

**CITY OF WILLOWS  
GLENN COUNTY, CALIFORNIA  
FINANCIAL STATEMENTS  
TOGETHER WITH  
THE INDEPENDENT AUDITOR'S OPINIONS  
FOR THE YEAR ENDED  
JUNE 30, 2019**

CITY OF WILLOWS  
GLENN COUNTY, CALIFORNIA  
JUNE 30, 2019  
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CITY OF WILLOWS  
GLENN COUNTY, CALIFORNIA  
JUNE 30, 2019

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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

**Report on the Financial Statements**

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, 2019, 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, 2019, 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.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2020, on my consideration of the City of Willows, California 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 solely 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 the effectiveness of the City of Willows, California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willows, California's internal control over financial reporting and compliance.

I have also performed tests to determine that expenditures paid by the City of Willows, California 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, 2020



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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, 2019. Please read it in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

The City's overall net position ended at \$9,864,654 as a result of this year's operations and prior period adjustment due to reclassification of expenditures to the General Fund. During the year, the City's expenses exceeded the City's taxes, other governmental revenues and business activity revenues by \$2,374,990 including the effect of depreciation, a non-cash expense, of \$513,491.

Governmental net position ended the year at \$5,780,458.

The total revenues from all sources were \$9,296,149.

The total cost and actuarial derived expenses of all City programs were \$6,921,159. The General Fund revenue expenditures and other financing sources exceeded expenditures and other financing uses by \$388,284.

Actual resources received in the General Fund were greater than the final budget by \$334,376, while actual expenditures and operating transfers were \$49,990 less than final budget.

The General Fund absorbed a net decrease in fund balance of \$195,046 as a result of a prior period adjustment.

At the end of the fiscal year, fund balance for the General Fund was \$1,299,301 or 33.2% 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 2019	%	Governmental Activities 2018	%
Current and Other Assets	\$4,460,197	30.9	\$3,684,453	33.1
Capital Assets	8,377,321	58.1	5,675,634	51.0
Deferred Outflows-Pension	1,592,113	11.0	1,767,128	15.9
Total Assets and Deferred Outflows	14,429,631	100.0	11,127,215	100.0
Current and Other Liabilities	\$1,441,370	10.0	\$ 902,842	8.1
Net Pension Liability	6,807,910	47.2	6,910,903	62.1
Deferred Inflows-Pension	399,893	2.8	134,591	1.2
Total Liabilities and Deferred Inflows	8,649,173	60.0	7,948,336	71.4
Net Position:				
Invested in Capital Assets Net of Debt	\$8,377,321	58.1	\$ 5,675,634	51.0
Committed for Working Capital	200,000	1.4	200,000	1.8
Committed for Surplus Property	5,000	0.0	5,000	0.1
Uncommitted (2019 Net of Adjustment of \$195,046)	(4,615,389)	(32.0)	(4,471,259)	(40.2)
Restricted For:				
Parks, Recreation, Public Works	1,366,483	9.5	1,396,592	12.5
Library	165,681	1.1	136,922	1.3
Public Safety	166,978	1.1	156,018	1.4
Housing & Community Development	114,384	0.8	79,972	0.7
Total Net Position	\$5,780,458	40.0	\$3,178,879	28.6

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

	Business-Type Activities 2019	%	Business-Type Activities 2018	%
Current and Other Assets	\$ 1,183,408	10.6	\$ 1,470,672	12.6
Capital Assets	9,777,158	87.8	9,955,264	85.5
Deferred Outflows-Pension	174,165	1.6	223,528	1.9
Total Assets and Deferred Outflows	11,134,731	100.0	12,103,384	100.0
Current and Other Liabilities	\$ 277,571	2.5	\$ 302,447	1.8
Long-Term Debt	5,710,000	51.3	5,824,000	49.0
Net Pension Liability	984,508	8.8	1,013,557	6.9
Deferred Inflows-Pension	78,456	.7	3,628	.3
Total Liabilities and Deferred Inflows	7,050,535	63.3	7,143,632	61.3
Net Position:				
Invested in Capital Assets Net of Debt	\$ 3,953,158	35.5	\$ 4,021,264	34.5
Restricted For:				
Debt Service	360,600	3.2	360,600	3.1
Utility Service	(229,562)	(2.0)	123,967	1.1
Total Net Position	\$ 4,084,196	33.7	\$ 4,505,831	38.7

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

	Governmental Activities 2019	Business-Type Activities 2019	Total	Governmental Activities 2018	Business-Type Activities 2018	Total	\$ Change
<b>REVENUES:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 29,938	\$ 1,598,766	\$ 1,628,704	\$ 29,676	\$ 1,559,732	\$ 1,589,408	\$ 39,296
Operating Grants/Contributions	\$ 582,629		\$ 582,629	\$ 352,304		\$ 352,304	\$ 230,325
Capital Grants/Contributions	\$ 2,814,870	\$ -	\$ 2,814,870	\$ 446,418	\$ -	\$ 446,418	\$ 2,368,452
General Revenues:	\$ -			\$ -			
Taxes	\$ 3,167,852		\$ 3,167,852	\$ 2,799,091		\$ 2,799,091	\$ 368,761
Intergovernmental	\$ 595,723		\$ 595,723	\$ 576,494		\$ 576,494	\$ 19,229
Investment Income	\$ 45,001	\$ 14,391	\$ 59,392	\$ 47,501	\$ 12,215	\$ 59,716	\$ (324)
Other	\$ 446,979		\$ 446,979	\$ 496,717		\$ 496,717	\$ (49,738)
<b>TOTAL REVENUES</b>	<b>\$ 7,682,992</b>	<b>\$ 1,613,157</b>	<b>\$ 9,296,149</b>	<b>\$ 4,748,201</b>	<b>\$ 1,571,947</b>	<b>\$ 6,320,148</b>	<b>\$ 2,976,001</b>
<b>EXPENSES:</b>							
General Government	\$ 614,221		\$ 614,221	\$ 592,307		\$ 592,307	\$ 21,914
Public Safety	\$ 2,670,649		\$ 2,670,649	\$ 2,727,517		\$ 2,727,517	\$ (56,868)
Parks and Public Works	\$ 791,614		\$ 791,614	\$ 764,308		\$ 764,308	\$ 27,306
Library	\$ 359,506		\$ 359,506	\$ 318,006		\$ 318,006	\$ 41,500
Recreation	\$ 170,293		\$ 170,293	\$ 173,726		\$ 173,726	\$ (3,433)
Housing/ Community Development	\$ 357,318		\$ 357,318	\$ 404,560		\$ 404,560	\$ (47,242)
Sewer		\$ 1,947,537	\$ 1,947,537		\$ 2,060,359	\$ 2,060,359	\$ (112,822)
Water		\$ 10,021	\$ 10,021		\$ 12,905	\$ 12,905	\$ (2,884)
<b>TOTAL EXPENSES</b>	<b>\$ 4,963,601</b>	<b>\$ 1,957,558</b>	<b>\$ 6,921,159</b>	<b>\$ 4,980,424</b>	<b>\$ 2,073,264</b>	<b>\$ 7,053,688</b>	<b>\$ (132,529)</b>
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>	<b>\$ 2,719,391</b>	<b>\$ (344,401)</b>	<b>\$ 2,374,990</b>	<b>\$ (232,223)</b>	<b>\$ (501,317)</b>	<b>\$ (733,540)</b>	<b>\$ 3,108,530</b>
Transfers	\$ 77,234	\$ (77,234)	\$ -	\$ 77,234	\$ (77,234)	\$ -	
<b>INCREASE IN NET POSITION</b>	<b>\$ 2,796,625</b>	<b>\$ (421,635)</b>	<b>\$ 2,374,990</b>	<b>\$ (154,989)</b>	<b>\$ (578,551)</b>	<b>\$ (733,540)</b>	
<b>NET POSITION-July 1</b>	<b>\$ 3,178,879</b>	<b>\$ 4,505,831</b>	<b>\$ 7,684,710</b>	<b>\$ 3,333,868</b>	<b>\$ 5,084,382</b>	<b>\$ 8,418,250</b>	
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>\$ (195,046)</b>		<b>\$ (195,046)</b>			<b>\$ -</b>	
<b>NET POSITION-June 30</b>	<b>\$ 5,780,458</b>	<b>\$ 4,084,196</b>	<b>\$ 9,864,654</b>	<b>\$ 3,178,879</b>	<b>\$ 4,505,831</b>	<b>\$ 7,684,710</b>	

The City's combined net position as of June 30, 2019 was \$9,864,654. Specifically, the City's net position for governmental activities were \$5,780,458 while business-type activities resulted in a net position of \$4,084,196.

