 the District had invested \$11,455,192 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2020	2019	Net Change
CAPITAL ASSETS			
Land	\$ 106,915	\$ 106,915	\$ -
Land improvements	6,049,855	6,042,100	7,755
Buildings & improvements	14,758,771	14,758,771	-
Furniture & equipment	3,391,979	2,948,844	443,135
Accumulated depreciation	(12,852,328)	(11,113,789)	(1,738,539)
Total Capital Assets	\$ 11,455,192	\$ 12,742,841	\$ (1,287,649)

Long-Term Liabilities

At year-end, the District had \$33,151,305 in long-term liabilities, an increase of 4.89% from last year's balance as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2020	2019	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 7,829,620	\$ 7,999,364	\$ (169,744)
Qualified zone academy bonds	2,947,086	3,200,114	(253,028)
Compensated absences	95,190	82,394	12,796
Total OPEB liability	7,337,466	5,890,782	1,446,684
Net pension liability	15,377,118	14,856,416	520,702
Less: current portion of long-term liabilities	(435,175)	(422,772)	(12,403)
Total Long-term Liabilities	\$ 33,151,305	\$ 31,606,298	\$ 1,545,007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

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

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

WILLOWS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and investments	\$ 6,840,685
Accounts receivable	3,046,180
Inventory	5,065
Capital assets, not depreciated	106,915
Capital assets, net of accumulated depreciation	<u>11,348,277</u>
Total Assets	<u>21,347,122</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	4,553,017
Deferred outflows related to OPEB	<u>1,597,742</u>
Total Deferred Outflows of Resources	<u>6,150,759</u>
LIABILITIES	
Accrued liabilities	1,682,389
Unearned revenue	192,425
Long-term liabilities, current portion	435,175
Long-term liabilities, non-current portion	<u>33,151,305</u>
Total Liabilities	<u>35,461,294</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,504,971
Deferred inflows related to OPEB	<u>133,612</u>
Total Deferred Inflows of Resources	<u>1,638,583</u>
NET POSITION	
Net investment in capital assets	3,625,863
Restricted:	
Capital projects	241,821
Debt service	238,774
Educational programs	3,797,789
All others	225,614
Unrestricted	<u>(17,731,857)</u>
Total Net Position	<u>\$ (9,601,996)</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 9,534,375	\$ 636	\$ 155,497	\$ (9,378,242)
Instruction-related services				
Instructional supervision and administration	247,997	1	40,015	(207,981)
Instructional library, media, and technology	187,518	65	28,375	(159,078)
School site administration	1,536,938	1	30,651	(1,506,286)
Pupil services				
Home-to-school transportation	506,353	1,238	31,829	(473,286)
Food services	858,518	38,134	674,047	(146,337)
All other pupil services	629,188	23	64,668	(564,497)
General administration				
Centralized data processing	97,103	-	-	(97,103)
All other general administration	1,396,704	1,196	41,239	(1,354,269)
Plant services	2,335,194	1,923	-	(2,333,271)
Ancillary services	150,186	-	-	(150,186)
Interest on long-term debt	310,707	-	-	(310,707)
Other outgo	1,909,869	-	-	(1,909,869)
Total Governmental Activities	\$ 19,700,650	\$ 43,217	\$ 1,066,321	(18,591,112)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				5,359,379
Property taxes, levied for debt service				594,984
Federal and state aid not restricted for specific purposes				10,222,390
Interest and investment earnings				222,451
Interagency revenues				121,922
Miscellaneous				1,254,167
Subtotal, General Revenue				17,775,293
CHANGE IN NET POSITION				(815,819)
Net Position - Beginning				(8,786,177)
Net Position - Ending				\$ (9,601,996)

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

WILLOWS UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 6,210,550	\$ 630,135	\$ 6,840,685
Accounts receivable	2,854,494	191,686	3,046,180
Due from other funds	23,907	50,000	73,907
Stores inventory	250	4,815	5,065
Total Assets	\$ 9,089,201	\$ 876,636	\$ 9,965,837
LIABILITIES			
Accrued liabilities	\$ 1,540,975	\$ 23,081	\$ 1,564,056
Due to other funds	50,000	23,907	73,907
Unearned revenue	192,425	-	192,425
Total Liabilities	1,783,400	46,988	1,830,388
FUND BALANCES			
Nonspendable	7,025	4,815	11,840
Restricted	3,797,789	824,833	4,622,622
Committed	276,547	-	276,547
Assigned	665,000	-	665,000
Unassigned	2,559,440	-	2,559,440
Total Fund Balances	7,305,801	829,648	8,135,449
Total Liabilities and Fund Balances	\$ 9,089,201	\$ 876,636	\$ 9,965,837

