

**CITY OF WILLOWS  
GLENN COUNTY, CALIFORNIA  
FINANCIAL STATEMENTS  
TOGETHER WITH  
THE INDEPENDENT AUDITOR'S OPINIONS  
FOR THE YEAR ENDED  
JUNE 30, 2015**

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CITY OF WILLOWS  
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JUNE 30, 2015

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GLENN COUNTY, CALIFORNIA  
JUNE 30, 2014

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**ROY R. SEILER**  
**CERTIFIED PUBLIC ACCOUNTANT**

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Willows  
Glenn County, California

I have audited the accompanying financial of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willows, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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**

My responsibility is to express opinions on these financial statements based on my audit. I 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willows, California, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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 management's discussion and analysis, and other required supplementary information shown as statements one, two and three, be presented to supplement the basic financial statements. Such information, although not a 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 an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of changes in individual funds is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the City.

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 my opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*.

I have also performed tests to determine that expenditures paid by the City were made in accordance with the allocation instructions and resolutions of the Glenn County Transportation Commission and in conformance with the California Transportation Development Act. Specifically, I performed each of the specific tasks identified in California Code of Regulations Section 6666 that are applicable to the City.

January 8, 2016



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Roy R. Seiler, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Willows (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

The City's overall net position ended at \$7,795,888 as a result of this year's operations and a significant prior period adjustment due to a change in accounting principle associated with pensions.

During the year, the City's taxes, other governmental revenues and business activity revenues exceeded expenses by \$438,915 including the effect of depreciation, a non-cash expense, of \$497,071.

Governmental net assets ended the year at \$2,253,651, and were significantly negatively impacted by a prior period adjustment downward (\$5,267,364) due to a change in accounting principle associated with pensions.

The total revenues from all sources were \$9,739,502.

The total cost of all City programs was \$9,300,578.

The General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$167.

Actual resources received in the General Fund were greater than the final budget by \$42,263, while actual expenditures and operating transfers were \$98,415 less than final budget.

At the end of the fiscal year, fund balance for the General Fund was \$1,358,483 or 37.8% of total General Fund expenditures.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are:

1. Government-wide financial statements, which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole.
2. Fund financial statements describe how City services are financed in the short term as well as what resources are available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
3. Notes to the financial statements.

#### Reporting the City as a Whole

##### The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the city's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector

companies. All of the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

These two statements report the City's net position and changes thereto. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads and other infrastructure assets to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities present information about the following.

**Governmental activities** - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, sales taxes, Vehicle License Fees (VLF), transient occupancy taxes, and franchise fees finance most of these activities.

**Business (proprietary fund) type activities** - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's sewer and water services are reported in this category.

#### Reporting the City's Most Significant Funds

##### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds--not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, management establishes many other funds that aid in the administration of resources for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's three kinds of funds, governmental, proprietary, and fiduciary use different accounting approaches as explained below.

**Governmental funds** - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

**Business Type (Proprietary) funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

**Fiduciary Funds**- Fiduciary funds are used to account for resources held for the benefit of parties outside the government or for specific contributions, gifts, or bequests made on the government's behalf by non-public entities. Fiduciary funds are not reflected in the government-wide financial

statements, as those funds are not available to support general City programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**THE CITY AS A WHOLE**

The net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business activities are presented in total on these tables.

**Table 1  
City of Willows' Net Position  
(Full Accrual)**

	Governmental Activities 2015	%	Governmental Activities 2014	%
<b>Current and Other Assets</b>	\$4,267,643	52.8	\$4,576,967	52.8
<b>Capital Assets</b>	4,103,356	47.2	4,099,851	47.2
<b>Deferred Outflows-Pension</b>	541,469	6.1		
<b>Total Assets and Deferred Outflows</b>	<u>8,912,468</u>	<u>100.0</u>	<u>8,676,818</u>	<u>100.0</u>
<b>Current and Other Liabilities</b>	\$ 871,611	9.8	\$1,727,316	19.9
<b>Long-Term Debt</b>	50,314	.5	98,579	1.1
<b>Net Pension Liability</b>	4,749,972	53.3		
<b>Deferred Inflows-Pension</b>	986,920	11.1		
<b>Total Liabilities and Deferred Inflows</b>	<u>6,658,817</u>	<u>74.7</u>	<u>1,825,895</u>	<u>21.0</u>
<b>Net Position:</b>				
<b>Invested in Capital Assets</b>	\$4,004,777	44.9	\$3,955,110	45.6
<b>Net of Debt</b>				
<b>Committed for Working Capital</b>	200,000	2.2	200,000	2.3
<b>Committed for Surplus Property</b>	5,000	0.1	5,000	0.1
<b>Uncommitted</b>	( 4,201,766)	(47.1)	995,634	11.5
<b>(2015 Net of Adjustment of \$5,267,364)</b>				
<b>Restricted For:</b>				
<b>Parks, Recreation, Public Works</b>	1,602,430	18.0	1,293,806	14.9
<b>Library</b>	119,729	1.3	41,115	0.5
<b>Public Safety</b>	186,003	2.1	73,868	0.8
<b>Housing &amp; Community Development</b>	337,478	3.8	286,390	3.3
<b>Total Net Position</b>	<u>\$2,253,651</u>	<u>25.3</u>	<u>\$6,850,923</u>	<u>79.0</u>

Table 1 (Cont'd)  
City of Willows' Net Position  
(Full Accrual)

	Business-Type Activities 2015	%	Business-Type Activities 2014	%
Current and Other Assets	\$ 2,176,799	17.2	\$ 2,310,217	17.8
Capital Assets	10,432,729	82.3	10,669,946	82.8
Deferred Outflows-Pension	62,643	.5		
<b>Total Assets and Deferred Outflows</b>	<b>12,672,171</b>	<b>100.0</b>	<b>12,980,163</b>	<b>100.0</b>
Current and Other Liabilities	\$ 215,028	1.7	\$ 251,572	1.9
Long-Term Debt	6,141,000	48.4	6,238,000	48.1
Net Pension Liability	654,671	5.2		
Deferred Inflows-Pension	119,235	.9		
<b>Total Liabilities and Deferred Inflows</b>	<b>7,129,934</b>	<b>56.2</b>	<b>6,489,572</b>	<b>50.0</b>
<b>Net Position:</b>				
Invested in Capital Assets	\$ 4,104,729	32.4	\$ 4,338,946	33.4
Net of Debt				
Restricted For:				
Debt Service	288,600	2.3	252,600	1.9
Utility Service	1,148,908	9.1	1,899,045	14.7
(2015 Net of Adjustment of \$-717,177)				
<b>Total Net Position</b>	<b>\$ 5,542,237</b>	<b>43.8</b>	<b>\$ 6,490,591</b>	<b>50.0</b>

Items noted in Red in Table 1 and any subsequent Tables or Exhibits in this Report are noted as reported amounts due to the adoption during fiscal year ending June 30, 2015 by the City of Willows of *Government Accounting Standards Board Statement No. 68-Accounting and Financial Reporting for Pensions*.

Table 2  
City of Willows Changes In Net Position  
(Full Accrual)

	Governmental Business-Type		Total	Governmental Business-Type		Total	\$ Change
	Activities 2015	Activities 2015		Activities 2014	Activities 2014		
<b>REVENUES:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 27,250	\$ 1,628,600	\$ 1,655,850	\$ 23,924	\$ 1,650,492	\$ 1,674,416	\$ (18,566)
Operating Grants/Contributions	\$ 4,485,816		\$ 4,485,816	\$ 1,235,618		\$ 1,235,618	\$ 3,250,198
Capital Grants/Contributions	\$ 62,119	\$ -	\$ 62,119	\$ 268,233	\$ -	\$ 268,233	\$ (206,114)
General Revenues:	\$ -		\$ -	\$ -		\$ -	
Taxes	\$ 2,511,649		\$ 2,511,649	\$ 2,544,170		\$ 2,544,170	\$ (32,521)
Intergovernmental (Non-Restrict)	\$ 498,144		\$ 498,144	\$ 495,205		\$ 495,205	\$ 2,939
Investment Income	\$ 27,105	\$ 7,547	\$ 34,652	\$ 28,872	\$ 8,909	\$ 37,781	\$ (3,129)
Other	\$ 491,272		\$ 491,272	\$ 428,164		\$ 428,164	\$ 63,108
<b>TOTAL REVENUES</b>	<b>\$ 8,103,355</b>	<b>\$ 1,636,147</b>	<b>\$ 9,739,502</b>	<b>\$ 5,024,186</b>	<b>\$ 1,659,401</b>	<b>\$ 6,683,587</b>	<b>\$ 3,055,915</b>
<b>EXPENSES:</b>							
General Government	\$ 599,297		\$ 599,297	\$ 592,829		\$ 592,829	\$ 6,468
Public Safety	\$ 2,243,655		\$ 2,243,655	\$ 2,220,529		\$ 2,220,529	\$ 23,126
Parks and Public Works	\$ 649,557		\$ 649,557	\$ 666,321		\$ 666,321	\$ (16,764)
Library	\$ 259,954		\$ 259,954	\$ 284,121		\$ 284,121	\$ (24,167)
Recreation	\$ 149,209		\$ 149,209	\$ 159,028		\$ 159,028	\$ (9,819)
Housing/ Community Developme	\$ 3,608,825		\$ 3,608,825	\$ 987,861		\$ 987,861	\$ 2,620,964
Sewer		\$ 1,782,681	\$ 1,782,681		\$ 1,685,398	\$ 1,685,398	\$ 97,283
Water		\$ 7,409	\$ 7,409		\$ 6,807	\$ 6,807	\$ 602
<b>TOTAL EXPENSES</b>	<b>\$ 7,510,497</b>	<b>\$ 1,790,090</b>	<b>\$ 9,300,587</b>	<b>\$ 4,910,689</b>	<b>\$ 1,692,205</b>	<b>\$ 6,602,894</b>	<b>\$ 2,697,693</b>
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>	<b>\$ 592,858</b>	<b>\$ (153,943)</b>	<b>\$ 438,915</b>	<b>\$ 113,497</b>	<b>\$ (32,804)</b>	<b>\$ 80,693</b>	<b>\$ 358,222</b>
Transfers	\$ 77,234	\$ (77,234)	\$ -	\$ 77,234	\$ (77,234)	\$ -	
<b>INCREASE IN NET POSITION</b>	<b>\$ 670,092</b>	<b>\$ (231,177)</b>	<b>\$ 438,915</b>	<b>\$ 190,731</b>	<b>\$ (110,038)</b>	<b>\$ 80,693</b>	
<b>NET POSITION N-July 1</b>	<b>\$ 6,850,923</b>	<b>\$ 6,490,591</b>	<b>\$ 13,341,514</b>	<b>\$ 6,660,192</b>	<b>\$ 6,600,629</b>	<b>\$ 13,260,821</b>	
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>\$ (5,267,364)</b>	<b>\$ (717,177)</b>	<b>\$ (5,984,541)</b>			<b>\$ -</b>	
<b>NET POSITION N-June 30</b>	<b>\$ 1,253,651</b>	<b>\$ 5,542,237</b>	<b>\$ 7,795,888</b>	<b>\$ 6,850,923</b>	<b>\$ 6,490,591</b>	<b>\$ 13,341,514</b>	