The City experienced an increase in capital grant revenue of approximately \$2.4MM from 2017-18 as a result of funds received from the State Transportation Improvement Program for the completion of the Sycamore Street reconstruction project. In addition, the South Willows Improvement Project commenced in 2018-19, resulting in Federal Grant funds from the

Economic Development Agency and a Community Development Block Grant. A developer capital infusion was also received on this project. Operating Grant revenue increased \$230K as the City participated in 2 USDA grant funded studies for industry-based feasibility, SB 1-RMRA Funds were fully implemented in 2018-19, and Regional Surface Transportation Funds were greater than the prior year. In addition, tax revenue was up approximately \$369K as sales tax and transient occupancy tax revenues were higher than anticipated due to increased construction activity in southern Glenn County and Camp Fire related activity in the City.

Expense categories were not significantly different, on a full accrual basis, for 2018-19 than in 2017-18.

Table 3  
Statement of Interfund Transfers  
(Full Accrual, in Whole Dollars)

	Governmental 2019	Business-Type 2019	Total 2019
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Interfund Transfer In (Out)			
General Fund	\$ 77,234		\$77,234
Sewer Fund		(\$77,234)	(\$77,234)
Net Transfer	\$ 77,234	(\$77,234)	\$-0-

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

	Governmental Activities 2019	Business-Type Activities 2019	Total 2019
<b>Interfund Transfers In (by Fund):</b>			
(1) General	\$ 77,234		\$ 77,234
(2) Community Discretionary	\$ 88,365		\$ 88,365
<b>Interfund Transfers Out (By Fund)</b>			
(1) Sewer		\$ (77,234)	\$ (77,234)
(2) 1992 CDBG Housing Loans	\$ (52,265)		\$ (52,265)
(2) 2003 CDBG Housing Loans	\$ (1,085)		\$ (1,085)
(2) CDBG-Reuse	\$ (120)		\$ (120)
(2) 1997 CDBG Housing Loans	\$ -		\$ -
(2) 2000 CDBG Housing Loans	\$ (12,017)		\$ (12,017)
(2) 1990 CDBG Housing Loans	\$ (22,878)		\$ (22,878)
<b>Net Transfers In and Out</b>	<b>\$ 77,234</b>	<b>\$ (77,234)</b>	<b>\$ -</b>
<b>Amounts Due from Other Funds:</b>			
(3) General	\$ 1,082,567		\$ 1,082,567
<b>Amounts Due to Other Funds:</b>			
(3) USDA Cold Storage Feasibility	\$ (14,519)		\$ (14,519)
(3) EDA Grant	\$ (833,740)		\$ (833,740)
(3) Gas Tax-RMRA	\$ (20,180)		\$ (20,180)
(3) CDBG-OTC	\$ (207,875)		\$ (207,875)
(3) Gas Tax-2103 Repayment	\$ (23)		\$ (23)
(3) USDA-Biomass Feasibility	\$ (6,230)		\$ (6,230)
<b>Net Amounts Due to/from Other Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

- (1) personnel not directly funded by the Sewer Fund per Council approved nexus.
- (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 6/30/19, but funds had 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						
	NET	PRIOR	NET	TRANSFERS	TRANSFERS	NET
FUND	POSITION	PERIOD	RECEIPTS	IN	OUT	POSITION
	July 1, 2018	ADJUSTMENT	(EXPENDITURES)			June 30, 2019
<b>GENERAL FUND</b>						
General Fund	901063	-195046	311050	77234		1094301
General Fund-Working Reserve	200000		0			200000
General Fund-Surplus Property	5000		0			5000
<b>TOTAL GENERAL FUND</b>	<b>1106063</b>	<b>-195046</b>	<b>311050</b>	<b>77234</b>	<b>0</b>	<b>1299301</b>
<b>PARKS AND PUBLIC WORKS FUNDS</b>						
State Transportation Improvement Program	0					0
Willows Lighting and Landscape District	15698		-3372			12326
CDBG-OTC South Willows Infrastructure	0		0			0
Basin Street Developer Participation	0		46158			46158
EDA Grant-South Willows Infrastructure	0		0			0
Mall Maintenance	14999		-6149			8850
Storm Drainage Impact	298506		-104176			194330
Street Development Impact	111276		8384			119660
Park Facilities Impact	261538		9568			271106
I-5 Interchange Impact	336810		9626			346436
CA Recycle Grant	8970		0			8970
<b>TOTAL PARKS AND PUBLIC WORKS</b>	<b>1047797</b>	<b>0</b>	<b>-39961</b>	<b>0</b>	<b>0</b>	<b>1007836</b>
<b>GAS TAX FUNDS</b>						
SB1 Repayment Funds	7041		-7041			0
RSTP	107459		13351			120810
SB1 RMRA Gas Tax	36893		-36893			0
Gas Tax 2105	73526		19841			93367
Gas Tax 2106	0		0			0
Gas Tax 2107	0		0			0
Gas Tax 2107.5	0		2037			2037
Gas Tax 2103	103680		22764			126444
<b>TOTAL GAS TAX</b>	<b>328599</b>	<b>0</b>	<b>14059</b>	<b>0</b>	<b>0</b>	<b>342658</b>
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>						
Certified Access Specialist	3141		2458			5599
USDA Biomass Feasibility Study	0		0			0
USDA Cold Storage Feasibility Study	0		0			0
Community Discretionary	62918		-49055	88365		102228
2003 CDBG Housing Loans	0		1085		1085	0
Economic Development	9672		-7705			1967
1992 CDBG Housing Loans	0		52265		52265	0
1990 CDBG Housing Loans	0		22878		22878	0
2000 CDBG Housing Loans	0		12017		12017	0
CDBG-Program Income	0		120		120	0
HOME Program Income	4241		349			4590
<b>TOTAL HOUSING AND COMMUNITY DEVELOPMENT</b>	<b>79972</b>	<b>0</b>	<b>34412</b>	<b>88365</b>	<b>88365</b>	<b>114384</b>
<b>RECREATION</b>						
Recreation Reimbursable	19304		-4222			15082
Recreation Cultural	891		16			907
<b>TOTAL RECREATION</b>	<b>20195</b>	<b>0</b>	<b>-4206</b>	<b>0</b>	<b>0</b>	<b>15989</b>

Table 5 (Cont'd)						
Schedule of Changes in Individual Funds						
Full Accrual Enterprise Funds						
Modified Accrual Other Funds						
	NET	PRIOR	NET	TRANSFERS	TRANSFERS	NET
FUND	POSITION	PERIOD	RECEIPTS	IN	OUT	POSITION
	July 1, 2018	ADJUSTMENT	(EXPENDITURES)			June 30, 2019
<b>LIBRARY</b>						
County Library	37105		7492			44597
State Library-Zip Books	0		4412			4412
Public Library Funds	0		0			0
Northnet-Training Funding	3482		738			4220
CLSA-Delivery Funding	740		11042			11782
Literacy Passthrough	0		0			0
Library-Development Impact	95595		5075			100670
<b>TOTAL LIBRARY</b>	<b>136922</b>	<b>0</b>	<b>28759</b>	<b>0</b>	<b>0</b>	<b>165681</b>
<b>PUBLIC SAFETY</b>						
Fire-Development Impact	121806		7809			129615
Police Development Impact	24212		3151			27363
SLESF	10000		0			10000
<b>TOTAL PUBLIC SAFETY</b>	<b>156018</b>	<b>0</b>	<b>10960</b>	<b>0</b>	<b>0</b>	<b>166978</b>
<b>FIDUCIARY FUNDS</b>						
Non-Expendible Trust Funds	117673		2177			119850
Agency Funds	199086		-12618			186468
<b>TOTAL FIDUCIARY FUNDS</b>	<b>316759</b>	<b>0</b>	<b>-10441</b>	<b>0</b>	<b>0</b>	<b>306318</b>
<b>ENTERPRISE FUNDS</b>						
Sewer Enterprise	4414393		-341564		77234	3995595
Water Enterprise	91438		-2837			88601
<b>TOTAL ENTERPRISE FUNDS</b>	<b>4505831</b>	<b>0</b>	<b>-344401</b>	<b>0</b>	<b>77234</b>	<b>4084196</b>
<b>TOTALS</b>	<b>7698156</b>	<b>-195046</b>	<b>231</b>	<b>165599</b>	<b>165599</b>	<b>7503341</b>