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, 2020**

Total Fund Balance - Governmental Funds \$ 8,135,449

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

Capital assets:

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

Capital assets	\$ 24,307,520	
Accumulated depreciation	<u>(12,852,328)</u>	11,455,192

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:

(118,333)

Long-term liabilities:

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

Total general obligation bonds	\$ 7,829,620	
Qualified zone academy bonds	2,947,086	
Compensated absences	95,190	
Total OPEB liability	7,337,466	
Net pension liability	<u>15,377,118</u>	(33,586,480)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 4,553,017	
Deferred inflows of resources related to pensions	<u>(1,504,971)</u>	3,048,046

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 1,597,742	
Deferred inflows of resources related to OPEB	<u>(133,612)</u>	1,464,130

Total Net Position - Governmental Activities \$ (9,601,996)

**WILLOWS UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 14,840,050	\$ -	\$ 14,840,050
Federal sources	646,365	695,725	1,342,090
Other state sources	1,651,233	55,552	1,706,785
Other local sources	945,667	770,359	1,716,026
Total Revenues	18,083,315	1,521,636	19,604,951
EXPENDITURES			
Current			
Instruction	9,107,160	-	9,107,160
Instruction-related services			
Instructional supervision and administration	258,313	-	258,313
Instructional library, media, and technology	166,779	-	166,779
School site administration	1,497,870	-	1,497,870
Pupil services			
Home-to-school transportation	428,359	-	428,359
Food services	64	813,887	813,951
All other pupil services	634,413	-	634,413
General administration			
Centralized data processing	93,508	-	93,508
All other general administration	1,241,330	23,907	1,265,237
Plant services	1,719,086	-	1,719,086
Facilities acquisition and maintenance	7,755	-	7,755
Ancillary services	151,375	-	151,375
Transfers to other agencies	1,919,613	-	1,919,613
Debt service			
Principal	253,028	160,000	413,028
Interest and other	32,107	280,800	312,907
Total Expenditures	17,510,760	1,278,594	18,789,354
Excess (Deficiency) of Revenues Over Expenditures	572,555	243,042	815,597
Other Financing Sources (Uses)			
Transfers in	-	50,000	50,000
Transfers out	(50,000)	-	(50,000)
Net Financing Sources (Uses)	(50,000)	50,000	-
NET CHANGE IN FUND BALANCE			
Fund Balance - Beginning	6,783,246	536,606	7,319,852
Fund Balance - Ending	\$ 7,305,801	\$ 829,648	\$ 8,135,449

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, 2020**

Net Change in Fund Balances - Governmental Funds \$ 815,597

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:	\$ 450,890	
Depreciation expense:	<u>(1,738,539)</u>	(1,287,649)

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

413,028

Unmatured interest on long-term debt:

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

2,200

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:

(12,796)

Postemployment benefits other than pensions (OPEB):

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

(5,653)

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:

(750,290)

Amortization of debt issuance premium or discount:

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

9,744

Change in Net Position of Governmental Activities		<u>\$ (815,819)</u>
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WILLOWS UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Trust Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
ASSETS		
Cash and investments	\$ 113,523	\$ 182,644
Accounts receivable	1,088	-
Total Assets	<u>114,611</u>	<u>\$ 182,644</u>
LIABILITIES		
Due to student groups	-	\$ 182,644
Total Liabilities	<u>-</u>	<u>\$ 182,644</u>
NET POSITION		
Restricted	114,611	
Total Net Position	<u>\$ 114,611</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, 2020

	<u>Trust Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 2,175
Other	50,000
Total Additions	<u>52,175</u>
DEDUCTIONS	
Other trust activities	2,000
Total Deductions	<u>2,000</u>
CHANGE IN NET POSITION	50,175
Net Position - Beginning	64,436
Net Position - Ending	<u>\$ 114,611</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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.

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*).

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).

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*).

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*).

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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*).

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.

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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.

