

# **WILLOWS UNIFIED SCHOOL DISTRICT**

**AUDIT REPORT  
JUNE 30, 2025**



**WILLOWS UNIFIED SCHOOL DISTRICT  
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JUNE 30, 2025**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

Governing Board  
Willows Unified School District  
Willows, California

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willows Unified School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Willows Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willows Unified School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Willows Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter******Change in Accounting Principle***

As described in Note 1 to the financial statements, the Willows Unified School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

### ***Responsibilities of Management for the Financial Statements (continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Willows Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Willows Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Willows Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willows Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026 on our consideration of the Willows Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Willows Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willows Unified School District's internal control over financial reporting and compliance.



San Diego, California  
March 24, 2026

# WILLOWS UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

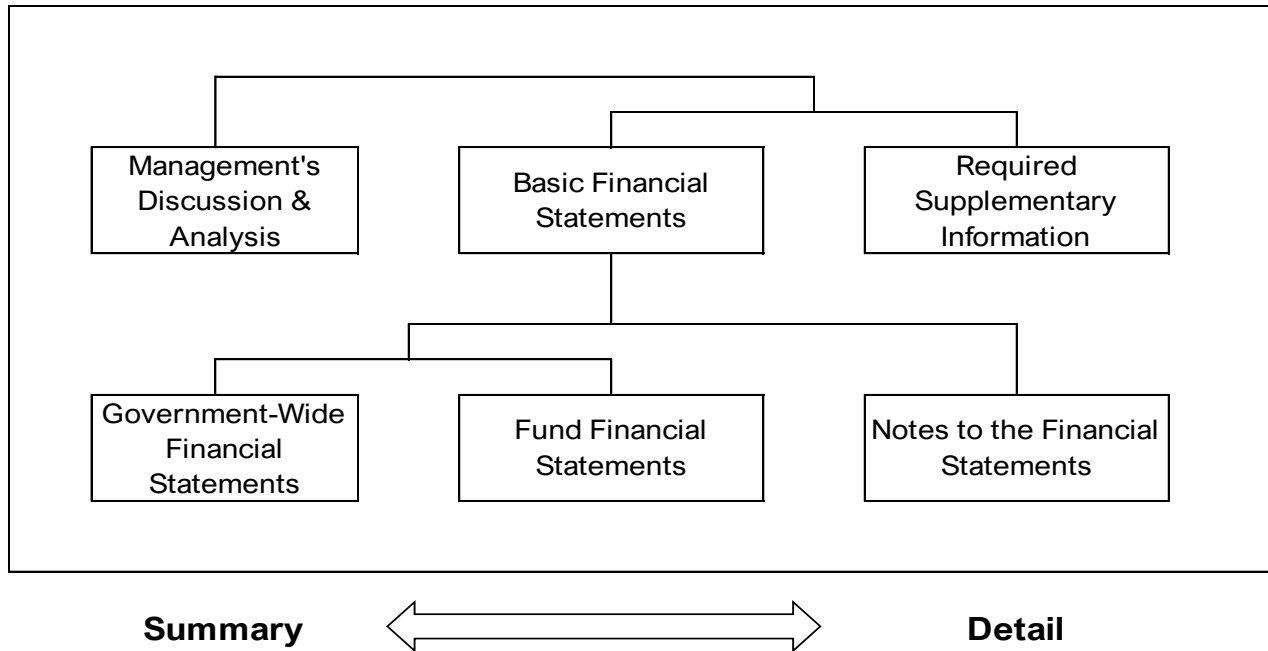
Our discussion and analysis of Willows Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's net position was \$5,384,666 at June 30, 2025. This was an increase of \$1,207,826 from the prior year, after restatement.
- Overall revenues were \$30,633,755, which exceeded expenses of \$29,425,929.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financial Section