- Major (>\$100K) Net Position changes during the year included the General Fund (\$388K) due to increased sales, transient occupancy, and property tax revenue, Storm Drain Development Impact (-\$104K) due to the start of construction of the South Willows Infrastructure Project, and Sewer Enterprise (-\$418K) due to no revenue increase and ongoing increases in the cost of treatment plant operations. Actuarially derived expenses associated with pension funding also played a major role.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues were greater than final adopted budget. Total revenues were \$334,376 (8.6%) over budget. Property Tax revenue was greater than anticipated as property turnover led to higher base values. Transient Occupancy and Sales Taxes were greater than anticipated as due to construction worker activity and overflow of activity resulting from the Camp Fire.

Total General Fund expenditures finished the year under final budget by 1.3% or \$49,990. Parks and Public Works contingency activity was not as great as anticipated.

The final impact on the General Fund's fund balance was an increase of \$384,366, reflecting revenues totaling \$4,226,745, expenditures totaling \$3,915,695, 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	\$ 39,470
(2) Supplemental Law Enforcement Services	18,747
(3) County Library Funding	15,546

- (1) General Fund items include appropriation of funds associated with legal (\$5K), planning (\$10K), Fire (\$20K), Unemployment (\$20K), Telephone Lease (\$3K), and a budgetary savings for Police (\$19K)
- (2) State SLESF allocation was greater than anticipated (\$19K), thus relieving the General Fund of the same amount for contract police services.
- (3) Glenn County allocation of funds greater than anticipated

## 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 Administrative Services Director, 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, 2019, net capital assets of the governmental activities totaled \$8,377,321 and the net capital assets of the business-type activities totaled \$9,777,158. 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, 2019</u>
Parks/Public Works Mower	\$ 58,536	Complete
Sycamore St. Reconstruction	653,567	Complete
South Willows Infrastructure	2,308,264	In Progress

#### CURRENT LIABILITIES AND LONG-TERM DEBT

The City has total governmental type liabilities and deferred outflows of \$8,649,173 which includes \$6,986,281 in long-term liabilities, consisting of compensated absences deemed to be payable in a year or more, actuarially based pension liability resulting from implementation of GASB 68 and actuarially-based other post-employment benefit liabilities. Business type liabilities and deferred outflows total \$7,050,536, which includes \$6,728,943 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, actuarially derived pension liability resulting from implementation of GASB 68, and actuarially derived other post-employment benefit liabilities.

#### NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City's Budget for fiscal year 2018/19, 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. Updating sewer fees, which haven't been adjusted since 2007, will also be of major interest to City operations, as attempts to adjust rates during 2018/19 met significant resistance.

The General Fund budget for 2018/19 includes an operating deficit of \$187,542 utilizing existing General Fund reserves (\$1,299,301 available at July 1, 2019) 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 Administrative Services Department:

<u>By mail</u>	<u>By Phone</u>	<u>By E-Mail</u>
City of Willows 201 North Lassen Street Willows, CA 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, 2019

	Governmental Activities	Business-Type Funds	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
<b>ASSETS</b>			
Cash and Investments	2,077,014	1,012,028	3,089,042
Receivable:			
Accounts		166,932	166,932
Interest	15,016	4,448	19,464
Intergovernmental/Other	2,063,202		2,063,202
Deferred Loans	301,195		301,195
Prepaid Expenses	3,770		3,770
Capital Assets (Net of Depreciation)	8,377,321	9,777,158	18,154,479
	<u>12,837,518</u>	<u>10,960,566</u>	<u>23,798,084</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred Outflow of Resources-Pension	1,592,113	174,165	1,766,278
	<u>1,592,113</u>	<u>174,165</u>	<u>1,766,278</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>14,429,631</u></b>	<b><u>11,134,731</u></b>	<b><u>25,564,362</u></b>
<b>LIABILITIES DEFERRED INFLOWS AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts Payable	940,280	68,361	1,008,641
Interest Payable		59,896	59,896
Other Current Liabilities			
Compensated Absences			
Payable Withing One Year	9,375	880	10,255
Due in More Than One Year	84,371	7,922	92,293
Other	1,917		1,917
Deferred Revenue	311,427		311,427
OPEB Liability	94,000	26,513	120,513
Notes Payable			
Due Within One Year		114,000	114,000
Due in More Than One Year		5,710,000	5,710,000
Net Pension Liability	6,807,910	984,508	7,792,418
<b>TOTAL LIABILITIES</b>	<b><u>8,249,280</u></b>	<b><u>6,972,080</u></b>	<b><u>15,221,360</u></b>
<b>DEFERRED INFLOWS</b>			
Deferred Inflow of Resources-Pension	399,893	78,456	478,349
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b><u>8,649,173</u></b>	<b><u>7,050,536</u></b>	<b><u>15,699,709</u></b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	8,377,321	3,953,158	12,330,479
Committed for Working Capital	200,000		200,000
Committed for Surplus Property	5,000		5,000
Uncommitted	(4,615,389)		(4,615,389)
Restricted For:			
Parks, Recreation, Public Works, and Streets	1,366,483		1,366,483
Library	165,681		165,681
Public Safety	166,978		166,978
Housing and Community Development	114,384		114,384
Debt Service		360,600	360,600
Utility Service		(229,562)	(229,562)
<b>TOTAL NET POSITION</b>	<b><u>5,780,458</u></b>	<b><u>4,084,196</u></b>	<b><u>9,864,654</u></b>

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

CITY OF WILLOWS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	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	614,221		150,605	8,216	(614,221)		(614,221)
Public Safety	2,670,649		88,893	2,806,654	(2,511,828)		(2,511,828)
Parks and Public Works	791,614	9,629	183,662		2,113,562		2,113,562
Library	359,506				(175,844)		(175,844)
Recreation	170,293	20,309			(149,984)		(149,984)
Housing and Community Development	357,318		159,469		(197,849)		(197,849)
					0		
<b>Total Governmental Activities</b>	<b>4,963,601</b>	<b>29,938</b>	<b>582,629</b>	<b>2,814,870</b>	<b>(1,536,164)</b>		<b>(1,536,164)</b>
<b>Business Type Activities</b>							
Sewer	1,947,537	1,591,729			(355,808)		(355,808)
Water	10,021	7,037			(2,984)		(2,984)
					0		
<b>Total Business-Type Activities</b>	<b>1,957,558</b>	<b>1,598,766</b>	<b>0</b>	<b>0</b>	<b>(358,792)</b>		<b>(358,792)</b>
<b>General Revenues:</b>							
Taxes					3,167,852		3,167,852
Intergovernmental Not For Restricted Use					595,723		595,723
Investment Income					45,001	14,391	59,392
Other					446,979		446,979
Net Activity Transfers In/(Out)					77,234	(77,234)	0
<b>Total General Revenues and Transfers</b>					<b>4,332,789</b>	<b>(62,843)</b>	<b>4,269,946</b>
<b>Change in Net Assets</b>					<b>2,796,625</b>	<b>(421,635)</b>	<b>2,374,990</b>
<b>Net Position, Beginning</b>					<b>3,178,879</b>	<b>4,505,831</b>	<b>7,684,710</b>
<b>Prior Period Adjustment</b>					<b>(195,046)</b>		<b>(195,046)</b>
<b>Net Assets, Ending</b>					<b>5,780,458</b>	<b>4,084,196</b>	<b>9,864,654</b>