The City's combined net position for the fiscal year ended June 30, 2015, was \$7,795,888. Specifically, the City's net position for governmental activities were \$2,253,651, while business-type activities resulted in a net position of \$5,542,237. Please further note that the net position for June 30, 2015 include the result of adjustment due to GASB 68 compliance in the amount of \$5,267,264 for governmental activities and \$717,177 for business-type activities

The City experienced an increase in revenues from operating grants and contributions of \$3.25MM due primarily to the continuation of the HOME-Senior Housing Grant (\$3.37MM). Capital Grant Revenue decreased by \$204K primarily to the funding in the prior year for a street sweeper via Gas Tax (\$204K).

Housing and Community Development expenditures were \$2.61MM greater than prior year. Again, as noted above, the HOME-Senior Housing project continued in 2014-15 (\$3.37MM in expenditures).

One transfer is included in the City-wide Statement of Activities. \$77,234 is transferred annually to the General Fund from the Sewer Fund for administrative services provided by City personnel not directly funded by the Sewer

Table 3  
Statement of Inter-fund Transfers  
(Full Accrual, in Whole Dollars)

	Governmental Activities 2015	Business-Type Activities 2015	Total 2015
Interfund Transfer In (Out)			
General Fund	\$ 77,234		\$ 77,234
Sewer Fund		\$ (77,234)	\$ (77,234)
<b>Fund, Net Transfer</b>	<b>\$ 77,234</b>	<b>\$ (77,234)</b>	<b>\$0</b>

Table 4  
Statement of Inter-Fund Transfers and Due To/From Fund Transactions  
(Modified Accrual, Per Fund Statements)

	Governmental Activities 2015	Business-Type Activities 2015	Total 2015
Interfund Transfers In (by Fund):			
(1) General	\$ 77,234		\$ 77,234
(2) Community Discretionary	\$ 14,493		\$ 14,493
Interfund Transfers Out (By Fund)			
(1) Sewer		\$ (77,234)	\$ (77,234)
(2) 1992 CDBG Housing Loans	\$ (4,076)		\$ (4,076)
(2) 2003 CDBG Housing Loans	\$ (1,093)		\$ (1,093)
(2) 1990 CDBG Housing Loans	\$ (3,264)		\$ (3,264)
(2) 1997 CDBG Housing Loans	\$ (3,725)		\$ (3,725)
(2) 2000 CDBG Housing Loans	\$ (2,335)		\$ (2,335)
<b>Net Transfers In and Out</b>	<b>\$ 77,234</b>	<b>\$ (77,234)</b>	<b>\$ -</b>
Amounts Due from Other Funds:			
(3) General	\$ 209,514		\$ 209,514
Amounts Due to Other Funds:			
(3) STIP	\$ (62,119)		\$ (62,119)
(3) Supplemental Law Enforcement Services	\$ (28,574)		\$ (28,574)
(3) USDOJ CHRP II	\$ (31,427)		\$ (31,427)
(3) OJP-Vest	\$ (444)		\$ (444)
(3) CDBG-Housing Studies	\$ (27,340)		\$ (27,340)
(3) HOME Senior Housing Project	\$ (59,610)		\$ (59,610)
<b>Net Amounts Due to/from Other Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

- (1) Annual transfer to the General Fund from the Sewer Fund for administrative services provided by City personnel not directly funded by the Sewer Fund.
- (2) Transfer of loan payments received on CDBG housing rehabilitation loans that are not subject to CDBG revolving requirements.
- (3) Due to General Fund from various funds where receivable balances are recorded at 6/30/15, but funds have not yet been received to cover cash deficits.

Items (2) and (3) are included on the modified accrual Balance Sheet or Statement of Revenues, Expenditures and Changes in Fund Balance but are eliminated in the full accrual statements.

**Table 5**  
**Schedule of Changes in Individual Funds**  
**Full Accrual Enterprise Funds**  
**Modified Accrual Other Funds**

FUND	NET POSITION June 30, 2014	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2015
<b>GENERAL FUND</b>						
General Fund	1,153,316		(77,067)	77,234		1,153,483
General Fund-Working Reserve	280,080		0			280,080
General Fund-Surplus Property	5,809		0			5,808
<b>TOTAL GENERAL FUND</b>	<b>1,358,316</b>	<b>0</b>	<b>(77,067)</b>	<b>77,234</b>	<b>0</b>	<b>1,358,483</b>
<b>PARKS AND PUBLIC WORKS FUNDS</b>						
State Transportation Improvement Program	0		0			0
Willows Lighting and Landscape District	9,827		354			10,191
TDA-Local Transportation Funds	32,282		222			32,504
Mall Maintenance	17,725		(2,726)			14,999
Storm Drainage Impact	174,194		73,255			247,449
Street Development Impact	29,699		46,182			69,881
Park Facilities Impact	191,476		101,765			252,241
I-5 Interchange Impact	283,155		23,181			306,336
CA Recycle Grant	8,371		599			8,970
<b>TOTAL PARKS AND PUBLIC WORKS</b>	<b>706,739</b>	<b>0</b>	<b>236,832</b>	<b>0</b>	<b>0</b>	<b>943,571</b>
<b>GAS TAX FUNDS</b>						
RSTP	187,989		17,483			205,468
Gas Tax 2105	78,740		14,987			93,647
Gas Tax 2106	9,371		(6,589)			2,682
Gas Tax 2107	21,951		(19,480)			2,471
Gas Tax 2107.5	588		3,711			4,299
Gas Tax 2103	280,488		57,434			337,842
<b>TOTAL GAS TAX</b>	<b>578,943</b>	<b>0</b>	<b>67,466</b>	<b>0</b>	<b>0</b>	<b>646,499</b>
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>						
Certified Access Specialist	633		217			950
Community Discretionary	138,245		(17,286)	14,493		135,452
2003 CDBG Housing Loans	0		1,093		1,093	0
Economic Development	43,641		(7,776)			35,865
1992 CDBG Housing Loans	0		4,076		4,076	0
1998 CDBG Housing Loans	0		3,264		3,264	0
1997 CDBG Housing Loans	0		3,725		3,725	0
2000 CDBG Housing Loans	0		2,335		2,335	0
RLA - Housing Rehab	2,057		(2,057)			0
HOME Program Revolving Loan	101,814		63,397			165,211
HOME-Senior Housing Project	0		0			0
<b>TOTAL HOUSING AND COMMUNITY DEVELOPMENT</b>	<b>286,396</b>	<b>0</b>	<b>51,888</b>	<b>14,493</b>	<b>14,493</b>	<b>337,478</b>
<b>RECREATION</b>						
Recreation Reimbursable	6,937		4,317			11,154
Recreation Cultural	1,287		9			1,296
<b>TOTAL RECREATION</b>	<b>8,124</b>	<b>0</b>	<b>4,316</b>	<b>0</b>	<b>0</b>	<b>12,450</b>
<b>LIBRARY</b>						
County Library	12,142		5,751			17,894
LSA-Technology Grant	10		(10)			0
CLA-Packard	62		(62)			0
Northnet-Training Funding	0		892			892
LSA-Delivery Funding	2,663		1,475			4,138
Literacy Passthrough	0		0			0
Library-Development Impact	26,237		70,868			96,805
<b>TOTAL LIBRARY</b>	<b>41,115</b>	<b>0</b>	<b>78,814</b>	<b>0</b>	<b>0</b>	<b>119,729</b>
<b>PUBLIC SAFETY</b>						
Asset Forfeiture	1		0			1
Fire-Development Impact	28,666		82,215			117,821
Fire Activity	31		0			31
Police Development Impact	18,130		40,129			58,259
FEMA Fitness Grant	289		(289)			0
SLEBF	19,891		(10,080)			9,891
CHRP-Hiring Grant	0		0			0
AB 189 Overtime	0		0			0
GJP- BVP Program	0		0			0
<b>TOTAL PUBLIC SAFETY</b>	<b>72,968</b>	<b>0</b>	<b>112,135</b>	<b>0</b>	<b>0</b>	<b>186,003</b>
<b>FIDUCIARY FUNDS</b>						
Non-Expendible Trust Funds	125,797		(11,813)			113,984
Agency Funds	236,515		(16,769)			219,747
<b>TOTAL FIDUCIARY FUNDS</b>	<b>362,312</b>	<b>0</b>	<b>(28,581)</b>	<b>0</b>	<b>0</b>	<b>333,731</b>
<b>ENTERPRISE FUNDS</b>						
Sewer Enterprise	6,386,392	(717,177)	(154,050)		77,234	5,437,931
Water Enterprise	184,199		107			184,306
<b>TOTAL ENTERPRISE FUNDS</b>	<b>6,490,591</b>	<b>(717,177)</b>	<b>(153,943)</b>	<b>0</b>	<b>77,234</b>	<b>5,542,237</b>
<b>TOTALS</b>	<b>9,906,398</b>	<b>(717,177)</b>	<b>299,870</b>	<b>91,727</b>	<b>91,727</b>	<b>9,480,691</b>

Major (>\$100K) Net Position changes during the year included Park Facilities Development Impact Fees (+\$102K) resulting from a large development (Sr. Housing Complex) and Sewer Enterprise (-\$154K) due to higher than expected utility cost due to performance issues with the solar complex.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues were greater than the final adopted budget. Total revenues were \$42,263 (1.2%) over budget. Permit Fees as a result of increased building and development activity (\$36K) was the primary reason for the variance.