Unearned Revenue

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

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

Expenses/Expenditures

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

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

Interfund Balances

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

Premiums and Discounts

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

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

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

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

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

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

F. Interfund Activity

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

G. Estimates

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

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

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

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

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

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This standard's primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately. The District has implemented GASB Statement No. 95.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 6,831,410	\$ 113,523
Cash on hand and in banks	5,000	182,644
Cash in revolving fund	4,275	-
Total	\$ 6,840,685	\$ 296,167

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, 2020**

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.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$6,952,856 and an amortized book value of \$6,944,933.

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, 2020, the pooled investments in the County Treasury were not rated.

**WILLOWS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

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, 2020, 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, 2020 were as follows:

	Uncategorized
Investment in county treasury	<u>\$ 6,952,856</u>
Total	<u>\$ 6,952,856</u>

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Federal Government				
Categorical aid	\$ 62,430	\$ 94,460	\$ 156,890	\$ -
State Government				
Apportionment	1,867,874	-	1,867,874	-
Categorical aid	33,109	8,105	41,214	-
Lottery	72,180	-	72,180	-
Local Government				
Other local sources	818,901	89,121	908,022	1,088
Total	<u>\$ 2,854,494</u>	<u>\$ 191,686</u>	<u>\$ 3,046,180</u>	<u>\$ 1,088</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance July 01, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 106,915	\$ -	\$ -	\$ 106,915
Total Capital Assets not Being Depreciated	106,915	-	-	106,915
Capital assets being depreciated				
Land improvements	6,042,100	7,755	-	6,049,855
Buildings & improvements	14,758,771	-	-	14,758,771
Furniture & equipment	2,948,844	443,135	-	3,391,979
Total Capital Assets Being Depreciated	23,749,715	450,890	-	24,200,605
Less Accumulated Depreciation				
Land improvements	2,111,164	324,379	-	2,435,543
Buildings & improvements	7,290,435	1,162,730	-	8,453,165
Furniture & equipment	1,712,190	251,430	-	1,963,620
Total Accumulated Depreciation	11,113,789	1,738,539	-	12,852,328
Governmental Activities				
Capital Assets, net	<u>\$ 12,742,841</u>	<u>\$ (1,287,649)</u>	<u>\$ -</u>	<u>\$ 11,455,192</u>

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental activities as follows:

Governmental Activities	
Instruction	\$ 687,197
Instructional library, media, and technology	3,162
School site administration	6,600
Home-to-school transportation	50,805
Food services	8,877
All other pupil services	4,530
Centralized data processing	3,595
All other general administration	33,573
Plant services	939,671
Ancillary services	529
Total Depreciation Expense	<u>\$ 1,738,539</u>

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2020 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 50,000	\$ 50,000
Non-Major Governmental Funds	23,907	-	23,907
Total	<u>\$ 23,907</u>	<u>\$ 50,000</u>	<u>\$ 73,907</u>

The General Fund owed the Non-Major Cafeteria Fund for cash flow purposes.	\$ 50,000
The Non-Major Cafeteria Fund owed the General Fund for indirect costs.	23,907
Total	<u>\$ 73,907</u>

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

	<u>Interfund Transfers In</u>	
	Non-Major Governmental Funds	Total
<u>Interfund Transfers Out</u>		
General Fund	\$ 50,000	\$ 50,000
Total	\$ 50,000	\$ 50,000

The General Fund transferred to the Non-Major Cafeteria Fund for operating costs.	\$ 50,000
Total	\$ 50,000

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 57,832	\$ 18,791	\$ -	\$ 76,623
Vendors payable	1,483,143	4,290	-	1,487,433
Unmatured interest	-	-	118,333	118,333
Total	\$ 1,540,975	\$ 23,081	\$ 118,333	\$ 1,682,389

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund
Federal sources	\$ 8,956
State categorical sources	183,469
Total	\$ 192,425

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2020 consisted of the following:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 7,785,000	\$ -	\$ 160,000	\$ 7,625,000	\$ 170,000
Unamortized premium	214,364	-	9,744	204,620	9,744
Total general obligation bonds	7,999,364	-	169,744	7,829,620	179,744
Qualified zone academy bonds	3,200,114	-	253,028	2,947,086	255,431
Compensated absences	82,394	12,796	-	95,190	-
Total OPEB liability	5,890,782	1,446,684	-	7,337,466	-
Net pension liability	14,856,416	520,702	-	15,377,118	-
Total	\$ 32,029,070	\$ 1,980,182	\$ 422,772	\$ 33,586,480	\$ 435,175