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

CITY OF WILLOWS  
BALANCE SHEET-GOVERNMENTAL FUNDS  
June 30, 2019

ASSETS	General Fund	Parks and Public Works Funds	Other Governmental Funds	Total Governmental Funds
Cash and Investments	94,342	1,187,132	795,540	2,077,014
Receivables:				
Intergovernmental	256,133	1,728,230	78,839	2,063,202
Interest	5,082	6,395	3,539	15,016
Deferred Loans			301,195	301,195
From Other Funds	1,082,567			1,082,567
Other	3,770			3,770
<b>TOTAL ASSETS</b>	<b>1,441,894</b>	<b>2,921,757</b>	<b>1,179,113</b>	<b>5,542,764</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Current Liabilities				
Accounts Payable	36,748	872,306	31,226	940,280
Due to Other Funds		1,041,615	40,952	1,082,567
Compensated Absences	93,746			93,746
Deferred Revenue	10,232		301,195	311,427
Other	1,867		50	1,917
<b>TOTAL LIABILITIES</b>	<b>142,593</b>	<b>1,913,921</b>	<b>373,423</b>	<b>2,429,937</b>
<b>FUND BALANCE</b>				
Fund Balances:				
Committed for Working Capital	200,000			200,000
Committed for Surplus Property	5,000			5,000
Uncommitted	1,094,301			1,094,301
Restricted for:				
Parks, Recreation, Public Works, and Streets		1,007,836	358,647	1,366,483
Library			165,681	165,681
Public Safety			166,978	166,978
Housing and Community Development			114,384	114,384
<b>TOTAL FUND BALANCE</b>	<b>1,299,301</b>	<b>1,007,836</b>	<b>805,690</b>	<b>3,112,827</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>1,441,894</b>	<b>2,921,757</b>	<b>1,179,113</b>	<b>5,542,764</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, 2019**

<b>Total Fund Balance-Total Governmental Funds Amounts Reported For Governmental Activities in the Statement of Net Assets are Different Because:</b>	<b>3,112,827</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>8,377,321</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>1,592,113</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>(94,000)</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>(6,807,910)</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>(399,893)</b>
<b>Net Position of Governmental Activities</b>	<b><u>5,780,458</u></b>

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

EXHIBIT FOUR

CITY OF WILLOWS  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Parks and Public Works Funds	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	3,167,852			3,167,852
Licenses, Permits and Franchise	288,760			288,760
Fines Forfeitures and Penalties	12,992			12,992
Intergovernmental	595,723	2,154,667	699,708	3,450,098
Charges for Services	116,780	9,629	20,309	146,718
Interest	16,191	17,994	10,816	45,001
Other	28,447	424,858	118,267	571,572
<b>Total Revenue</b>	<b>4,226,745</b>	<b>2,607,148</b>	<b>849,100</b>	<b>7,682,993</b>
<b>EXPENDITURES</b>				
General Government	543,631			543,631
Public Safety	2,277,736	150,605		2,428,341
Parks and Public Works	468,956	19,409	79,818	568,183
Recreation	131,866		24,932	156,798
Library	188,504		156,687	345,191
Housing and Community Development	217,881		125,944	343,824
Capital Outlay	87,121	2,627,700	227,130	2,941,951
<b>Total Expenditures</b>	<b>3,915,695</b>	<b>2,647,109</b>	<b>765,116</b>	<b>7,327,919</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>311,050</b>	<b>(39,961)</b>	<b>83,984</b>	<b>355,073</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	77,234		88,365	165,599
Transfers Out			(88,365)	(88,365)
<b>Total Other Financing Sources (Uses)</b>	<b>77,234</b>	<b>0</b>	<b>0</b>	<b>77,234</b>
<b>Net Change in Fund Balance</b>	<b>388,284</b>	<b>(39,961)</b>	<b>83,984</b>	<b>432,307</b>
Fund Balance, July 1, 2018	1,106,063	1,047,797	721,706	2,875,566
Prior Period Adjustment	(195,046)			(195,046)
<b>Fund Balance, June 30, 2019</b>	<b>1,299,301</b>	<b>1,007,836</b>	<b>805,690</b>	<b>3,112,827</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, 2019**

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

<b>Net Change in Fund Balances: Total Governmental Funds</b>	<b>432,307</b>
<b>Governmental Funds Reported Capital Outlays as Expenditures</b>	<b>2,941,951</b>
<b>In the Statement of Activities, the Cost of Capital Assets is Allocated Over their Estimated Useful Lives as Depreciation Expense</b>	<b>(240,265)</b>
<b>In the Statement of Activities, Other Post Employment Benefits (OPEB) are derived from a number of actuareial factors. In Governmental Funds, expenditures for retiree health care are reported as payments are made</b>	<b>(44)</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>(337,324)</b>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>2,796,625</u></b>

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

**CITY OF WILLOWS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2019**

	Sewer Enterprise Funds	Water Enterprise Fund	Totals
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash	1,002,349	9,679	1,012,028
<b>Receivables:</b>			
Accounts	166,488	444	166,932
Interest	4,398	50	4,448
<b>Total Current Assets</b>	<b>1,173,235</b>	<b>10,173</b>	<b>1,183,408</b>
<b>Non-Current Assets</b>			
<b>Capital Assets</b>			
Systems and Improvements	13,342,474	162,133	13,504,607
Licensed Vehicles	576,045		576,045
Equipment	76,099		76,099
Accumulated Depreciation	(4,295,913)	(83,680)	(4,379,593)
<b>Total Non-Current Assets</b>	<b>9,698,705</b>	<b>78,453</b>	<b>9,777,158</b>
<b>Deferred Outflows of Resources</b>			
Deferred Pension Outflows	174,165		174,165
<b>TOTAL ASSETS</b>	<b>11,046,105</b>	<b>88,626</b>	<b>11,134,731</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	68,336	25	68,361
Accrued Compensated Absences	8,802		8,802
Accrued Interest Payable	59,896		59,896
Notes Payable- Current Portion	114,000		114,000
<b>Total Current Liabilities</b>	<b>251,034</b>	<b>25</b>	<b>251,059</b>
<b>Non-Current Liabilities</b>			
OPEB Payable	26,513		26,513
Notes Payable	5,824,000		5,824,000
Less: Current Portion	(114,000)		(114,000)
Net Pension Liability	984,508		984,508
<b>Total Non-Current Liabilities</b>	<b>6,721,021</b>	<b>0</b>	<b>6,721,021</b>
<b>Deferred Inflows of Resources</b>			
Deferred Pension Inflows	78,456		78,456
<b>TOTAL LIABILITIES</b>	<b>7,050,511</b>	<b>25</b>	<b>7,050,536</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	3,874,705	78,453	3,953,158
Restricted for Debt Service	360,600		360,600
Restricted for Utility Service	(239,710)	10,148	(229,562)
<b>TOTAL NET POSITION</b>	<b>3,995,595</b>	<b>88,601</b>	<b>4,084,196</b>