All General Fund expenditures finished the year under budget with a total cost savings of 2.7% or \$98,415. Temporary position vacancies in the Library and in Public Works (\$40K, combined) was the largest item contributing to the savings. In addition, Parks and Public Works experienced savings of \$25K as Gas Tax funds were able to be utilized in several areas rather than General Fund dollars and several anticipated expenditure items did not materialize.

The final impact on the General Fund's fund balance was an increase of \$167 reflecting revenues totaling \$3,516,647, expenditures totaling \$3,593,714, and an operating transfer in in the amount of \$77,234.

Table 6  
Schedule of Budgetary Expenditure Changes

Fund	Amount of Increase/(Decrease) From Original Budget
(1) General Fund	\$127,648
(2) Community Discretionary	7,438
(3) Water Enterprise	25,000
(4) NCCSIF-Safety and ADA	10,562
(5) Gas Tax 2103	225,000

- (1) General Fund items include appropriation of funds associated with receipt of surplus property sale proceeds (\$55K), Police overtime augmentation (\$50K), augmentation to Fire maintenance and repair items (\$3K), and additional contract services for the Building Department (\$20K).
- (2) Community Discretionary augmentations include funding for mural painting at the skate park (\$3K) and supplement to cost of ADA compliance plan study (\$4K)
- (3) Water Enterprise (\$25K) for emergency repair and replacement of pump, motor and well casing.
- (4) NCCSIF appropriated for ADA compliance plan study (\$11K).
- (5) Gas Tax 2103 (\$225) appropriated for reconstruction of a portion of Tehama Street.

## CASH MANAGEMENT

The City utilizes internal management of cash and investments, utilizing informal advisory relationships with Stiefel Nicolaus and Edward Jones Investments, and maintains flexibility by utilizing a pooled cash system. Under the pooled cash concept, the City invests the cash of all funds with maturities planned to coincide with cash needs. Cash is invested in certain eligible securities as constrained by law and further limited by the City's investment policy. The goals of the City's investment policy are safety, liquidity and yield.

Cash Management is subject to oversight by the Finance Committee, consisting of the Finance Director/City Treasurer, and two appointed members of the City Council .

**CAPITAL ASSETS**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include equipment, buildings, land, park facilities, and roads. GASB-34 allows the City of Willows to report infrastructure assets in process or completed after June 15, 2003; reporting of infrastructure assets prior to June 15, 2003 is not required, and, therefore is not included in capital asset totals.

At June 30, 2015, net capital assets of the governmental activities totaled \$4,103,356 and the net capital assets of the business-type activities totaled \$10,432,729. Depreciation on capital assets is recognized in the Government-wide financial statements but not in the fund financial statements.

Table 7  
Schedule of Significant Capital Acquisitions  
And Projects

<u>Description</u>	<u>Expenditure Amount</u>	<u>Status at June 30, 2015</u>
Update Network Infrastructure	\$ 70,577	Complete
Sacramento and Butte St. Reconstruction	107,217	In Progress

**CURRENT LIABILITIES AND LONG-TERM DEBT**

The City has total governmental type liabilities and deferred outflows of \$6,658,817 which includes \$4,965,973 in a long-term liabilities, consisting of lease liabilities for a fire engine, compensated absences deemed to be payable in a year or more, and new for 2015, actuarially based pension liability resulting from implementation of GASB 68. Business type liabilities total \$7,129,934, which includes \$6,808,880 in long-term liabilities pertaining to wastewater treatment facility renovations completed in 2007, accrued compensated absences deemed to be payable in a year or more, and actuarially derived pension liability resulting from implementation of GASB 68.

**NEXT YEAR’S BUDGET AND ECONOMIC FACTORS**

In considering the City’s Budget for fiscal year 2015/16, the City Council and management recognized the ongoing cost of maintaining operations, is of paramount concern, primarily in the areas of future pension cost and health care. In addition, the City is participating in a major development project.

The General Fund budget for 2015/16 includes an operating deficit of \$219,366 utilizing existing General Fund reserves (\$1,358,483 available at July 1, 2015) to cover the projected deficit.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department:

<u>By mail</u>	<u>By Phone</u>	<u>By E-Mail</u>
City of Willows 201 North Lassen Street Willows, California 95988	530-934-7041	<a href="mailto:tsailsbery@cityofwillows.org">tsailsbery@cityofwillows.org</a>

BASIC FINANCIAL STATEMENTS

**CITY OF WILLOWS**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	Governmental Activities	Business-Type Funds	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash and Investments	3,444,033	1,957,075	5,401,108
Receivable:			
Accounts		218,197	218,197
Interest	5,312	1,527	6,839
Intergovernmental/Other	402,672		402,672
Deferred Loans	411,773		411,773
Prepaid Expenses	3,853		3,853
Capital Assets (Net of Depreciation)	4,103,356	10,432,729	14,536,085
Deferred Outflow of Resources-Pension	541,469	62,643	604,112
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>8,912,468</b>	<b>12,672,171</b>	<b>21,584,639</b>
<b>LIABILITIES DEFERRED INFLOWS AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts Payable	55,419	17,009	72,428
Interest Payable	4,338	64,316	68,654
Other Current Liabilities			
Compensated Absences			
Payable Withing One Year	18,410	1,469	19,879
Due in More Than One Year	165,687	13,217	178,904
Other	191		191
Deferred Revenue	423,813		423,813
OPEB Liability	155,488	22,017	177,505
Notes Payable			
Due Within One Year	48,265	97,000	145,265
Due in More Than One Year	50,314	6,141,000	6,191,314
Net Pension Liability	4,749,972	654,671	5,404,643
Deferred Inflow of Resources-Pension	986,920	119,235	1,106,155
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>6,658,817</b>	<b>7,129,934</b>	<b>13,788,751</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	4,004,777	4,104,729	8,109,506
Committed for Working Capital	200,000		200,000
Committed for Surplus Property	5,000		5,000
Uncommitted-(Net of Prior Period Adjustment\$-5,267,364)	(4,201,766)		(4,201,766)
Restricted For:			
Parks, Recreation, Public Works, and Streets	1,602,430		1,602,430
Library	119,729		119,729
Public Safety	186,003		186,003
Housing and Community Development	337,478		337,478
Utility Service-(Net of Priod Perid Adjustment\$-717,177)		1,148,908	1,148,908
Debt Service		288,600	288,600
<b>TOTAL NET POSITION</b>	<b>2,253,651</b>	<b>5,542,237</b>	<b>7,795,888</b>

The notes to the financial statements are an integral part of this statement.

EXHIBIT TWO

CITY OF WILLOWS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	PROGRAM REVENUE			Net Revenue (Expense) And Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	599,297				(599,297)		(599,297)
Public Safety	2,243,655		319,697		(1,923,958)		(1,923,958)
Parks and Public Works	649,557	11,125	491,166	62,119	(85,147)		(85,147)
Library	259,954		183,957		(75,997)		(75,997)
Recreation	149,209	16,125			(133,084)		(133,084)
Housing and Community Development	3,608,825		3,490,996		(117,829)		(117,829)
<b>Total Governmental Activities</b>	<b>7,510,497</b>	<b>27,250</b>	<b>4,485,816</b>	<b>62,119</b>	<b>(2,935,312)</b>		<b>(2,935,312)</b>
<b>Business Type Activities</b>							
Sewer	1,782,681	1,621,211			(161,470)		(161,470)
Water	7,409	7,389			(20)		(20)
<b>Total Business-Type Activities</b>	<b>1,790,090</b>	<b>1,628,600</b>	<b>0</b>	<b>0</b>	<b>(161,490)</b>		<b>(161,490)</b>
<b>General Revenues:</b>							
Taxes					2,511,649		2,511,649
Intergovernmental Not For Restricted Use					498,144		498,144
Investment Income					27,105	7,547	34,652
Other					491,272		491,272
Net Activity Transfers In/(Out)					77,234	(77,234)	0
<b>Total General Revenues and Transfers</b>					<b>3,605,404</b>	<b>(69,687)</b>	<b>3,535,717</b>
<b>Change in Net Assets</b>					<b>670,092</b>	<b>(231,177)</b>	<b>438,915</b>
<b>Net Position, Beginning</b>					<b>6,850,923</b>	<b>6,490,591</b>	<b>13,341,514</b>
<b>(Prior Period Adjustment-Net Pension Liability Recordation)</b>					<b>(5,267,364)</b>	<b>(717,177)</b>	<b>(5,984,541)</b>
<b>Net Assets, Ending</b>					<b>2,253,651</b>	<b>5,542,237</b>	<b>7,795,888</b>

The notes to financial statements are an integral part of this statement.