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

A. General Obligation Bonds

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2020
					Outstanding July 01, 2019	Additions	Deductions	
Election 2016, 2017 Series A	March 28, 2017	August 1, 2040	2.00% - 5.00%	\$8,000,000	\$ 7,785,000	\$ -	\$ 160,000	\$ 7,625,000
					\$ 7,785,000	\$ -	\$ 160,000	\$ 7,625,000

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

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
2021	\$ 170,000	\$ 275,850	\$ 445,850
2022	185,000	270,525	455,525
2023	200,000	264,750	464,750
2024	215,000	258,525	473,525
2025	230,000	251,850	481,850
2026 - 2030	1,425,000	1,141,669	2,566,669
2031 - 2035	1,940,000	883,206	2,823,206
2036 - 2041	3,260,000	487,531	3,747,531
Total	\$ 7,625,000	\$ 3,833,906	\$ 11,458,906

B. Qualified Zone Academy Bonds

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

Year Ended June 30,	Principal	Interest	Total
2021	\$ 255,431	\$ 26,784	\$ 282,215
2022	257,858	24,346	282,204
2023	260,308	21,885	282,193
2024	262,781	19,400	282,181
2025	265,277	16,892	282,169
2026 - 2030	1,364,669	45,992	1,410,661
2031	280,762	1,334	282,096
Total	\$ 2,947,086	\$ 156,633	\$ 3,103,719

C. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$95,190. This amount is included as part of long-term liabilities in the government-wide financial statements.

WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Other Postemployment Benefits

The District's beginning total OPEB liability was \$5,890,782 and increased by \$1,446,684 during the year ended June 30, 2020. The ending total OPEB liability at June 30, 2020 was \$7,337,466. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was \$14,856,416 and increased by \$520,702 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$15,377,118. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2020:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 4,275	\$ -	\$ 4,275
Stores inventory	250	4,815	5,065
All others	2,500	-	2,500
Total non-spendable	<u>7,025</u>	<u>4,815</u>	<u>11,840</u>
Restricted			
Educational programs	3,797,789	-	3,797,789
Capital projects	-	242,112	242,112
Debt service	-	357,107	357,107
All others	-	225,614	225,614
Total restricted	<u>3,797,789</u>	<u>824,833</u>	<u>4,622,622</u>
Committed			
Other commitments	276,547	-	276,547
Total committed	<u>276,547</u>	<u>-</u>	<u>276,547</u>
Assigned			
Classified vacation accrual	65,000		65,000
STRS/PERS increases	300,000		300,000
Title I & Title II Shortfall	300,000	-	300,000
Total assigned	<u>665,000</u>	<u>-</u>	<u>665,000</u>
Unassigned	2,559,440	-	2,559,440
Total Fund Balance	<u>\$ 7,305,801</u>	<u>\$ 829,648</u>	<u>\$ 8,135,449</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

B. Benefits Provided

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

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

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

Management and Confidential employees who have attained age 55 and have completed at least 16 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to an annual cap of \$12,000 (\$11,611 for retirements before July 1, 2014). District-paid benefits end at age 65 for those hired on or after January 1, 1995, and continue for life for those hired before January 1, 1995.

C. Contributions

For fiscal year 2019-20, the District contributed \$566,485 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

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

*Information not provided

**As of the July 1, 2019 valuation date

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

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

E. Total OPEB Liability

The Willows Unified School District's total OPEB liability of \$7,337,466 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Economic assumptions:

Inflation	2.75%
Salary increases	3.00%
Healthcare cost trend rates	4.50%

Non-economic assumptions:

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

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

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

G. Changes in Total OPEB Liability

	<u>June 30, 2020</u>
Total OPEB Liability	
Service Cost	\$ 121,800
Interest on total OPEB liability	218,232
Difference between expected and actual experience	651,870
Changes of assumptions	1,021,267
Benefits payments	<u>(566,485)</u>
Net change in total OPEB liability	1,446,684
Total OPEB liability - beginning	<u>5,890,782</u>
Total OPEB liability - ending	<u>\$ 7,337,466</u>
Covered-employee payroll	\$ 8,085,289
District's total OPEB liability as a percentage of covered-employee payroll	90.8%

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

The following presents the total OPEB liability of the Willows Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45 percent) or one percentage point higher (3.45 percent) than the current discount rate:

	1% Decrease (1.45%)	Valuation Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 8,058,369	\$ 7,337,466	\$ 6,715,809

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

The following presents the total OPEB liability of the Willows Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.50 percent) or one percentage point higher (5.50 percent) than the current healthcare cost trend rate:

	1% Decrease (3.50%)	Valuation Trend Rate (4.50%)	1% Increase (5.50%)
Total OPEB liability	\$ 7,144,123	\$ 7,337,466	\$ 7,491,290

WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

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

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

For the fiscal year ended June 30, 2020, the Willows Unified School District recognized OPEB expense of \$572,138. At June 30, 2020, the Willows Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 561,332	\$ -
Changes in assumptions	1,036,410	133,612
Total	<u>\$ 1,597,742</u>	<u>\$ 133,612</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 267,267	\$ 35,161
2022	267,267	35,161
2023	267,267	35,161
2024	267,267	28,129
2025	249,823	-
Thereafter	278,851	-
Total	<u>\$ 1,597,742</u>	<u>\$ 133,612</u>

WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

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:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 11,771,519	\$ 3,732,502	\$ 1,433,264	\$ 1,547,251
PERS Pension	3,605,599	820,515	71,707	782,968
Total	\$ 15,377,118	\$ 4,553,017	\$ 1,504,971	\$ 2,330,219

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

**WILLOWS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2020, 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 2020 was 18.13% of annual payroll reduced to 17.10% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,229,703 for the year ended June 30, 2020.

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 \$895,828 to CalSTRS.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 11,771,519
State's proportionate share of the net pension liability associated with the District	<u>6,422,201</u>
Total	<u>\$ 18,193,720</u>

The net pension liability was measured as of June 30, 2019, 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, 2018 and rolling forward the total pension liability to June 30, 2019. 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, 2019, the District’s proportion was 0.013 percent, which did not change from its proportion measured as of June 30, 2018.

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$1,547,251. In addition, the District recognized pension expense and revenue of \$175,708 for support provided by the State. At June 30, 2020, 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	\$ -	\$ 453,443
Differences between expected and actual experience	29,717	331,707
Changes in assumptions	1,488,840	-
Changes in proportion and differences between District contributions and proportionate share of contributions	984,242	648,114
District contributions subsequent to the measurement date	1,229,703	-
Total	<u>\$ 3,732,502</u>	<u>\$ 1,433,264</u>

The \$1,229,703 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, 2021. 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>
2021	\$ 626,230	\$ 290,642
2022	626,228	605,446
2023	575,884	295,087
2024	502,041	171,100
2025	122,106	36,603
2026	50,310	34,386
Total	<u>\$ 2,502,799</u>	<u>\$ 1,433,264</u>

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**WILLOWS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 17,528,766	\$ 11,771,519	\$ 6,997,665

Pension Plan Fiduciary Net Position

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020 was 20.733% of annual payroll reduced to 19.721% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$350,220 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$3,605,599 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 and rolling forward the total pension liability to June 30, 2019. 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, 2019, the District's proportion was 0.012 percent, which was did not change from its proportion measured as of June 30, 2018.

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$782,968. At June 30, 2020, 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	\$ -	\$ 33,443
Differences between expected and actual experience	261,911	-
Changes in assumptions	171,638	-
Changes in proportion and differences between District contributions and proportionate share of contributions	36,746	38,264
District contributions subsequent to the measurement date	350,220	-
Total	<u>\$ 820,515</u>	<u>\$ 71,707</u>

The \$350,220 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, 2021. 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>
2021	\$ 293,268	\$ 57,811
2022	123,540	(52,475)
2023	49,266	(9,992)
2024	4,221	76,363
Total	<u>\$ 470,295</u>	<u>\$ 71,707</u>

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

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

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

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

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

Discount Rate

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 5,197,233	\$ 3,605,599	\$ 2,285,228

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, 2020**

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, 2020.

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, 2020.

C. Construction Commitments

As of June 30, 2020, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2020, total deferred outflows related to pensions was \$4,553,017 and total deferred inflows related to pensions was \$1,504,971.

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

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

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2020, total deferred outflows related to other postemployment benefits was \$1,597,742 and total deferred inflows related to other postemployment benefits was \$133,612.