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

**CITY OF WILLOWS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	SEWER ENTERPRISE FUND	WATER ENTERPRISE FUND	TOTALS
<b>OPERATING REVENUES:</b>			
Charges for Services	1,579,265	7,037	1,586,302
Connection Fees	8,171		8,171
Development Impact Fees	4,293		4,293
<b>TOTAL OPERATING REVENUES</b>	<b>1,591,729</b>	<b>7,037</b>	<b>1,598,766</b>
<b>OPERATING EXPENSES:</b>			
Salaries and Benefits	472,253		472,253
Maintenance	70,769	2,652	73,421
Utilities	183,422	264	183,686
Professional Fees	701,489	2,187	703,676
Depreciation	278,226	4,118	282,344
Other		800	800
<b>TOTAL OPERATING EXPENSES</b>	<b>1,706,159</b>	<b>10,021</b>	<b>1,716,180</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(114,430)</b>	<b>(2,984)</b>	<b>(117,414)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	14,244	147	14,391
Interest Expenses	(241,378)		(241,378)
<b>TOTAL NON-OPERATING REVENUES AND EXPENSES</b>	<b>(227,134)</b>	<b>147</b>	<b>(226,987)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>(341,564)</b>	<b>(2,837)</b>	<b>(344,401)</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>(418,798)</b>	<b>(2,837)</b>	<b>(421,635)</b>
<b>NET POSITION, July 1, 2018</b>	<b>4,414,393</b>	<b>91,438</b>	<b>4,505,831</b>
<b>NET POSITION, June 30, 2019</b>	<b>3,995,595</b>	<b>88,601</b>	<b>4,084,196</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, 2019

	Sewer Enterprise	Water Enterprise	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Sewer Services and Connections	1,593,470		1,593,470
Cash Received from Water Services		8,733	8,733
Cash Payments for Employee and Related Expenses	(385,699)		(385,699)
Cash Payments for Repairs and Maintenance	(70,262)	(2,649)	(72,911)
Cash Payments for Utilities	(179,957)	(264)	(180,221)
Cash Payments for Professional and Contract Services	(739,251)	(2,848)	(742,099)
Cash Payments for Other Expenses		(800)	(800)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>218,300</b>	<b>2,172</b>	<b>220,472</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	(88,948)		(88,948)
Interest Paid	(242,507)		(242,507)
Payment on Long Term Debt	(110,000)		(110,000)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(441,455)</b>	<b>0</b>	<b>(441,455)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Received	13,110	126	13,236
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>13,110</b>	<b>126</b>	<b>13,236</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(287,279)</b>	<b>2,299</b>	<b>(284,980)</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2018</b>	<b>1,289,630</b>	<b>7,379</b>	<b>1,297,009</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2019</b>	<b>1,002,351</b>	<b>9,678</b>	<b>1,012,028</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, 2019**

	Sewer Enterprise	Water Enterprise	Total
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</b>			
<b>Operating Income</b>	(114,430)	(2,984)	(117,414)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
<b>Depreciation</b>	273,226	4,118	277,344
<b>Decrease (Increase) in Receivables</b>	(1,741)	1,697	(44)
<b>Increase (Decrease) in Payables</b>	(32,702)	(659)	(33,361)
<b>Increase (Decrease) in Accrued Compensated Absences</b>	(7,668)		(7,668)
<b>Increase (Decrease) in OPEB Liability</b>	(8)		(8)
<b>Increase (Decrease) in Other Liabilities</b>	101,623		101,623
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>218,300</b>	<b>2,172</b>	<b>220,472</b>

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

**CITY OF WILLOWS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2019**

	Non Expendible Trust Fund	Agency Funds	Totals
<b>ASSETS:</b>			
Cash and Investments	119,106	196,985	316,091
Receivables:			
Accounts			
Interest	744	274	1,018
<b>TOTAL ASSETS</b>	<b>119,850</b>	<b>197,259</b>	<b>317,109</b>
<b>LIABILITIES</b>			
Accounts Payable		10,791	10,791
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>10,791</b>	<b>10,791</b>
<b>NET POSITION</b>			
Restricted for Trust Designated Purposes	119,850	186,468	306,318
<b>TOTAL NET POSITION</b>	<b>119,850</b>	<b>186,468</b>	<b>306,318</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, 2019**

	NON-EXPENDIBLE TRUST FUND	AGENCY FUNDS	TOTALS
<b>ADDITIONS</b>			
Contributions		14,178	14,178
Use of Money	2,177	803	2,980
Service Fees		67,454	67,454
Other		1,952	1,952
<b>Total Additions</b>	<b>2,177</b>	<b>84,387</b>	<b>86,564</b>
<b>DEDUCTIONS</b>			
Library		23,620	23,620
Parks and Recreation		8,446	8,446
Housing and Community Development		64,939	64,939
Other			0
<b>Total Deductions</b>	<b>0</b>	<b>97,005</b>	<b>97,005</b>
<b>CHANGE IN NET POSITION</b>	<b>2,177</b>	<b>(12,618)</b>	<b>(10,441)</b>
<b>NET POSITION, July 1, 2018</b>	<b>117,673</b>	<b>199,086</b>	<b>316,759</b>
<b>NET POSITION, June 30, 2019</b>	<b>119,850</b>	<b>186,468</b>	<b>306,318</b>

CITY OF WILLOWS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 2019.

The Reporting Entity

The City, for financial purposes, includes all 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.

The City generally adheres to a policy of declaring as receivable outstanding funds that are received within 90 days from fiscal year end. City management reserves the right, in the case of grant related receivables, to extend the receivable period until grant funds are received.

#### 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 whereby 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, 2019, said accrual was \$102,548.

#### 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, 2019 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	\$	500
Cash In Bank		338,628
Bank Money Market Accounts		1,022,149
Local Agency Investment Fund		<u>621,855</u>
Total Cash and Cash Equivalents	\$	<u><u>1,983,132</u></u>

Custodial Credit Risk

As of June 30, 2019, 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, 2019, the carrying amount of the City's cash account was \$987,265 and the bank balances were \$338,628. The carrying value and the bank balances differ due to outstanding checks. Of the carrying amount, \$737,265 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, 2019 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	<u>\$1,422,000</u>	<u>\$1,425,211</u>
Total		<u><u>\$1,422,000</u></u>	<u><u>\$1,425,211</u></u>

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, 2019 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	<u>\$1,422,000</u>	<u>\$100,000</u>	<u>\$1,322,000</u>
Total	<u><u>\$1,422,000</u></u>	<u><u>\$100,000</u></u>	<u><u>\$1,322,000</u></u>

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	25%
Capital One Bank	17%
American Express Centurion	17%
Sallie Mae Bank	12%
Sandhills Bank	8%
Bank Hapolim	7%
State Bank of India	7%

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, 2017 upon which the levy for the 2018-19 year was based was \$337,584,850.

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	\$ 9,698,864
Additions	2,941,951
Deletions	-0-
June 30	\$12,640,815
Less: Accumulated Depreciation	( 4,263,494)
Net Property, Plant, Infrastructure and Equipment	\$ 8,377,321

Business Type Capital Assets

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

Property, Plant and Equipment July 1	\$14,052,512
Additions	104,239
Deletions	(0)
Property, Plant & Equipment June 30	\$14,156,751
Less: Accumulated Depreciation	(4,379,593)
Net Property, Plant and Equipment	\$ 9,777,158

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 City has no outstanding debt related to governmental activities at June 30, 2019 and sale/leaseback certificate of participation financing totaling \$5,824,000 related to business-type activities at June 30, 2019. The City has pledged the wastewater treatment plant as collateral via a sale/leaseback transaction for the business-type debt. The note associated with said debt instrument contains an operation and maintenance reserve clause which the City maintains. The note also contains an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment.

Change in long-term obligation for the year ended June 30, 2019, is as follows:

	Balance @ July 1, 2018	Increases	Decreases	Balance @ June 30, 2019	Due Within One Year
Certificates of Participation					
Wastewater Treatment Plant					
Construction	\$5,934,000	\$ -0-	\$110,000	\$5,824,000	\$114,000

Interest expense for the year ended June 30, 2018 was \$241,378.