**CITY OF WILLOWS**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**June 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	1,213,106	2,230,927	3,444,033
Receivables:			
Intergovernmental	168,736	233,936	402,672
Interest	3,296	2,016	5,312
Deferred Loans		411,773	411,773
From Other Funds	209,514		209,514
Other	3,853		3,853
<b>TOTAL ASSETS</b>	<b>1,598,505</b>	<b>2,878,652</b>	<b>4,477,157</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts Payable	43,694	11,725	55,419
Due to Other Funds		209,514	209,514
Compensated Absences	184,097		184,097
Other	191		191
<b>TOTAL LIABILITIES</b>	<b>227,982</b>	<b>221,239</b>	<b>449,221</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	12,040	411,773	423,813
<b>TOTAL DEFERRED INFLOWS OF RESOURCE</b>	<b>12,040</b>	<b>411,773</b>	<b>423,813</b>
<b>FUND BALANCE</b>			
<b>Fund Balances:</b>			
Committed for Working Capital	200,000		200,000
Committed for Surplus Property	5,000		5,000
Uncommitted	1,153,483		1,153,483
<b>Restricted for:</b>			
Parks, Recreation, Public Works, and Streets		1,602,430	1,602,430
Library		119,729	119,729
Public Safety		186,003	186,003
Housing and Community Development		337,478	337,478
<b>TOTAL FUND BALANCE</b>	<b>1,358,483</b>	<b>2,245,640</b>	<b>3,604,123</b>
<b>TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>1,598,505</b>	<b>2,878,652</b>	<b>4,477,157</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WILLOWS  
Reconciliation of the Balance Sheet  
Of Government Funds to the  
Statement of Net Position  
June 30, 2015**

<b>Total Fund Balance-Total Governmental Funds Amounts Reported For Governmental Activities in the Statement of Net Assets are Different Because:</b>	<b>3,604,123</b>
<b>Capital Assets, Net of Accumulated Depreciation and Related Debt, Are Not Financial Resources, and, Therefore, Are Not Reported in the Funds</b>	<b>4,004,777</b>
<b>Deferred Outflow of Resources-Pension is an actuarial deferral related to pension activity. Pension activity is reported at the time of payment in Funds.</b>	<b>541,469</b>
<b>Accrued Interest Expense is treated as an Expenditure in the Year of Payments in Funds, and Therefore, Not Reported until Paid in Funds</b>	<b>(4,338)</b>
<b>The unpaid annual contribution for accrued other post employment benefits is a long term obligation not due and payable in the current period, and, therefore, not reported in governmental funds</b>	<b>(155,488)</b>
<b>Net Pension Liability is an actuarial liability related to pension activity. Pension activity is reported at the time of payment in Funds.</b>	<b>(4,749,972)</b>
<b>Deferred Inflow of Resources-Pension is an actuarial deferral related to pension activity. Pension activity is reported at the time of payment in Funds.</b>	<b>(986,920)</b>
<b>Net Position of Governmental Activities</b>	<b><u>2,253,651</u></b>

**The notes to the financial statements are an integral part of this statement.**

**CITY OF WILLOWS**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	2,511,649		2,511,649
Licenses, Permits and Franchise	274,936		274,936
Fines Forfeitures and Penalties	15,591		15,591
Intergovernmental	498,144	4,028,658	4,526,802
Charges for Services	117,778	27,250	145,028
Interest	15,582	11,523	27,105
Other	82,967	519,277	602,244
<b>Total Revenue</b>	<b>3,516,647</b>	<b>4,586,708</b>	<b>8,103,356</b>
<b>EXPENDITURES</b>			
General Government	581,027		581,027
Public Safety	2,064,694	208,143	2,272,837
Parks and Public Works	384,789	160,061	544,850
Recreation	139,791	11,863	151,654
Library	154,187	105,645	259,832
Housing and Community Development	170,102	3,441,429	3,611,531
Capital Outlay	99,124	109,106	208,230
<b>Total Expenditures</b>	<b>3,593,714</b>	<b>4,036,247</b>	<b>7,629,960</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(77,067)</b>	<b>550,462</b>	<b>473,395</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	77,234	14,493	91,727
Transfers Out		(14,493)	(14,493)
<b>Total Other Financing Sources (Uses)</b>	<b>77,234</b>	<b>0</b>	<b>77,234</b>
<b>Net Change in Fund Balance</b>	<b>167</b>	<b>550,462</b>	<b>550,628</b>
<b>Fund Balance, July 1, 2014</b>	<b>1,358,316</b>	<b>1,695,179</b>	<b>3,053,495</b>
<b>Fund Balance, June 30, 2015</b>	<b>1,358,483</b>	<b>2,245,641</b>	<b>3,604,123</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WILLOWS**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to**  
**Statement of Activities**  
**For The Year Ended June 30, 2015**

**Amounts Reported For Governmental Activities  
in the Statement of Activities are Different Because:**

<b>Net Change in Fund Balances: Total Governmental Funds</b>	<b>550,628</b>
<b>Governmental Funds Reported Capital Outlays as Expenditures</b>	<b>208,230</b>
<b>In the Statement of Activities, the Cost of Capital Assets is Allocated Over their Estimated Useful Lives as Depreciation Expense</b>	<b>(204,726)</b>
<b>In the Statement of Activities, Capital Lease Payment is Reported in Interest Expense and Reduction In Outstanding Debt Components. It is treated as an expenditure for Governmental Fund purposes.</b>	<b>52,603</b>
<b>Accrued Interest pertaining to the Capital Lease is treated as an expens when accrued on the Statement of Activities. It will not be treated as an expenditure until paid for Governmental Fund purposes.</b>	<b>(4,338)</b>
<b>In the Statement of Activities-Pension Expense is derived from a number of actuarial factors. In Governmental Funds, expenditures for Pensions are reported as payment is made.</b>	<b>71,941</b>
<b>Accrued Other Post Employment Benefit is treated as an expense when accrued on the Statement of Activities. It will not be treated as an expediture until paid for Governmental Fund purposes.</b>	<b>(4,246)</b>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>670,092</u></b>

**The notes to the financial statements are an integral part of this statement.**

**CITY OF WILLOWS  
STATEMENT OF POSITION  
PROPRIETARY FUNDS  
June 30, 2015**

	Sewer Enterprise Funds	Water Enterprise Fund	Totals
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash	1,947,888	9,187	1,957,075
<b>Receivables:</b>			
Accounts	218,029	168	218,197
Interest	1,501	26	1,527
<b>Total Current Assets</b>	<b>2,167,418</b>	<b>9,381</b>	<b>2,176,799</b>
<b>Non-Current Assets</b>			
<b>Capital Assets</b>			
Systems and Improvements	12,937,988	162,133	13,100,121
Licensed Vehicles	526,045		526,045
Equipment	76,099		76,099
Accumulated Depreciation	(3,202,328)	(67,208)	(3,269,536)
<b>Total Non-Current Assets</b>	<b>10,337,804</b>	<b>94,925</b>	<b>10,432,729</b>
<b>Deferred Outflows of Resources</b>			
Deferred Pension Outflows	62,643		62,643
<b>TOTAL ASSETS</b>	<b>12,567,865</b>	<b>104,306</b>	<b>12,672,171</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	17,009		17,009
Accrued Compensated Absences	14,686		14,686
Accrued Interest Payable	64,316		64,316
Notes Payable- Current Portion	97,000		97,000
<b>Total Current Liabilities</b>	<b>193,011</b>	<b>0</b>	<b>193,011</b>
<b>Non-Current Liabilities</b>			
OPEB Payable	22,017		22,017
Notes Payable	6,238,000		6,238,000
Less: Current Portion	(97,000)		(97,000)
Net Pension Liability	654,671		654,671
<b>Total Non-Current Liabilities</b>	<b>6,817,688</b>	<b>0</b>	<b>6,817,688</b>
<b>Deferred Inflows of Resources</b>			
Deferred Pension Inflows	119,235		119,235
<b>TOTAL LIABILITIES</b>	<b>7,129,934</b>	<b>0</b>	<b>7,129,934</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	4,009,804	94,925	4,104,729
Restricted for Debt Service	288,600		288,600
Restricted for Utility Service	1,139,527	9,381	1,148,908
(Net of Prior Period Adjustment \$-717,177)			
<b>TOTAL NET POSITION</b>	<b>5,437,931</b>	<b>104,306</b>	<b>5,542,237</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WILLOWS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	SEWER ENTERPRISE FUND	WATER ENTERPRISE FUND	TOTALS
<b>OPERATING REVENUES:</b>			
Charges for Services	1,553,360	7,389	1,560,749
Connection Fees	4,421		4,421
Development Impact Fees	63,430		63,430
<b>TOTAL OPERATING REVENUES</b>	<b>1,621,211</b>	<b>7,389</b>	<b>1,628,600</b>
<b>OPERATING EXPENSES:</b>			
Salaries and Benefits	365,295		365,295
Maintenance	86,393	877	87,270
Utilities	166,475	331	166,806
Professional Fees	615,711	1,192	616,903
Depreciation	288,228	4,118	292,346
Other		891	891
<b>TOTAL OPERATING EXPENSES</b>	<b>1,522,102</b>	<b>7,409</b>	<b>1,529,511</b>
<b>OPERATING INCOME (LOSS)</b>	<b>99,109</b>	<b>(20)</b>	<b>99,089</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	7,420	127	7,547
Interest Expenses	(260,579)		(260,579)
<b>TOTAL NON-OPERATING REVENUES AND EXPENSES</b>	<b>(253,159)</b>	<b>127</b>	<b>(253,032)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>(154,050)</b>	<b>107</b>	<b>(153,943)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfer Out	(77,234)		(77,234)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(77,234)</b>	<b>0</b>	<b>(77,234)</b>
<b>CHANGE IN NET POSITION</b>	<b>(231,284)</b>	<b>107</b>	<b>(231,177)</b>
NET POSITION, July 1, 2014	6,386,392	104,199	6,490,591
PRIOR PERIOD ADJUSTMENT-Net Pension Liability Recordation	(717,177)		(717,177)
<b>NET POSITION, June 30, 2015</b>	<b>5,437,931</b>	<b>104,306</b>	<b>5,542,237</b>

The notes to financial statements are an integral part of this statement.