REQUIRED SUPPLEMENTARY INFORMATION

**WILLOWS UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 14,909,240	\$ 15,032,671	\$ 14,840,050	\$ (192,621)
Federal sources	558,886	675,496	742,402	66,906
Other state sources	362,483	978,878	755,405	(223,473)
Other local sources	347,948	487,971	849,630	361,659
Total Revenues	16,178,557	17,175,016	17,187,487	12,471
EXPENDITURES				
Certificated salaries	7,460,695	7,496,102	7,445,518	50,584
Classified salaries	1,826,283	1,815,170	1,846,578	(31,408)
Employee benefits	3,102,561	2,763,932	2,684,721	79,211
Books and supplies	1,020,541	1,302,436	667,429	635,007
Services and other operating expenditures	1,219,846	1,343,418	1,344,306	(888)
Capital outlay	7,006	562,305	445,539	116,766
Other outgo				
Excluding transfers of indirect costs	2,118,054	2,116,514	2,204,748	(88,234)
Transfers of indirect costs	(38,000)	(38,000)	(23,907)	(14,093)
Total Expenditures	16,716,986	17,361,877	16,614,932	746,945
Excess (Deficiency) of Revenues Over Expenditures	(538,429)	(186,861)	572,555	759,416
Other Financing Sources (Uses)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net Financing Sources (Uses)	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	(588,429)	(236,861)	522,555	759,416
Fund Balance - Beginning	6,783,246	6,783,246	6,783,246	-
Fund Balance - Ending	\$ 6,194,817	\$ 6,546,385	\$ 7,305,801	\$ 759,416

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

- On-behalf payments of \$895,828 are not included in the actual revenues and expenditures reported in this schedule.

**WILLOWS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability			
Service Cost	\$ 121,800	\$ 89,155	\$ 94,060
Interest on total OPEB liability	218,232	203,445	190,611
Difference between expected and actual experience	651,870	-	-
Changes of assumptions	1,021,267	226,758	(239,095)
Benefits payments	<u>(566,485)</u>	<u>(492,820)</u>	<u>(538,119)</u>
Net change in total OPEB liability	1,446,684	26,538	(492,543)
Total OPEB liability - beginning	<u>5,890,782</u>	<u>5,864,244</u>	<u>6,356,787</u>
Total OPEB liability - ending	<u>\$ 7,337,466</u>	<u>\$ 5,890,782</u>	<u>\$ 5,864,244</u>
Covered-employee payroll	\$ 8,085,289	\$ 7,999,660	\$ 8,253,556
District's total OPEB liability as a percentage of covered-employee payroll	90.8%	73.6%	71.1%

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, 2020**

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2020**

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

*Amounts do not include on-behalf contributions

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate changed from 3.13% to 2.45% and healthcare trend rate changed from 5.00% to 4.50% since the previous valuation for OPEB.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 1,815,170	\$ 1,846,578	\$ 31,408
Services and other operating expenditures	\$ 1,343,418	\$ 1,344,306	\$ 888
Other outgo			
Excluding transfers of indirect costs	\$ 2,116,514	\$ 2,204,748	\$ 88,234
Transfers of indirect costs	\$ (38,000)	\$ (23,907)	\$ 14,093

SUPPLEMENTARY INFORMATION

**WILLOWS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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	\$ 355,215
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	41,614
Title III, English Learner Student Program	84.365	14346	33,665
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15391	52,426
Title VIII, Impact Aid	84.041	10015	78,094
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	12,542
California State Gear Up Program	84.334A	10088	41,397
Total U. S. Department of Education			<u>614,953</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	125,055
National School Lunch Program	10.555	13391	330,048
COVID-19 Emergency Acts Funding - Unanticipated School Closures	10.555	*	177,139
USDA Commodities	10.555	*	49,988
Subtotal Child Nutrition Cluster			<u>682,230</u>
CACFP Claims - Centers and Family Day Care	10.558	13393	11,287
Forest Reserve Funds	10.665	10044	10,190
Total U. S. Department of Agriculture			<u>703,707</u>
U. S. DEPARTMENT OF INTERIOR			
<i>Direct award:</i>			
U.S. Wildlife Reserve Funds	15.673	*	23,430
Total U. S. Department of the Treasury			<u>23,430</u>
Total Federal Expenditures			<u>\$ 1,342,090</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, 2020**