Debt service requirement on the long-term debt at June 30, 2019 is as follows:

Fiscal Year	Interest Payment	Principal Payment	Total Payment
2019/20	237,889	114,000	351,889
2020/21	233,083	119,000	352,083
2021/22	228,071	124,000	352,071
2022/23	222,853	129,000	351,853
2023/24	217,429	134,000	351,429
2024/25-2028/29	997,404	761,000	1,758,404
2029/30-2033/34	823,659	929,000	1,752,659
2034/35-2038/39	611,160	1,138,000	1,749,160
2039/40-2043/44	350,955	1,394,000	1,744,955
2044/45-2046/47	61,875	982,000	1,043,875
Total	\$3,984,379	\$5,824,000	\$ 9,808,379

**NOTE 6 OTHER REQUIRED FUND DISCLOSURES**

**A. Excesses of Expenditures over Appropriations in Individual Funds**

	<u>Expenditures</u>	<u>Appropriations</u>
Willows Lighting and Landscape District	13,259	11,312
Recreation Reimbursable	24,932	21,157
CDBG-Reuse	2,691	1,000
SLESF	150,605	148,747

All expenditures in excess of appropriations were funded via existing fund balances or 2018-19 revenue within the given fund.

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

At June 30, 2019, 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, 2019 were:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$1,082,567	
EDA Grant		\$833,740
CDBG-OTC		207,875
Gas Tax-RMRA		20,180
Gas Tax-2103 Repayment		23
USDA Cold Storage Feasibility Grant		14,519
USDA Biomass Feasibility Grant		6,230
	<hr/>	<hr/>
Totals	<u>\$1,082,567</u>	<u>\$1,082,567</u>

**D. Individual Fund Operating Transfers**

for the year Ended June 30, 2019 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	\$ 88,365	
From 1992 CDBG Housing Loans		\$ 52,265
2003 CDBG Housing Loans		1,085
CDBG-Reuse		120
2000 CDBG Housing Loans		12,017
1990 CDBG Housing Loans		22,878
	<hr/>	<hr/>
Totals	<u>\$165,599</u>	<u>\$165,599</u>

**NOTE 7 PENSION PLANS**

*CALPERS Safety and Miscellaneous Employees Plans*

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools.

Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Agency sponsors 5 rate plans (2 miscellaneous and 3 safety). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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 nonduty 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 Employee's Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

Hire Date	Safety - Classic	Fire- PEPRA	Police - PEPRA
	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	57	57
Monthly benefits, as a % of annual salary	3.0%	2.7%	2.7%
Required employee contribution rates	9.000%	11.500%	11.500%
Required employer contribution rates	19.416%	12.141%	12.141%
Required UAL payment	\$ 325,198	\$ 733	\$ 1,702

Hire Date	Miscellaneous - Classic	Miscellaneous - PEPRA
	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits, as a %, of annual salary	3.0%	2.0%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	12.759%	6.842%
Required UAL payment	\$ 234,009	\$ 462

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are to 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 the Plan is 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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Agency's contributions to the Plan for the measurement period ended June 30, 2018 were \$615,648.

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

As of June 30, 2019, the Agency reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$7,792,418.

The Agency's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The Agency's proportionate of the net pension liability was based on the Agency's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The Agency's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2017 and 2018 were as follows:

Proportion - June 30, 2017	0.07991%
Proportion - June 30, 2018	0.08087%
Change - Increase (Decrease)	<u>0.00096%</u>

For the year ended June 30, 2019, the Agency recognized pension expense of \$1,115,529.

At June 30, 2019 the Agency 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	\$ 683,063	
Changes in assumptions	818,102	\$152,697
Differences between expected and actual experience	194,398	14,435
Changes in employer's proportion		236,383
Differences between the employer's contribution and the employer's proportionate share of contributions	24,112	74,834
Net differences between projected and actual earnings on plan investments	<u>46,603</u>	
Total	<u>\$1,766,278</u>	<u>\$ 478,349</u>

\$ 683,063 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:		
2020	\$	638,519
2021		327,313
2022		(300,023)
2023		(60,943)

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method- Entry Age Normal in accordance with the requirements of GASB 68

Actuarial Assumptions-

Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS Membership Data across all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 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 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 rw1 out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

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.

<u>Asset Class(1)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10(2)</u>	<u>Real Return Years 11+(3)</u>
Global Equity	50%	4.00%	5.90%
Fixed Income	28	1.00	1.00
Inflation Assets	---	.77	1.81
Private Equity	8	6.30	7.23
Real Assets	13	3.75	4.93
Liquidity	1	-	(.92)

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity and Global Debt Securities

(2) An expected inflation rate of 2.00% used for this period

(3) An expected inflation rate of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency'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:

1% Decrease	6.15%
Net Pension Liability	\$ 11,289,002
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,792,418
1% Increase	8.15%
Net Pension Liability	\$ 4,918,038

Payable to the Pension Plan

At June 30, 2019 the Agency reported a payable of \$-0- contributions to the pension plan required for the year ended June 30, 2019.

#### 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 2019, \$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, 2019 (Latest available):

Assets	<u>\$ 63,261,318</u>
Liabilities	<u>41,431,782</u>
Total Net Position	<u>\$ 21,829,536</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, 2019, 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 MEDICAL BENEFITS PLAN

**Plan Description**

*Plan administration.* The City administers a single employer defined benefit healthcare plan. As of January 1, 2018, the City participates in California State Association of Counties Excess Insurance Authority (CSAC EIA), a small group health benefits program. There are four medical plans available (a three-tiered plan for Non-Medicare participants, and three for Medicare eligible participants).

*Benefits provided.* Eligible employees who retired before July 1, 2017 are eligible for the PEMCHA minimum (\$133 per month in 2018). This amount will stay at \$133 per month for the remainder of the retiree’s life. There are currently three retirees who are receiving these benefits.

Effective for retirements on or after July 1, 2017, the employee must self-pay the entire cost of premiums during retirement. Employees are eligible to remain on the City health plan if they retire directly from the City via service retirement or through industrial disability. There is no age or service requirement.

For the valuation, it is assumed that (at retirement) 20% of members will participate in City-sponsored health plans until age 65, and that no member will participate in City-sponsored health plans at Medicare eligibility (age 65). While the City does not directly contribute towards the cost of premiums for retirees, except as noted for the three retirees receiving the PEMHCA minimum, there is an implicit subsidy realized, as the younger actives are subsidizing the costs of the older retirees. The value of the implicit subsidy constitutes a GASB 75 liability.

*Plan membership.* At July 1, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Active plan members	17

*Contributions.* The contribution requirements of Plan members and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

**Net OPEB Liability**

The District’s Net OPEB Liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

*Actuarial assumptions.* The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Inflation rate	3.00 percent
Healthcare cost trend rate	5.50 percent for 2019; 5.25 percent for 2020; 5.00 percent for 2021 later years

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

Actuarial assumptions used in the July 1, 2018 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

*Discount rate.* GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20- Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%
June 30, 2019	June 30, 2019	4.00%	3.13%	3.13%

The components of the net OPEB liability were as follows:

Total OPEB liability	120,513
Plan fiduciary net position	0
Net OPEB liability	\$120,513
Measurement date	June 30, 2019
Reporting date	June 30, 2019
Covered payroll	\$1,007,884
Net OPEB liability (asset) as a percentage of covered payroll	11.96%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

*Schedule of Changes in Net OPEB Liability (June 30, 2018 to June 30, 2019)*

<b>Total OPEB Liability</b>	
Service Cost	3,214
Interest	4,159
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions	3,926
Benefit payments <sup>1</sup>	(11,243)
<b>Net change in total OPEB liability</b>	56
<b>Total OPEB liability - June 30, 2018 (a)</b>	\$120,457
<b>Total OPEB liability - June 30, 2019 (b)</b>	\$120,513
<b>Plan fiduciary net position</b>	
Contributions - employer <sup>1</sup>	11,243
Net investment income	0
Benefit payments <sup>1</sup>	(11,243)
Trustee fees	0
Administrative expense	0
<b>Net change in plan fiduciary net position</b>	0

Plan fiduciary net position - June 30, 2018 (c)	\$0
Plan fiduciary net position - June 30, 2019 (d)	\$0
Net OPEB liability - June 30, 2018 (c) - (a)	\$120,457
Net OPEB liability - June 30, 2019 (d) - (b)	\$120,513

<sup>1</sup> Amount includes implicit subsidy associated with benefits paid.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability, as well as what the net OPEB 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 discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB liability (asset)	129,338	120,513	112,747

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.50% decreasing to 4.00%)	Trend Rate (5.50% decreasing To 5.00%)	1% Increase (6.50% decreasing to 6.00%)
Net OPEB liability (asset)	116,615	120,513	124,923

#### Statement of Changes in Fiduciary Net Position

<b>Additions</b>	
Employer contributions <sup>2</sup>	11,243
Investment income:	
Net increase in fair value of investments	0
Total additions	11,243
<b>Deductions</b>	
Trustee fees	0
Administrative expense	0
Benefit payments <sup>2</sup>	11,243
Total deductions	11,243
Net increase in net position	0
<b>Net position restricted for postemployment benefits other than pensions</b>	
Beginning of year - June 30, 2018	\$0
End of year - June 30, 2019	\$0

<sup>2</sup> Includes \$5,985 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amounts of \$5,258 on benefit payments from sources outside of trust.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience <sup>3,4</sup>	0	0
Changes in assumptions or other inputs <sup>3,4</sup>	3,293	0
Differences between projected and actual return investments <sup>3,4</sup>	0	0
<b>Total</b>	<b>\$3,293</b>	<b>\$0</b>

<sup>3</sup> Measured at June 30, 2019;

<sup>4</sup> See Schedule of Deferred Outflows and Inflows of Resources for additional information.