CITY OF WILLOWS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Sewer Enterprise	Water Enterprise	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Sewer Services and Connections	1,621,616		1,621,616
Cash Received from Water Services		7,221	7,221
Cash Payments for Employee and Related Expenses	(372,250)		(372,250)
Cash Payments for Repairs and Maintenance	(87,192)	(905)	(88,097)
Cash Payments for Utilities	(165,977)	(331)	(166,308)
Cash Payments for Professional and Contract Services	(656,207)	(1,213)	(657,420)
Cash Payments for Other Expenses		(891)	(891)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>339,990</b>	<b>3,881</b>	<b>343,871</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers In	0	0	0
Operating Transfers Out	(77,234)	0	(77,234)
<b>NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(77,234)</b>	<b>0</b>	<b>(77,234)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of Capital Assets	(30,606)	(24,523)	(55,129)
Interest Paid	(259,236)		(259,236)
Payment on Long Term Debt	(93,000)		(93,000)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(382,842)</b>	<b>(24,523)</b>	<b>(407,365)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Received	7,864	148	8,012
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>7,864</b>	<b>148</b>	<b>8,012</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(112,222)</b>	<b>(20,494)</b>	<b>(132,716)</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2014</b>	<b>2,060,110</b>	<b>29,681</b>	<b>2,089,791</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2015</b>	<b>1,947,888</b>	<b>9,187</b>	<b>1,957,075</b>

The notes to financial statements are an integral part of this statement.

CITY OF WILLOWS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Sewer Enterprise	Water Enterprise	Total
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</b>			
Operating Income	99,109	(20)	99,089
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	288,228	4,118	292,346
Decrease (Increase) in Receivables	406	(168)	238
Increase (Decrease) in Payables	(40,797)	(49)	(40,846)
Increase (Decrease) in Accrued Compensated Absences	(2,251)		(2,251)
Increase (Decrease) in OPEB Liability	1,209		1,209
Increase (Decrease) in Other Liabilities	(5,914)		(5,914)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>339,990</b>	<b>3,881</b>	<b>343,871</b>

The notes to financial statements are an integral part of this statement.

**CITY OF WILLOWS  
STATEMENT OF POSITION  
FIDUCIARY FUNDS  
June 30, 2015**

	<b>Non Expendible Trust Fund</b>	<b>Agency Funds</b>	<b>Totals</b>
<b>ASSETS:</b>			
Cash and Investments	113,822	230,764	344,586
Receivables:			
Interest	162	96	258
<b>TOTAL ASSETS</b>	<b>113,984</b>	<b>230,860</b>	<b>344,844</b>
<b>LIABILITIES</b>			
Accounts Payable		11,113	11,113
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>11,113</b>	<b>11,113</b>
<b>NET POSITION</b>			
Restricted for Trust Designated Purposes	113,984	219,747	333,731
<b>TOTAL NET POSITION</b>	<b>113,984</b>	<b>219,747</b>	<b>333,731</b>

The notes to financial statements are an integral part of this statement.

**CITY OF WILLOWS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	NON-EXPENDIBLE TRUST FUND	AGENCY FUNDS	TOTALS
<b>ADDITIONS</b>			
Contributions		29,716	29,716
Use of Money	802	472	1,274
Service Fees		69,670	69,670
Other		1,648	1,648
<b>Total Additions</b>	<b>802</b>	<b>101,506</b>	<b>102,308</b>
<b>DEDUCTIONS</b>			
Library	12,615	16,446	29,061
Parks and Recreation		9,665	9,665
Housing and Community Development		79,436	79,436
Other		12,727	12,727
<b>Total Deductions</b>	<b>12,615</b>	<b>118,274</b>	<b>130,889</b>
<b>CHANGE IN NET POSITION</b>	<b>(11,813)</b>	<b>(16,768)</b>	<b>(28,581)</b>
<b>NET POSITION, July 1, 2014</b>	<b>125,797</b>	<b>236,515</b>	<b>362,312</b>
<b>NET POSITION, June 30, 2015</b>	<b>113,984</b>	<b>219,747</b>	<b>333,731</b>

The notes to financial statements are an integral part of this statement.

CITY OF WILLOWS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of Willows, California (the "City") was incorporated in 1886, under the provisions of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting principles and practices are discussed in subsequent sections of this note. All other notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2015.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Willows. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

B. Government Wide and Fund Financial Statements.

The government wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information of all the non-fiduciary activities of the City and its component units. For the most part, the effect of inter fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues if received within 60 days of year-end.

Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using the "current financial resources measurement focus" and the modified accrual basis of accounting. This means that (generally) only current assets and current liabilities are included on their balance sheets. Statements of revenue, expenditures and changes in fund balances for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized when they are both measurable and available and expenses are recorded when the liability is incurred.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

Special Revenue Funds- Are utilized to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specific purposes.

The City reports the following major proprietary funds:

Sewer Enterprise Fund- This fund accounts for sewer connection, collection, and treatment operations.

Water Enterprise Fund- This fund accounts for the water distribution operations.

#### D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for all funds. These budgets, except as stated below, are adopted on the cash basis of accounting.
2. The encumbrance system of budgetary accounting is not utilized.
3. The City Council approves, by motion, total budget appropriations. Any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Govt, Public Safety, etc).
4. Unused appropriations for all of the above annually budgeted funds lapse at the end of year, unless specifically appropriated to the following year by the City Council.
5. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

#### E. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Willows within the California Public Employees' Retirement System ("CalPERS") plans and the additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

F. Assets, Liabilities and Net Assets or Equity:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are deposits and investments readily convertible into known amounts of cash with original maturities at date of purchase or deposit of less than three months.

INVESTMENTS

The City records its investment at original cost, with applicable premium or discounts from par value amortized over the period to maturity of the investment. Cost vs. fair market value of such investments are presented at Note 2, but are not reflected in the financial statements. Fair market value has been determined based on quoted market prices

RECEIVABLES AND PAYABLES:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either due to or due from other funds. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which management has determined to be zero. Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments on December 10 and April 10. The City collects its share of property taxes through the County of Glenn. The City relies on the competency of the County in determining its share of the overall property tax collections.

PREPAID ITEMS:

Certain payments to vendors and others reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements.

CAPITAL ASSETS:

Property, plant and equipment of all funds and component units are stated at historical cost or estimated historical cost and are reported in the applicable governmental or business type column in the government wide financial statements. Capital assets are defined by the city as assets with an individual cost of more than \$500 and an estimated useful life of more than two years. Capital assets, except for land, are depreciated using estimated lives of five to fifty years. When capital assets are disposed, the cost and related depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As permitted by GASB Statement No. 34, the City has elected to not report infrastructure, other than those in business type funds, that is pre-existing as of June 1, 2003, and began prospective reporting of infrastructure assets acquired or constructed during the current fiscal period.

HOUSING AND REHABILITATION LOAN PROGRAM:

The City has entered into an agreement with the State of California where by the City will loan, for qualifying rehabilitation projects, funds to individuals within the City of Willows.

ACCRUED COMPENSATED ABSENCES

The City provides for accrued compensatory absences for vacation, certain holidays, and in-lieu of overtime compensation. The range of allowed accrual of said types of compensation vary based upon the

classification of compensatory absence. The City accrues the liability associated with the available accrued compensatory absences on an annual basis. As of June 30, 2015, said accrual was \$198,784.

**LONG-TERM DEBT:**

In the government wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statements of net assets.

**NET POSITION:**

In accordance with Government Accounting Standards Board Statement No. 61, the City utilizes the following fund balance classifications:

**Restricted-** Fund balance amounts that are constrained for the specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation

**Committed-**Fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority and does not lapse at year-end

**Uncommitted-Positive** fund balances within the General fund which has not been classified with above mentioned categories.

The City uses restricted funds to be expended first when both restricted funds be spent first when both restricted and uncommitted fund balances are available unless legal documents prohibit doing this, such as grant agreements that require uncommitted funds be spent first or require dollar for dollar spending.

The City does not have a formal minimum fund balance policy.

A Schedule of Net Position is disclosed in Statement Four of this financial statement.

**G. USE OF ESTIMATES**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents at June 30, 2015 are reported at cost (fair market value differences are immaterial on cash equivalent deposit and investments) and consisted of the following:

Cash Held on Premises	\$ 200
Cash In Bank	1,862,469
Bank Money Market Accounts	707,712
Local Agency Investment Fund	<u>1,823,313</u>
Total Cash and Cash Equivalents	<u>\$ 4,393,694</u>

**Custodial Credit Risk**

As of June 30, 2015, Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized under the provisions of the California Government Code, California banks are required to secure a City's deposits by pledging government securities as

collateral. The market value of the pledged securities must equal at least 110 percent of the City's deposits. It is the City's policy not to waive the collateral requirements.

California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of a city's total deposits. It is the City's policy to accept this form of collateral.