**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financial Section (continued)**

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**Net Position**

The District's net position was \$5,384,666 at June 30, 2025, as reflected in the table below. Of this amount, \$(13,715,758) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2025</b>	<b>2024</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 19,136,006	\$ 18,981,714	\$ 154,292
Capital assets	25,805,160	18,649,622	7,155,538
<b>Total Assets</b>	<b>44,941,166</b>	<b>37,631,336</b>	<b>7,309,830</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,265,714</b>	<b>8,295,113</b>	<b>(29,399)</b>
<b>LIABILITIES</b>			
Current liabilities	5,651,094	7,222,786	(1,571,692)
Long-term liabilities	37,884,965	30,392,683	7,492,282
<b>Total Liabilities</b>	<b>43,536,059</b>	<b>37,615,469</b>	<b>5,920,590</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,286,155</b>	<b>3,306,647</b>	<b>979,508</b>
<b>NET POSITION</b>			
Net investment in capital assets	8,797,668	9,718,270	(920,602)
Restricted	10,302,756	9,765,933	536,823
Unrestricted	(13,715,758)	(14,479,870)	764,112
<b>Total Net Position</b>	<b>\$ 5,384,666</b>	<b>\$ 5,004,333</b>	<b>\$ 380,333</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**Changes in Net Position**

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

	<b>Governmental Activities</b>		
	<b>2025</b>	<b>2024</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 380,635	\$ 229,068	\$ 151,567
Operating grants and contributions	7,327,078	7,066,703	260,375
Capital grants and contributions	-	655,648	(655,648)
General revenues			
Property taxes	5,825,978	7,043,829	(1,217,851)
Unrestricted federal and state aid	16,294,444	13,976,628	2,317,816
Other	805,620	834,919	(29,299)
<b>Total Revenues</b>	<b>30,633,755</b>	<b>29,806,795</b>	<b>826,960</b>
<b>EXPENSES</b>			
Instruction	12,585,244	11,263,288	1,321,956
Instruction-related services	2,934,056	2,912,695	21,361
Pupil services	3,136,290	2,809,217	327,073
General administration	2,127,332	2,333,577	(206,245)
Plant services	1,937,269	8,595,811	(6,658,542)
Ancillary and community services	1,260,789	955,937	304,852
Debt service	917,543	306,428	611,115
Other outgo	2,902,358	1,766,351	1,136,007
Depreciation	1,625,048	1,168,980	456,068
<b>Total Expenses</b>	<b>29,425,929</b>	<b>32,112,284</b>	<b>(2,686,355)</b>
<b>Change in net position</b>	<b>1,207,826</b>	<b>(2,305,489)</b>	<b>3,513,315</b>
<b>Net Position - Beginning, as Restated*</b>	<b>4,176,840</b>	<b>7,309,822</b>	<b>(3,132,982)</b>
<b>Net Position - Ending</b>	<b>\$ 5,384,666</b>	<b>\$ 5,004,333</b>	<b>\$ 380,333</b>

*\*Beginning net position was restated for the 2025 year only.*

The cost of all our governmental activities this year was \$29,425,929 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$5,825,978 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**Changes in Net Position (continued)**

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

	<b>Net Cost of Services</b>	
	<b>2025</b>	<b>2024</b>
Instruction	\$ 9,487,418	\$ 8,269,754
Instruction-related services	2,616,730	2,156,306
Pupil services	1,169,885	1,173,336
General administration	2,069,061	1,849,699
Plant services	1,731,549	8,434,440
Ancillary and community services	(145,096)	520,722
Debt service	917,543	306,428
Transfers to other agencies	2,246,078	281,200
Depreciation	1,625,048	1,168,980
<b>Total</b>	<b>\$ 21,718,216</b>	<b>\$ 24,160,865</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$15,551,061, which is more than last year’s ending fund balance of \$12,371,837. The District’s General Fund had \$729,426 less in operating revenues than expenditures for the year ended June 30, 2025. The District’s County School Facilities Fund had \$705,740 less in operating revenues than expenditures for the year ended June 30, 2025. The District’s Special Reserve Fund for Capital Outlay Projects had \$5,684,622 less in operating revenues than expenditures, along with net financing sources and uses of \$7,461,996 related to interfund transfers and sources related the new certificates of participation for the year ended June 30, 2025.

**CURRENT YEAR BUDGET 2024-2025**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2024-2025 the District had invested \$25,805,160 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2025	2024	Net Change
<b>CAPITAL ASSETS</b>			
Land	\$ 106,915	\$ 106,915	\$ -
Construction in progress	5,944,890	146,440	5,798,450
Land improvements	7,957,960	6,715,893	1,242,067
Buildings & improvements	22,949,097	22,191,685	757,412
Furniture & equipment	6,089,069	5,329,581	759,488
Less: Accumulated depreciation	(17,242,771)	(15,840,892)	(1,401,879)
<b>Total</b>	<b>\$ 25,805,160</b>	<b>\$ 18,649,622</b>	<b>\$ 7,155,538</b>