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

Fiscal Year ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	633	0
2021	633	0
2022	633	0
2023	633	0
2024	633	0
2025	128	0
2026	0	0
2027	0	0
2028	0	0
2029	0	0

**Schedule of Deferred Outflows and Inflows of Resources**

Year	Type	Category	Initial Base	Amortization Period	Current Balance
2017	Deferred Outflow	Difference between expected and actual experience	0	0.0	0
2017	Deferred Outflow	Changes in assumptions	0	0.0	0
2017	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0
2018	Deferred Outflow	Difference between expected and actual experience	0	0.0	0
2018	Deferred Outflow	Changes in assumptions	0	0.0	0
2018	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0
2019	Deferred Outflow	Difference between expected and actual experience	0	6.2	0
2019	Deferred Outflow	Changes in assumptions	3,926	6.2	3,293
2019	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	5.0	0
<b>Total</b>					<b>3,293</b>

Year	Type	Category	Initial Base	Amortization Period	Current Balance
2017	Deferred Inflow	Difference between expected and actual experience	0	0.0	0
2017	Deferred Inflow	Changes in assumptions	0	0.0	0
2017	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0
2018	Deferred Inflow	Difference between expected and actual experience	0	0.0	0
2018	Deferred Inflow	Changes in assumptions	0	0.0	0
2018	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0
2019	Deferred Inflow	Difference between expected and actual experience	0	6.2	0
2019	Deferred Inflow	Changes in assumptions	0	6.2	0
2019	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	5.0	0
				<b>Total</b>	<b>0</b>

### Net OPEB Expense

The City's Net OPEB expense was \$8,006.

Net OPEB Liability - beginning (a)	\$120,457
Net OPEB Liability - ending (b)	\$120,513
Change in Net OPEB Liability [(b)-(a)]	56
Change in Deferred Outflows	(3,293)
Change in Deferred Inflows	0
Employer Contributions	11,243
Net OPEB Expense - June 30, 2018 to June 30, 2019	\$8,006

Service Cost	3,214
Interest Cost	4,159
Expected Return on Assets	0
Changes of benefit terms	0
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	0
Changes of assumptions	633
Differences between projected and actual investments	0
Total	633
Net OPEB Expense - June 30, 2018 to June 30, 2019	\$8,006

### 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 CHANGE IN OPERATING UNIT OF THE CITY-LAW ENFORCEMENT SERVICES

Commencing on July 1, 2017, the City began contracting law enforcement services with the Glenn County Sheriff's Office under mutually agreed upon contract terms and conditions. As a result, the Willows Police Department has suspended law enforcement services, and the City does not employ any police related employees.

#### NOTE 14 SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date that the financial statements were issued, January 8, 2020, and determined that the following event occurred that meets the requirements for disclosure set for the by FASB Statement No. 165.

On October 16, 2019 California Water Service Company verified that a requested deposit for waterline construction plans and inspection services associated with the South Willows Infrastructure Project was to be \$160,309. The City issued a check on this date. At June 30, 2019, the amount of the said deposit was not readily identifiable, and the amount to be refunded from this deposit was not considered determinable nor estimable. The amount of this deposit that will be refunded back to the City and the ability to receive grant reimbursement remain uncertain as of date of issuance of the financial statements

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, 2019**

	Budgeted Amounts		General Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	2,755,300	2,890,300	3,167,852	277,552
Licenses, Permits and Franchise	252,800	256,633	288,760	32,127
Fines Forfeitures and Penalties	1,000	6,000	12,992	6,992
Intergovernmental	574,500	588,500	595,723	7,223
Charges for Services	105,936	90,936	116,780	25,844
Interest	15,000	22,000	16,191	(5,809)
Other	46,500	38,000	28,447	(9,553)
<b>Total Revenue</b>	<b>3,751,036</b>	<b>3,892,369</b>	<b>4,226,745</b>	<b>334,376</b>
<b>EXPENDITURES</b>				
General Government	510,762	528,979	543,631	(14,652)
Public Safety	2,252,168	2,263,421	2,277,736	(14,315)
Parks and Public Works	519,386	519,386	468,956	50,430
Recreation	146,934	146,934	131,866	15,068
Library	191,741	191,741	188,504	3,237
Housing and Community Development	215,224	225,224	217,881	7,343
Capital Outlay	90,000	90,000	87,121	2,879
<b>Total Expenditures</b>	<b>3,926,215</b>	<b>3,965,685</b>	<b>3,915,695</b>	<b>49,990</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(175,179)</b>	<b>(73,316)</b>	<b>311,050</b>	<b>384,366</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>(97,945)</b>	<b>3,918</b>	<b>388,284</b>	<b>384,366</b>
<b>Fund Balance, July 1, 2018</b>	<b>1,027,264</b>	<b>970,034</b>	<b>1,106,063</b>	<b>136,029</b>
<b>Prior Period Adjustment</b>	<b>(195,046)</b>	<b>(195,046)</b>	<b>(195,046)</b>	
<b>Fund Balance, June 30, 2019</b>	<b>734,273</b>	<b>778,906</b>	<b>1,299,301</b>	<b>520,395</b>

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

CITY OF WILLOWS  
STATEMENT TWO  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

and  
SCHEDULE OF CONTRIBUTIONS  
As of June 30, 2019

Schedule of the Agency's Proportionate Share of the Net Pension Liability - Last 5 Years

Fiscal year Measurement date	2019 6/30/2018	2018 6/30/2017	2017 6/30/2016	2016 6/30/2015	2015 6/30/2014
Proportion of the net pension liability	0.08087%	0.07991%	0.08193%	0.08688%	0.08686%
Proportionate share of the net pension liability	\$ 7,792,418	\$ 7,924,460	\$ 7,089,757	\$ 5,963,313	\$ 5,404,643
Covered payroll	\$ 1,036,377	\$ 1,525,987	\$ 1,628,424	\$ 1,488,702	\$ 1,524,276
Proportionate Share of the net pension liability as percentage of covered payroll	751.89%	519.30%	435.38%	400.57%	354.57%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

Schedule of Contributions - Last 4 Years

Fiscal year	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 683,063	\$ 615,648	\$ 639,429	\$ 748,028	\$ 468,134
Contribution in relation to the actuarially determined contributions	683,063	615,648	639,429	748,028	468,134
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,007,884	\$ 1,036,377	\$ 1,525,987	\$ 1,628,424	\$ 1,488,702
Contributions as a percentage of covered payroll	67.77%	59.40%	41.90%	45.94%	31.45%