At June 30, 2015, the carrying amount of the City's cash accounts was \$2,783,752 and the bank balances were \$2,570,181. The carrying value and the bank balances differ due to outstanding checks. Of the bank balance, \$1,897,638 was not covered by FDIC insurance but was subject to collateralization.

California Local Agency Investment Fund:

The Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The City and the Agency each may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

Investments

Investments at June 30, 2015 are presented at cost and fair value as follows:

	<u>Rating</u>	<u>Cost</u>	<u>Fair Value</u>
Negotiable Certificates of Deposit	FDIC Insured	\$1,202,000	\$1,208,234
<u>United States Agency-FNMA</u>	<u>AAA</u>	<u>\$ 150,000</u>	<u>\$ 151,905</u>
Total		\$1,352,000	\$1,360,139

The City's investment policy limits the maturity of investments to five years from date of purchase in accordance with California Government code 53600. Maturities of investments held at June 30, 2015 consist of the following:

	<u>Par</u>	<u>Maturity Less Than One Year</u>	<u>Maturity Greater Than One Year</u>
Negotiable Certificates of Deposit	\$1,202,000	\$300,000	\$ 902,000
<u>United States Agency Notes</u>	<u>150,000</u>		<u>150,000</u>
Total	\$1,352,000	\$300,000	\$1,052,000

Authorized Investments:

In accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the US Government, or its agencies
- Certificates of deposit placed with commercial banks and savings and loan institutions
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund Demand Deposits
- Passbook Savings Account Demand Deposits
- Medium Term Corporate Note

Such investments are subject to minimum credit rating standards at the time of purchase by the City's Investment Policy in accordance with Section 53600 of the California Government Code.

Concentration of Investment Credit Risk

The City's investment policy does not place limits on the amount that may be invested in any one issuer. At June 30, the City had the following investments that represent more than five percent of the funds total investments:

Goldman Sachs Bank	18%
Discover Bank	18%
Barclay's Bank	15%
Federal Nat'l Mortgage Assn.	11%
State Bank of India	11%
Ally Bank	7%
GE Money Bank	7%
Landmark Community Bank	6%

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated 1) to those funds that are required by law or administrative action to receive interest and 2) to the proprietary funds. Interest is allocated on an annual basis based on the cash balance in each fund receiving interest.

NOTE 3 PROPERTY TAXES

The City's ad Val Orem property tax is levied each July 1 on the assessed value listed as of March 1 for all real and business personal property located within the City. The assessed value of the roll on January 1, 2014 upon which the levy for the 2014-15 year was based was \$274,742,778.

Property taxes attach as an enforceable lien on property as of the first Monday in March. Property taxes are payable in two installments on December 10 and April 10. The City collects its share of property taxes through the County of Glenn. The City relies on the competency of the County in determining its share of the overall property tax collections.

NOTE 4 CHANGES IN CAPITAL ASSETS

Governmental Capital Assets

A summary of changes in Governmental Capital Assets (Land, buildings, equipment, infrastructure and rolling stock only) follows: Please also refer to Note 1.

July 1	\$7,676,360
Additions	208,230
Deletions	(6,569)
June 30	\$7,878,021
Less: Accumulated Depreciation	(3,774,665)
Net Property, Plant, Infrastructure and Equipment	\$ 4,103,356

Business Type Capital Assets

A summary of changes in business type capital assets is as follows:

Property, Plant and Equipment July 1	\$13,647,136
Additions	<u>55,129</u>
Property, Plant & Equipment June 30	\$13,702,265
Less: Accumulated Depreciation	<u>(3,269,536)</u>
Net Property, Plant and Equipment	<u><u>\$10,432,729</u></u>

With respect to leased purchase assets, it is the City's policy to capitalize the cost of these assets in accordance with generally accepted accounting principles.

**NOTE 5 CHANGES IN LONG-TERM DEBT**

The following is a summary of the long-term debt transactions of the City of Willows for the Year ended June 30, 2015

Governmental Funds Long Term Debt Transactions

	<u>Fire Equipment Capital Lease</u>
Long term Debt July 1	\$ 144,741
Additions	-0-
Repayment	<u>(46,162)</u>
Long term Debt June 30	<u><u>\$ 98,579</u></u>

Interest expense for the year ended June 30, 2015 was \$6,441.

Capitalized Lease-Fire Equipment:

On October 4, 2006, the City entered into a capital lease/purchase with Municipal Finance Corporation for the acquisition of a fire engine for the Willows Fire Department. The term of the financing is for 10 years at a rate of 4.45%. The annual requirements to amortize debt outstanding as of June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
2015/16	4,338	48,265	52,603
2016/17	<u>2,289</u>	<u>50,314</u>	<u>52,603</u>
Total	<u>6,627</u>	<u>98,579</u>	<u>105,206</u>

Business Type Long Term Debt Transactions

	<u>Wastewater Treatment Construction Loan</u>
Long term Debt July 1	\$6,331,000
Additions	-0-
Repayment	<u>(93,000)</u>
Long term Debt June 30	<u><u>\$6,238,000</u></u>

Interest expense for the year ended June 30, 2015 was \$260,579.

Federal Construction Loan Payable:

On August 10, 2004 the City Council entered into a loan agreement with the United States Department of Agriculture- Rural Development Services (USDA-RD) for a loan for the improvement of its Wastewater Facilities (See Note 9). The maximum loan amount is \$6,889,000 to be repaid over 40 years at an interest rate of 4.125%.

The annual requirements to amortize the loan as of June 30, 2015, are as follows:

Fiscal Year	Interest Payment	Principal Payment	Total Payment
2015/16	255,317	97,000	352,317
2016/17	251,233	101,000	352,233
2017/18	246,964	106,000	352,964
2018/19	242,509	110,000	352,509
2019/20	237,889	114,000	351,889
2020/21-2024/25	1,113,214	646,000	1,759,214
2025/26-2029/30	965,374	792,000	1,757,374
2030/31-2034/35	784,534	968,000	1,752,534
2035/36-2039/40	563,248	1,185,000	1,748,248
2040/41-2044/45	292,277	1,451,000	1,743,277
2045/46-2046/47	27,844	668,000	695,844
<b>Total</b>	<b>\$4,980,401</b>	<b>\$6,238,000</b>	<b>\$11,218,401</b>

NOTE 6 OTHER REQUIRED FUND DISCLOSURES

A. Excesses of Expenditures over Appropriations in Individual Funds

	<u>Expenditures</u>	<u>Appropriations</u>
Gas Tax GC 2106	30,191	23,929
Gas Tax GC 2107	69,231	65,255
Community Discretionary	35,519	32,448
Supplemental Law Enforcement	128,871	100,000
AB 109 Overtime Funding	14,592	10,756

All expenditures in excess of appropriations were funded via existing fund balances or 2014-15 revenue within the given fund.

B. Deficit Fund Balances or Retained Earnings Balance of Individual Funds

At June 30, 2015, no Fund Balances within the City stood in a deficit balance.

These deficits, if any, are primarily the result of the unique accounting requirements of these funds. Management believes that they do not represent a significant financial burden at this time and is closely monitoring the activities in these funds to insure improved financial position.

C. Pooled Cash Inter-fund Receivable and Payable Balances:

Such balances at June 30, 2015 were:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 209,514	
State Transportation Improvement Program		62,119
Supplemental Law Enforcement Services		28,574
USDOJ CHRP II Grant		31,427
OJP- Bulletproof Vest Program		444
CDBG-Housing Studies		27,340
<u>HOME-Senior Housing Project</u>		<u>59,610</u>
Totals	<u>\$ 209,514</u>	<u>\$ 209,514</u>

D. Individual Fund Operating Transfers

for the year Ended June 30, 2015 transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
To General Fund	\$ 77,234	
From Sewer Enterprise Fund		\$ 77,234
To Community Discretionary Fund	\$ 14,493	
From 1992 CDBG Housing Loans		\$ 4,076
2003 CDBG Housing Loans		1,093
1990 CDBG Housing Loans		3,264
1997 CDBG Housing Loans		3,725
2000 CDBG Housing Loans		<u>2,335</u>
Totals	<u>\$ 91,727</u>	<u>\$ 91,727</u>

NOTE 7 PENSION PLANS

A. *General Information about the Pension Plans*

*Plan Descriptions* – All qualified permanent and probationary employees are eligible to participate in the City of Willows’ separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided* – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement

2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	26.582%	6.25%

  

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9%	11.50%
Required employer contribution rates	44.325%	11.50%

*Contributions* – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 167,222	\$323,295
Contributions - employee (paid by employer)	\$16,029	\$5,335

*B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2015, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$2,293,531
Safety	<u>\$3,111,112</u>
Total Net Pension Liability	<u>\$5,404,643</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Local Government's proportion of the net pension liability was based on a projection of the Local Government's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Local Government's proportionate share of the net pension liability for each Plan as of June 30, 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion- June 30, 2014	0.03686%	.05000%

For the year ended June 30, 2015, the Local Government recognized pension expense of \$439,939. At June 30, 2015, the Local Government 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>
Pension contributions subsequent to measurement date	\$517,795	
Differences between actual and expected experience		
Changes in assumptions	0	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	86,317	
Net differences between projected and actual earnings on plan investments		<u>(\$1,106,155)</u>
Total	<u>\$604,112</u>	<u>(\$1,106,155)</u>

\$517,795 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending	
June 30	
2016	\$(246,955)
2017	(246,955)
2018	(247,603)
2019	(254,734)
2020	0
Thereafter	0

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30%-14.20% (1)	3.30%-14.20% (1)
Investment Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS' membership data for all funds.	