	Second Period Report	Annual Report
	Certificate No. 1C205893	Certificate No. E127D93F
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	403.66	403.66
Total TK/K through Third	403.66	403.66
Fourth through Sixth		
Regular ADA	282.01	282.01
Total Fourth through Sixth	282.01	282.01
Seventh through Eighth		
Regular ADA	215.84	215.84
Total Seventh through Eighth	215.84	215.84
Ninth through Twelfth		
Regular ADA	468.39	468.39
Total Ninth through Twelfth	468.39	468.39
TOTAL SCHOOL DISTRICT	1,369.90	1,369.90

**WILLOWS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Grade Level	Minutes Requirement	2019-20 Actual Instructional Minutes*	2019-20 Planned Number of Days	2019-20 Actual Number of Days	Number of Days Certified Closed due to COVID-19*	Status
Kindergarten	36,000	49,655	180	127	53	Complied
Grade 1	50,400	50,434	180	127	53	Complied
Grade 2	50,400	50,434	180	127	53	Complied
Grade 3	50,400	50,434	180	127	53	Complied
Grade 4	54,000	54,980	180	127	53	Complied
Grade 5	54,000	54,980	180	127	53	Complied
Grade 6	54,000	59,920	180	127	53	Complied
Grade 7	54,000	59,920	180	127	53	Complied
Grade 8	54,000	59,920	180	127	53	Complied
Grade 9	64,800	65,119	180	127	53	Complied
Grade 10	64,800	65,119	180	127	53	Complied
Grade 11	64,800	65,119	180	127	53	Complied
Grade 12	64,800	65,119	180	127	53	Complied

*On July 20, 2021 the District certified that all schools were closed from March 17, 2020 to June 5, 2020 for a total of 53 instructional days due to COVID-19. The planned minutes covered by the COVID-19 School Closure Certification were included in the actual minutes column but were not actually offered due to the COVID-19 school closure.

**WILLOWS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2020**

	2021 (Budget)	2020	2019	2018
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 15,219,389	\$ 17,187,487	\$ 16,437,907	\$ 15,010,785
Expenditures And Other Financing Uses	16,936,494	16,664,932	16,322,112	14,813,253
Net change in Fund Balance	<u>\$ (1,717,105)</u>	<u>\$ 522,555</u>	<u>\$ 115,795</u>	<u>\$ 197,532</u>
Ending Fund Balance	<u>\$ 5,588,696</u>	<u>\$ 7,305,801</u>	<u>\$ 6,783,246</u>	<u>\$ 6,667,451</u>
Available Reserves*	<u>\$ 1,302,820</u>	<u>\$ 1,666,493</u>	<u>\$ 1,805,663</u>	<u>\$ 1,001,213</u>
Available Reserves As A Percentage Of Outgo	<u>7.69%</u>	<u>10.00%</u>	<u>11.06%</u>	<u>6.76%</u>
Long-term Liabilities	<u>\$ 33,153,686</u>	<u>\$ 33,588,861</u>	<u>\$ 32,029,070</u>	<u>\$ 31,614,861</u>
Average Daily Attendance At P-2	<u>1,370</u>	<u>1,370</u>	<u>1,386</u>	<u>1,403</u>

The General Fund balance has increased by \$638,350 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$1,717,105. 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 each of the past three years but anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term obligations have increased by \$1,974,000 over the past two years.

Average daily attendance has decreased by 33 ADA over the past two years. No change in ADA is anticipated during the 2020-21 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 \$895,828 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, 2020**

There were no items requiring reconciliation between the annual financial and budget report and the audited financial statements for the year ended June 30, 2020.

**WILLOWS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 118,054	\$ 292	\$ 240,163	\$ 271,626	\$ 630,135
Accounts receivable	104,520	-	1,658	85,508	191,686
Due from other funds	50,000	-	-	-	50,000
Stores inventory	4,815	-	-	-	4,815
Total Assets	\$ 277,389	\$ 292	\$ 241,821	\$ 357,134	\$ 876,636
LIABILITIES					
Accrued liabilities	\$ 23,053	\$ 1	\$ -	\$ 27	\$ 23,081
Due to other funds	23,907	-	-	-	23,907
Total Liabilities	46,960	1	-	27	46,988
FUND BALANCES					
Non-spendable	4,815	-	-	-	4,815
Restricted	225,614	291	241,821	357,107	824,833
Total Fund Balances	230,429	291	241,821	357,107	829,648
Total Liabilities and Fund Balance	\$ 277,389	\$ 292	\$ 241,821	\$ 357,134	\$ 876,636