OTHER SUPPLEMENTARY INFORMATION

CITY OF WILLOWS  
SCHEDULE OF CHANGES IN INDIVIDUAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

FUND	NET POSITION July 1, 2018	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2019
<b>GENERAL FUND</b>						
General Fund	901,063	(195,046)	311,050	77,234		1,094,301
General Fund-Working Reserve	200,000		0			200,000
General Fund-Surplus Property	5,000		0			5,000
<b>TOTAL GENERAL FUND</b>	<b>1,106,063</b>	<b>(195,046)</b>	<b>311,050</b>	<b>77,234</b>	<b>0</b>	<b>1,299,301</b>
<b>PARKS AND PUBLIC WORKS FUNDS</b>						
State Transportation Improvement Program	0					0
Willows Lighting and Landscape District	15,698		(3,372)			12,326
CDBG-OTC South Willows Infrastructure	0		0			0
Basin Street Developer Participation	0		46,158			46,158
EDA Grant-South Willows Infrastructure	0		0			0
Mall Maintenance	14,999		(6,149)			8,850
Storm Drainage Impact	298,506		(104,176)			194,330
Street Development Impact	111,276		8,384			119,660
Park Facilities Impact	261,538		9,568			271,106
I-5 Interchange Impact	336,810		9,626			346,436
CA Recycle Grant	8,970		0			8,970
<b>TOTAL PARKS AND PUBLIC WORKS</b>	<b>1,047,797</b>	<b>0</b>	<b>(39,961)</b>	<b>0</b>	<b>0</b>	<b>1,007,836</b>
<b>GAS TAX FUNDS</b>						
SB1 Repayment Funds	7,041		(7,041)			0
RSTP	107,459		13,351			120,810
SB1 RMRA Gas Tax	36,893		(36,893)			0
Gas Tax 2105	73,526		19,841			93,367
Gas Tax 2106	0		0			0
Gas Tax 2107	0		0			0
Gas Tax 2107.5	0		2,037			2,037
Gas Tax 2103	103,680		22,764			126,444
<b>TOTAL GAS TAX</b>	<b>328,599</b>	<b>0</b>	<b>14,059</b>	<b>0</b>	<b>0</b>	<b>342,658</b>
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>						
Certified Access Specialist	3,141		2,458			5,599
USDA Biomass Feasibility Study	0		0			0
USDA Cold Storage Feasibility Study	0		0			0
Community Discretionary	62,918		(49,055)	88,365		102,228
2003 CDBG Housing Loans	0		1,085		1,085	0
Economic Development	9,672		(7,705)			1,967
1992 CDBG Housing Loans	0		52,265		52,265	0
1990 CDBG Housing Loans	0		22,878		22,878	0
2000 CDBG Housing Loans	0		12,017		12,017	0
CDBG-Program Income	0		120		120	0
HOME Program Income	4,241		349			4,590
<b>TOTAL HOUSING AND COMMUNITY DEVELOPMENT</b>	<b>79,972</b>	<b>0</b>	<b>34,412</b>	<b>88,365</b>	<b>88,365</b>	<b>114,384</b>
<b>RECREATION</b>						
Recreation Reimbursable	19,304		(4,222)			15,082
Recreation Cultural	891		16			907
<b>TOTAL RECREATION</b>	<b>20,195</b>	<b>0</b>	<b>(4,206)</b>	<b>0</b>	<b>0</b>	<b>15,989</b>

CITY OF WILLOWS  
SCHEDULE OF CHANGES IN INDIVIDUAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

FUND	NET POSITION July 1, 2018	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2019
<b>LIBRARY</b>						
County Library	37,105		7,492			44,597
State Library-Zip Books	0		4,412			4,412
Public Library Funds	0		0			0
Northnet-Training Funding	3,482		738			4,220
CLSA-Delivery Funding	740		11,042			11,782
Literacy Passthrough	0		0			0
Library-Development Impact	95,595		5,075			100,670
<b>TOTAL LIBRARY</b>	<b>136,922</b>	<b>0</b>	<b>28,759</b>	<b>0</b>	<b>0</b>	<b>165,681</b>
<b>PUBLIC SAFETY</b>						
Fire-Development Impact	121,806		7,809			129,615
Police Development Impact	24,212		3,151			27,363
SLESF	10,000		0			10,000
<b>TOTAL PUBLIC SAFETY</b>	<b>156,018</b>	<b>0</b>	<b>10,960</b>	<b>0</b>	<b>0</b>	<b>166,978</b>
<b>FIDUCIARY FUNDS</b>						
Non-Expendible Trust Funds	117,673		2,177			119,850
Agency Funds	199,086		(12,618)			186,468
<b>TOTAL FIDUCIARY FUNDS</b>	<b>316,759</b>	<b>0</b>	<b>(10,441)</b>	<b>0</b>	<b>0</b>	<b>306,318</b>
<b>ENTERPRISE FUNDS</b>						
Sewer Enterprise	4,414,393		(341,564)		77,234	3,995,595
Water Enterprise	91,438		(2,837)			88,601
<b>TOTAL ENTERPRISE FUNDS</b>	<b>4,505,831</b>	<b>0</b>	<b>(344,401)</b>	<b>0</b>	<b>77,234</b>	<b>4,084,196</b>
<b>TOTALS</b>	<b>7,698,156</b>	<b>(195,046)</b>	<b>231</b>	<b>165,599</b>	<b>165,599</b>	<b>7,503,341</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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Willows, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Willows, California's basic financial statements, and have issued our report thereon dated January 8, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, I considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Willows, California's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit 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 the 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 our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



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Roy R. Seiler,  
Certified Public Accountant  
January 8, 2020

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 THE  
UNIFORM GUIDANCE

To the City Council  
City of Willows, California

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

I have audited the City of Willows, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Willows, California's major federal programs for the year ended June 30, 2019. City of Willows, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the City of Willows, California'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 of Willows, California'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 of Willows, California's compliance.

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

In My opinion, the City of Willows, California, 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, 2019.

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

Management of the City of Willows, California, 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 of Willows, California's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Willows, California'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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Roy R. Seiler,  
Certified Public Accountant  
January 8, 2020

ROY R. SEILER

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**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 City of Willows, California for the year ended June 30, 2019, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 City of Willows, California for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.



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Roy R. Seiler,  
Certified Public Accountant  
January 8, 2020

**City of Willows**  
**Schedule of Expenditures of Federal Financial Awards**  
**For the Year Ended June 30, 2019**

	Federal CFDA Number	Pass Through Grantor Number	Contract Award	Expenditures/ Disbursements
USDA-Biomass Cogen Feasibility Study	10.351	698296843	\$ 50,000	\$ 29,915
CDBG-Over the Counter South Willows Infrastructure and GAP Loan Support (*)	14.228	17-CDBG-12031	\$ 2,910,025	\$ 337,825
USDA-Cold Storage Feasibility Study	10.351	283822960	\$ 56,000	\$ 19,503
Economic Development Administration-South Willows Roadway and Utilities (*)	11.300	70107275	\$ 3,717,954	\$ 1,390,404
<b>Totals</b>			<b>\$ 6,733,979</b>	<b>\$ 1,777,647</b>

(\*) Major Program

The Notes to the Schedule of Expenditures of Federal Financial Awards is an Integral part of this Schedule.

**CITY OF WILLOWS**  
**NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL FINANCIAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Willows, California (City) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

City of Willows  
Schedule of Findings and Questioned Costs  
June 30, 2019

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 would be 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 considered 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 2 CFR 200.516(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 \$750,000.

The City did not qualify as a "Low Risk" auditee under 2 CFR Section 200.520.

City of Willows  
Schedule of Findings and Questioned Costs  
June 30, 2019

FEDERAL AWARDS, Continued:

7. The following programs were tested as major programs:

U.S. Department of Housing and Urban Development  
Over the Counter South Willows Infrastructure and GAP Loan Support  
CFDA No. 14.228

Economic Development Administration, South Willows Roadway and Utilities  
CFDA No. 11.300

**SUMMARY OF FEDERAL FINDINGS:**

**Prior Year Findings:**

FINDINGS, FINANCIAL STATEMENT AUDIT - None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS - NA

FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE - NA

**Current Period:**

FINDINGS, FINANCIAL STATEMENT AUDIT - None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS - None

FINDINGS AND QUESTIONED COSTS FOR STATE COMPLIANCE - None