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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 rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Local Government’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$3,595,320	\$4,645,852
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$2,293,531	\$3,111,112
1% Increase	8.50%	8.50%
Net Pension Liability	\$1,213,169	\$1,846,552

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports

*E. Payable to the Pension Plan*

At June 30, 2015, the City of Willows reported a payable of \$-0- for the outstanding amount of contributions to the Pension Plan required for the year ended June 30, 2015.

NOTE 8 JOINT VENTURE

The City is a member of the Northern California Cities Self Insurance Fund Joint Powers Authority (Authority) for workers’ compensation and liability insurance purposes.

The following joint venture disclosures are made in compliance with GASB Code Section J50.103:

A. Description of Joint Powers Authority

The Authority is comprised of 21 Northern California Cities and is organized under a joint powers agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess liability coverage.

Each member City has a representative on the Board of Directors. Officers are elected annually.

B. Self-Insurance Program

**General Liability Insurance:** Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Willows, self-insures for the first \$50,000 of each loss for liability and \$100,000 for workers’ compensation. Participating cities shared in loss occurrences in excess up to \$500,000 for fiscal year 2015, \$39,500,000 in excess coverage for liability and \$4,500,000 in workers compensation, per occurrence, was purchased by the Authority. Specific coverage includes: comprehensive and general liability, personal injury, contractual liability, errors and omissions, and auto liability.

C. Condensed Financial Information of the Authority

Noted below is a condensed audited Statement of Net Position of the Authorities Combined Worker's Compensation Insurance and Liability Insurance Fund as of June 30, 2015 (Latest available):

Assets	<u>\$ 51,027,029</u>
Liabilities	<u>41,646,901</u>
Total Net Position	<u>\$ 9,380,128</u>

D. Claims and Judgments

The City accounts for material liability claims and judgment in accordance with GASB Code Section C50.110. When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2015, the City, in the opinion of the City Attorney, had no material claims, which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

NOTE 9 POST EMPLOYMENT (RETIREE) HEALTH BENEFITS

Plan Description

The City provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members. Spouses are also covered throughout his or her life. The City only pays up to the required minimum employer premium contribution calculated using the unequal contribution method. Under this method, the City's contribution for the retiree is calculated by the number of years the City has participated in CalPERS, multiplied by at least five percent (5%), and multiplied by the current employer contribution toward active employees, which is adjusted based on the medical care portion of the Consumer Price Index. Benefit provisions are established by the City Council.

Funding Policy

The City's Council will not be funding the plan in the current year. Management will review the funding requirements and policy annually and confer with Council on an as needed basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Pension Contribution	\$16,568
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	<u>\$16,568</u>
Contributions Made	<u>(11,114)</u>
Net Increase in OPEB Obligation	\$ 5,454
Net OPEB Obligation-Beginning of the Year	<u>172,051</u>
Net OPEB Obligation-End of the Year	<u>\$177,505</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	\$16,568	67%	\$ 5,454

**Funding Status and Funding Progress**

As of July 1, 2014, the actuarial accrued liability (AAL) for benefits was \$177,505, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

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

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* – Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website ([www.cdc.gov](http://www.cdc.gov)). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

*Turnover* – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was set at 4%, which is within the range recommended by CalPERS OPEB Assumption Model.

*Health insurance premiums* – 2012 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

*Payroll increase* – Changes in the payroll for current employees are expected to increase at a rate of approximately 1.0% annually.

*Discount rate* – The calculation uses an annual discount rate of 3%. This is based on the assumed long-term return on plan assets or employer assets.

*Actuarial cost method* – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was thirty years.

*Participation*- A 30% employee participation rate is assumed.

Plan for Funding

On an ongoing basis, the City will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

Required Supplementary Information: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ((a-b)/c)
7/1/2009	\$349,551	\$0	\$ 349,551	0%	\$ 1,900,871	18.4%
7/1/2012	\$146,436	\$0	\$ 146,436	0%	\$ 1,419,060	10.3%

**NOTE 10 LITIGATION**

The City estimates that potential claims not covered by insurance resulting from such litigation will not materially affect the financial statements of the City.

**NOTE 11 CONTINGENCIES**

The City participates in a number of Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. While the contingency for un-reimbursed expenditures could potentially be material, the amount, if any, of which may be disallowed by the granting agencies cannot be determined at this time.

**NOTE 12 DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to City employees, permits them to defer a portion of their salary until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the beneficiary participant=s rights under the plan are equal to the fair market value of the deferred account for each participant.

It is the opinion of the City that the City has no liability for losses under the plan but does have the duty of due care that would be required of the ordinary prudent investor.

**NOTE 13 SUBSEQUENT EVENTS**

The City has evaluated subsequent events through the date that the financial statements were issued, January 8, 2016, and determined that no events have occurred that meet the requirements for disclosure set forth by FASB Statement No. 165.

**NOTE 14 WATER ENTERPRISE**

Effective July 1, 2014, the California Water Quality Control Board made effective revised standards regarding Community Water Well Standards. More specifically, the standard for Chromium-6 inclusion in water from said wells may not exceed 10 parts per billion.

The City owns and operates a well that services 3 commercial customers. Based upon testing results at other non-City owned well sites, there is a reasonable likelihood that the City well may exceed the newly established standard. If standards are exceeded at said well, the City will need to determine the viability of servicing water customers in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLOWS  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		General Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	2,524,500	2,524,500	2,511,649	(12,851)
Licenses, Permits and Franchise	223,800	223,800	274,936	51,136
Fines Forfeitures and Penalties	21,500	21,500	15,591	(5,909)
Intergovernmental	493,500	493,500	498,144	4,644
Charges for Services	119,936	119,936	117,778	(2,158)
Interest	15,000	15,000	15,582	582
Other	21,500	76,148	82,967	6,819
<b>Total Revenue</b>	<b>3,419,736</b>	<b>3,474,384</b>	<b>3,516,647</b>	<b>42,263</b>
<b>EXPENDITURES</b>				
General Government	577,769	577,769	581,027	(3,258)
Public Safety	2,019,502	2,072,502	2,064,694	7,808
Parks and Public Works	487,855	487,855	384,789	103,066
Recreation	141,615	141,615	139,791	1,824
Library	178,386	178,386	154,187	24,199
Housing and Community Development	146,854	166,854	170,102	(3,248)
Capital Outlay	12,500	67,148	99,124	(31,976)
<b>Total Expenditures</b>	<b>3,564,481</b>	<b>3,692,129</b>	<b>3,593,714</b>	<b>98,415</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(144,745)</b>	<b>(217,745)</b>	<b>(77,067)</b>	<b>140,678</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	77,234	77,234	77,234	0
<b>Total Other Financing Sources (Uses)</b>	<b>77,234</b>	<b>77,234</b>	<b>77,234</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(67,511)</b>	<b>(140,511)</b>	<b>167</b>	<b>140,678</b>
<b>Fund Balance, July 1, 2014</b>	<b>1,358,316</b>	<b>1,358,316</b>	<b>1,358,316</b>	<b>0</b>
<b>Fund Balance, June 30, 2015</b>	<b>1,290,805</b>	<b>1,217,805</b>	<b>1,358,483</b>	<b>140,678</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WILLOWS**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Cost-Sharing Defined Benefit Pension Plan**  
**As of June 30, 2015**

**STATEMENT TWO**

	<b>City of Willows Miscellaneous Plan</b>	<b>City of Willows Safety Plan</b>	<b>City of Willows PEPRA-Police Plan</b>
<b>Plan's Proportion of the Net Pension Liability</b>	<b>0.03686%</b>	<b>0.05000%</b>	<b>0.00000%</b>
<b>Plan's Proportionate Share of the Net Pension Liability</b>	<b>\$ 2,293,531</b>	<b>\$ 3,111,049</b>	<b>\$ 63</b>
<b>Plan's Covered-Employee Payroll</b>	<b>\$ 760,517</b>	<b>\$ 719,495</b>	<b>\$ 44,264</b>
<b>Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</b>	<b>301.58%</b>	<b>432.39%</b>	<b>0.14%</b>
<b>Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability</b>	<b>76.63%</b>	<b>72.85%</b>	<b>81.36%</b>

**CITY OF WILLOWS**  
**SCHEDULE OF CONTRIBUTIONS**  
**Cost-Sharing Defined Benefit Pension Plan**  
**As of June 30, 2015**

**STATEMENT THREE**

	City of Willows Miscellaneous Plan	City of Willows Safety Plan	City of Willows PEPRA-Police Plan
<b>Contractually Required Contributions Actuarially Determined</b>	\$ 161,705	\$ 299,688	\$ 6,741
<b>Contributions in Relation to the Actuarially Determined Contribution</b>	\$ (161,705)	\$ (299,688)	\$ (6,741)
<b>Contribution Deficiency</b>	\$ -	\$ -	\$ -
<b>Covered-Employee Payroll</b>	\$ 760,517	\$ 719,495	\$ 44,264
<b>Contributions as a Percentage of Covered -Employee Payroll</b>	21.26%	41.65%	15.23%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF WILLOWS**  
**SCHEDULE OF CHANGES IN INDIVIDUAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