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, 2020**

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 693,517	\$ -	\$ -	\$ 2,208	\$ 695,725
Other state sources	51,382	-	-	4,170	55,552
Other local sources	39,480	291	135,445	595,143	770,359
Total Revenues	784,379	291	135,445	601,521	1,521,636
EXPENDITURES					
Pupil services					
Food services	813,887	-	-	-	813,887
General administration					
All other general administration	23,907	-	-	-	23,907
Debt service					
Principal	-	-	-	160,000	160,000
Interest and other	-	-	-	280,800	280,800
Total Expenditures	837,794	-	-	440,800	1,278,594
Excess (Deficiency) of Revenues Over Expenditures	(53,415)	291	135,445	160,721	243,042
Other Financing Sources (Uses)					
Transfers in	50,000	-	-	-	50,000
Net Financing Sources (Uses)	50,000	-	-	-	50,000
NET CHANGE IN FUND BALANCE	(3,415)	291	135,445	160,721	293,042
Fund Balance - Beginning	233,844	-	106,376	196,386	536,606
Fund Balance - Ending	\$ 230,429	\$ 291	\$ 241,821	\$ 357,107	\$ 829,648

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2020**

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

Member	Office	Term Expires
Alex Parisio	President	December 2022
Gina Taylor	Vice President	December 2022
Michelle Knight	Clerk	December 2022
Jeromy Geiger	Member	December 2020
James Buck Ward	Member	December 2020

DISTRICT ADMINISTRATORS

Dr. Mort Geivett
Superintendent

Debbie Costello
Director of Business Services

**WILLOWS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

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*.

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**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, 2020, 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 July 30, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California

July 30, 2021

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

Governing Board
Willows Unified School District
Willows, California

Report on Compliance for Each Major Federal Program

We have audited Willows Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Willows Unified School District's major federal programs for the year ended June 30, 2020. Willows Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Willows Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Christy White, Inc.

San Diego, California
July 30, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Willows Unified School District
Willows, California

Report on State Compliance

We have audited Willows Unified School District's compliance with the types of compliance requirements described in the *2019-2020 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, 2020, 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 *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Willows Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Compliance

In our opinion, Willows Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2020.

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:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No
After/Before 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
Charter Schools	
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 perform testing for independent study because total reported ADA was not material. Procedures for California Clean Energy Jobs Act were not performed as the District did not have expenditures for the year ended June 30, 2020.

Christy White, Inc.

San Diego, California
July 30, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WILLOWS UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

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>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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, 2020**

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, 2020.

**WILLOWS UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020.

**WILLOWS UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
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, 2020.

**WILLOWS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-001 – INSTRUCTIONAL TIME (40000)

Criteria: Pursuant to *California Education Code* Sections 46200 through 46208, a school district must offer at least 50,400 instructional minutes per school year to grades 1-3.

Condition: Upon review of the instructional time calculation for Murdock Elementary School, it was determined that all students grades 1-3 were only offered 50,365 instructional minutes for the 2018-19 school year.

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

Cause: Clerical oversight.

Questioned Costs: \$2,073, calculated as follows:

		Instructional Time Grade Spans				
		K	1-3	4-6	7-8	9-12
1	Affected grade level(s)		x			
2	Affected grade level ADA		298.01			
3	Derived Value of ADA by Grade Span		\$9,937.50			
Instructional Minutes Penalty Calculation						
4	Number of required minutes	36,000	50,400	54,000	54,000	64,800
5	Number of minutes short		35			
6	Percentage of Minutes Not Offered	0.00%	0.07%	0.00%	0.00%	0.00%
7	Affected LCFF Apportionment by Grade Span	\$0	\$2,961,474	\$0	\$0	\$0
8	Instructional Time Penalty by Grade Span	\$0	\$2,073	\$0	\$0	\$0
9	Total Instructional Time Penalty					\$2,073

Repeat Finding: No.

Recommendation: We recommend the District carefully review the instructional time calculations for each school to ensure that all grade spans are offering a sufficient amount of instructional time.

Corrective Action Plan: District administration will work with school site staff to ensure that changes to school calendars and/or bell schedules are not made without prior review and approval from the Director of Business Services and Superintendent. We will also work to ensure that any proposed changes that are actually implemented are incorporated into instructional minutes calculation records in a timely manner.

Current Status: Implemented.