**Long-Term Liabilities**

At year-end, the District had \$37,884,965 in long-term liabilities. This was an increase of 21.35% from last year, as shown in the table below. More detailed information about the District’s long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2025	2024	Net Change
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 6,780,900	\$ 7,020,644	\$ (239,744)
Total certificates of participation	10,226,592	-	10,226,592
Qualified zone academy bonds	1,645,431	1,910,708	(265,277)
Compensated absences*	1,557,831	857,612	700,219
Total OPEB liability	4,214,321	4,809,178	(594,857)
Net pension liability	15,242,025	17,127,055	(1,885,030)
Less: current portion of long-term liabilities	(1,782,135)	(505,021)	(1,277,114)
<b>Total</b>	<b>\$ 37,884,965</b>	<b>\$ 31,220,176</b>	<b>\$ 6,664,789</b>

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

Several economic and fiscal factors could influence the District’s financial condition in the coming year, including continued enrollment declines, uncertain Federal and State revenues, high pension obligations, and a cooling California economy.

**Long-Term Declining Enrollment**

California’s K–12 system continues to experience enrollment decline. Statewide enrollment fell another 0.5% in 2024–25 to about 5.8 million students, roughly 420,000 fewer than a decade ago. The Department of Finance projects an additional 586,000-student decline by 2033–34. Lower birth rates, high housing costs, and out-migration are key drivers, along with growing competition from charter and private schools. Because many costs—such as staffing and facilities—cannot easily adjust, revenue loss from declining Average Daily Attendance (ADA) creates structural fiscal challenges that require multi-year planning.

**WILLOWS UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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

**Revenue Uncertainties**

- **Status of Proposition 98:** The 2025–26 State Budget sets the Proposition 98 guarantee at \$114.6 billion, slightly below earlier projections. To maintain K–12 funding commitments amid weaker tax receipts, the State relied on reserve drawdowns, internal borrowing, and limited deferrals. The outlook remains fragile since Proposition 98 revenues are highly sensitive to income-tax and capital-gains fluctuations. A market slowdown could trigger future adjustments. The Legislative Analyst's Office urges districts to budget cautiously and preserve flexibility given ongoing volatility.
- **Federal Funding Uncertainties:** Federal funding for K–12 education remains uncertain heading into 2025–26. Several large federal programs—including Title I, Title II, IDEA, and after-school and enrichment grants—face potential reductions or delays under current federal budget proposals and continuing appropriations negotiations. The U.S. Department of Education has also paused or delayed disbursement of certain previously approved formula and competitive grants, creating short-term cash-flow and planning challenges for districts. Analyses by nonpartisan agencies such as the Congressional Budget Office and the Learning Policy Institute note that up to \$5–6 billion in K-12 formula funds nationwide remain at risk of reduction or deferral if congressional appropriations are not finalized. While districts are expected to continue receiving baseline allocations during temporary funding resolutions, long-term federal support levels for education could decline modestly in real terms, requiring districts to plan for possible funding interruptions or reductions in future years.

**Pension Liabilities and Employer Rates**

The District participates in CalSTRS and CalPERS, both of which remain underfunded and continue to exert upward pressure on budgets. For 2025–26, the CalSTRS employer rate is 19.10%, and the CalPERS Schools Pool rate is 26.81%. These elevated rates—well above pre-2014 levels—will likely persist through the decade as both systems address unfunded liabilities. Districts must continue to account for escalating pension costs in long-range projections.

**Economic and Market Conditions**

California's economy has cooled following its post-pandemic rebound. High interest rates, weaker venture investment, and commercial-real-estate softness have slowed growth, especially in tech-dependent regions. The UCLA Anderson Forecast (Fall 2025) expects subdued growth into 2026, with unemployment near 5%. Inflation has eased, but interest-rate uncertainty continues to constrain housing and business investment.

Because the State's tax base depends heavily on capital-gains income, stock-market volatility remains a major risk to General Fund and Proposition 98 revenues. Fiscal advisors therefore recommend that districts maintain prudent reserves and avoid long-term commitments based on one-time revenue gains.