FUND	NET POSITION June 30, 2014	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2015
<b>GENERAL FUND</b>						
General Fund	1,153,316		(77,067)	77,234		1,153,483
General Fund-Working Reserve	200,000		0			200,000
General Fund-Surplus Property	5,000		0			5,000
<b>TOTAL GENERAL FUND</b>	<b>1,358,316</b>	<b>0</b>	<b>(77,067)</b>	<b>77,234</b>	<b>0</b>	<b>1,358,483</b>
<b>PARKS AND PUBLIC WORKS FUNDS</b>						
State Transportation Improvement Program	0		0			0
Willows Lighting and Landscape District	9,837		354			10,191
TDA-Local Transportation Funds	32,282		222			32,504
Mall Maintenance	17,725		(2,726)			14,999
Storm Drainage Impact	174,194		73,255			247,449
Street Development Impact	29,699		40,182			69,881
Park Facilities Impact	151,476		101,765			253,241
I-5 Interchange Impact	283,155		23,181			306,336
CA Recycle Grant	8,371		599			8,970
<b>TOTAL PARKS AND PUBLIC WORKS</b>	<b>706,739</b>	<b>0</b>	<b>236,832</b>	<b>0</b>	<b>0</b>	<b>943,571</b>
	706,739					
<b>GAS TAX FUNDS</b>						
RSTP	187,985		17,483			205,468
Gas Tax 2105	78,740		14,907			93,647
Gas Tax 2106	9,271		(6,589)			2,682
Gas Tax 2107	21,951		(19,480)			2,471
Gas Tax 2107.5	588		3,711			4,299
Gas Tax 2103	280,408		57,434			337,842
<b>TOTAL GAS TAX</b>	<b>578,943</b>	<b>0</b>	<b>67,466</b>	<b>0</b>	<b>0</b>	<b>646,409</b>
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>						
Certified Access Specialist	633		317			950
Community Discretionary	138,245		(17,286)	14,493		135,452
2003 CDBG Housing Loans	0		1,093		1,093	0
Economic Development	43,641		(7,776)			35,865
1992 CDBG Housing Loans	0		4,076		4,076	0
1990 CDBG Housing Loans	0		3,264		3,264	0
1997 CDBG Housing Loans	0		3,725		3,725	0
2000 CDBG Housing Loans	0		2,335		2,335	0
RLA - Housing Rehab	2,057		(2,057)			0
HOME Program Revolving Loan	101,814		63,397			165,211
HOME-Senior Housing Project	0		0			0
<b>TOTAL HOUSING AND COMMUNITY DEVELOPMI</b>	<b>286,390</b>	<b>0</b>	<b>51,088</b>	<b>14,493</b>	<b>14,493</b>	<b>337,478</b>
<b>RECREATION</b>						
Recreation Reimbursable	6,837		4,317			11,154
Recreation Cultural	1,287		9			1,296
<b>TOTAL RECREATION</b>	<b>8,124</b>	<b>0</b>	<b>4,326</b>	<b>0</b>	<b>0</b>	<b>12,450</b>

CITY OF WILLOWS  
SCHEDULE OF CHANGES IN INDIVIDUAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

FUND	NET POSITION June 30, 2014	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2015
<b>LIBRARY</b>						
County Library	12,143		5,751			17,894
LTSA-Technology Grant	10		(10)			0
CLA-Packard	62		(62)			0
Northnet-Training Funding	0		892			892
CLSA-Delivery Funding	2,663		1,475			4,138
Literacy Passthrough	0		0			0
Library-Development Impact	26,237		70,568			96,805
<b>TOTAL LIBRARY</b>	<b>41,115</b>	<b>0</b>	<b>78,614</b>	<b>0</b>	<b>0</b>	<b>119,729</b>
<b>PUBLIC SAFETY</b>						
Asset Forfeiture	1		0			1
Fire-Development Impact	35,606		82,215			117,821
Fire Activity	31		0			31
Police Development Impact	18,130		40,129			58,259
FEMA Fitness Grant	209		(209)			0
SLESF	19,891		(10,000)			9,891
CHRP-Hiring Grant	0		0			0
AB 109 Overtime	0		0			0
OJP- BVP Program	0		0			0
<b>TOTAL PUBLIC SAFETY</b>	<b>73,868</b>	<b>0</b>	<b>112,135</b>	<b>0</b>	<b>0</b>	<b>186,003</b>
<b>FIDUCIARY FUNDS</b>						
Non-Expendible Trust Funds	125,797		(11,813)			113,984
Agency Funds	236,515		(16,768)			219,747
<b>TOTAL FIDUCIARY FUNDS</b>	<b>362,312</b>	<b>0</b>	<b>(28,581)</b>	<b>0</b>	<b>0</b>	<b>333,731</b>
<b>ENTERPRISE FUNDS</b>						
Sewer Enterprise	6,386,392	(717,177)	(154,050)		77,234	5,437,931
Water Enterprise	104,199		107			104,306
<b>TOTAL ENTERPRISE FUNDS</b>	<b>6,490,591</b>	<b>(717,177)</b>	<b>(153,943)</b>	<b>0</b>	<b>77,234</b>	<b>5,542,237</b>
<b>TOTALS</b>	<b>9,906,398</b>	<b>(717,177)</b>	<b>290,870</b>	<b>91,727</b>	<b>91,727</b>	<b>9,480,091</b>

SINGLE AUDIT SECTION

ROY R. SEILER  
**CERTIFIED PUBLIC ACCOUNTANT**

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INDEPENDENT AUDITOR'S 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*

To the City Council  
City of Willows, California

I 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 business-type activities and the aggregate remaining fund information of City of Willows, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Willows, California's basic financial statements, and have issued my report thereon dated January 8, 2016.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered City of Willows, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Willow, California's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Willows, California'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 City of Willows, California's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

January 8, 2016



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Roy R. Seiler, CPA

ROY R. SEILER  
***CERTIFIED PUBLIC ACCOUNTANT***

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council  
City of Willows, California

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

I have audited the City of Willow's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the City's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 The City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of The City's compliance.

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

In my opinion, the City 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, 2015.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of The City'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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

January 8, 2016



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Roy R. Seiler, CPA

**ROY R. SEILER**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**Report on the Schedule of Expenditures of Federal Awards**  
**INDEPENDENT AUDITOR'S REPORT**

To the City Council,  
City of Willows, California

**Report on the Schedule of Expenditures of Federal Awards**

I have audited the accompanying schedule of expenditures of federal awards of The City of Willows, California for the year ended June 30, 2015, and the related notes (the financial statement).

***Management's Responsibility***

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on this financial statement based on my audit. I conducted my audit 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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, I 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 statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the City of Willows, California for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

January 8, 2016



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Roy R. Seiler, CPA

**CITY OF WILLOWS  
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Contract Award</u>	<u>Disbursements/ Expenditures</u>
<b>DEPARTMENT OF JUSTICE:</b>				
US DOJ-CHRP Grant	18.710	2012UMWX0022	\$ 255,843	\$ 63,611
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
CDBG-Housing Element and Housing Conditions Survey	14.228	13-CDBG-8939	\$ 70,000	\$ 22,230
HOME-Senior Housing Project (*)	14.239	13-HOME-8611	\$ 4,600,000	\$ 3,375,099
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Regional Surface Transportation Exchange	20.205		\$ 68,032	\$ 52,144
State Transportation Improvement ( Federal Exchange)	20.205		\$ 1,026,000	\$ 62,119
<b>TOTALS</b>			<u>\$ 6,019,875</u>	<u>\$ 3,575,203</u>

(\*) Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF WILLOWS**  
**NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL FINANCIAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1-BASIS OF PRESENTATION**

The schedule of expenditure of federal financial awards is a summary of the activity of the City of Willows' federal award programs and has been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting.

**City of Willows**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2015**

**SUMMARY OF AUDITOR'S RESULTS:**

**FINANCIAL STATEMENTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Willows.
2. The audit report identified no significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting that were considered to be a reportable condition.
3. The audit report identified no instances of noncompliance that were material to the financial statements of the City which would be required to be reported in accordance with Government Auditing Standards.
4. The audit identified no reportable conditions in internal controls over financial reporting that I considered to be material weaknesses.

**FEDERAL AWARDS**

1. An unmodified opinion on the City's compliance with requirements applicable to each of its major federal programs was issued.
2. The audit identified no deficiencies in the design or operation of internal control over major federal programs that I consider to be reportable conditions.
3. The audit report identified no significant deficiencies or material weaknesses in the design or operation of internal control over major federal programs that were considered to be reportable conditions.
4. The audit report identified no findings that are required to be disclosed under OMB Circular A-133, Section 510(a).
5. The audit report identified no reportable conditions in internal control over major federal programs that were considered to be material weaknesses.
6. The dollar threshold used to distinguish between Type "A" and Type "B" programs was \$300,000.
7. The City did not qualify as a "Low Risk" entity under OMB Circular A-133, Section 530 because an audit performed in accordance with Circular A-133 was not required during each of the prior two years.

**FEDERAL AWARDS, Continued:**

8. The following program was tested as a major program:

U.S. Department of Housing and Urban Development  
Home Investment Partnership Program (13-HOME-8611)  
CFDA No. 14.239

**SUMMARY OF FEDERAL FINDINGS:**

**Prior Year Findings:**

FINDINGS, FINANCIAL STATEMENT AUDIT - None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS - None

FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE - None

**Current Period:**

FINDINGS, FINANCIAL STATEMENT AUDIT - None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS - None

FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE - None

**ROY R. SEILER**  
***CERTIFIED PUBLIC ACCOUNTANT***

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Members of the City Council and  
The Management of the  
City of Willows  
Willows, California

I have audited the financial statements of the City of Willows (the City) for the year ended June 30, 2015, and have issued my report thereon dated January 8, 2016. Professional standards require that I provide you with the following information related to my audit.

**My Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in my engagement letter dated May 14, 2014, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the City of Willows. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements. I noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

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 the computation of depreciation expense and fixed asset useful life. Management's estimate of depreciation and fixed asset useful life is based on estimates in determining that it is reasonable in relation to the financial statements as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedure. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

### 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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditor**

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of my professional relationship and my response was not a condition to my retention.

**Difficulties Encountered in Performing the Audit**

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of the Council and management of the City of Willows and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Roy R. Seiler, CPA**