**Summary**

Declining enrollment, volatile revenues, persistent pension costs, and broader economic uncertainty all contribute to a challenging fiscal environment for California school districts. The District's 2025–26 budget reflects these conditions through conservative revenue assumptions, strong reserves, and continued monitoring of State fiscal trends.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 16,466,194
Accounts receivable	2,100,193
Inventory	41,244
Prepaid expenses	528,375
Capital assets:	
Capital assets, not depreciated	6,051,805
Capital assets, net of accumulated depreciation	19,753,355
<b>Total Assets</b>	<b>44,941,166</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	7,801,662
Deferred outflows related to OPEB	464,052
<b>Total Deferred Outflows of Resources</b>	<b>8,265,714</b>
<b>LIABILITIES</b>	
Accrued liabilities	3,812,074
Unearned revenue	56,885
Long-term liabilities, current portion	1,782,135
Long-term liabilities, non-current portion	37,884,965
<b>Total Liabilities</b>	<b>43,536,059</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	2,094,619
Deferred inflows related to OPEB	2,191,536
<b>Total Deferred Inflows of Resources</b>	<b>4,286,155</b>
<b>NET POSITION</b>	
Net investment in capital assets	8,797,668
Restricted:	
Capital projects	274,992
Debt service	1,293,035
Educational programs	7,835,620
Food service	664,739
Associated student body	234,370
Unrestricted	(13,715,758)
<b>Total Net Position</b>	<b>\$ 5,384,666</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 12,585,244	\$ 2,122	\$ 3,095,704	\$ (9,487,418)
Instruction-related services				
Instructional supervision and administration	729,380	-	100,235	(629,145)
Instructional library, media, and technology	502,369	-	158,363	(344,006)
School site administration	1,702,307	251	58,477	(1,643,579)
Pupil services				
Home-to-school transportation	388,174	3,475	59,175	(325,524)
Food services	1,656,566	2,818	1,591,236	(62,512)
All other pupil services	1,091,550	797	308,904	(781,849)
General administration				
Centralized data processing	220,190	173	-	(220,017)
All other general administration	1,907,142	1,313	56,785	(1,849,044)
Plant services	1,937,269	4,942	200,778	(1,731,549)
Ancillary services	1,152,721	357,557	973,982	178,818
Community services	108,068	-	74,346	(33,722)
Interest on long-term debt	917,543	-	-	(917,543)
Other outgo	2,902,358	7,187	649,093	(2,246,078)
Depreciation (unallocated)	1,625,048	-	-	(1,625,048)
<b>Total Governmental Activities</b>	<b>\$ 29,425,929</b>	<b>\$ 380,635</b>	<b>\$ 7,327,078</b>	<b>(21,718,216)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				5,059,495
Property taxes, levied for debt service				766,483
Federal and state aid not restricted for specific purposes				16,294,444
Interest and investment earnings				506,242
Interagency revenues				177,460
Miscellaneous				121,918
<b>Subtotal, General Revenue</b>				<b>22,926,042</b>
<b>CHANGE IN NET POSITION</b>				<b>1,207,826</b>
<b>Net Position - Beginning, as Restated</b>				<b>4,176,840</b>
<b>Net Position - Ending</b>				<b>\$ 5,384,666</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2025**

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 10,203,815	\$ 2,529,796	\$ 1,396,433	\$ 2,336,150	\$ 16,466,194
Accounts receivable	1,401,096	409,205	-	289,892	2,100,193
Due from other funds	3,638,824	-	-	1,911	3,640,735
Stores inventory	21,793	-	-	19,451	41,244
Prepaid expenditures	528,375	-	-	-	528,375
<b>Total Assets</b>	<b>\$ 15,793,903</b>	<b>\$ 2,939,001</b>	<b>\$ 1,396,433</b>	<b>\$ 2,647,404</b>	<b>\$ 22,776,741</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 2,958,673	\$ -	\$ 489,257	\$ 80,130	\$ 3,528,060
Due to other funds	1,911	2,900,000	700,000	38,824	3,640,735
Unearned revenue	56,885	-	-	-	56,885
<b>Total Liabilities</b>	<b>3,017,469</b>	<b>2,900,000</b>	<b>1,189,257</b>	<b>118,954</b>	<b>7,225,680</b>
<b>FUND BALANCES</b>					
Nonspendable	554,443	-	-	23,477	577,920
Restricted	7,835,620	39,001	207,176	2,504,973	10,586,770
Unassigned	4,386,371	-	-	-	4,386,371
<b>Total Fund Balances</b>	<b>12,776,434</b>	<b>39,001</b>	<b>207,176</b>	<b>2,528,450</b>	<b>15,551,061</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,793,903</b>	<b>\$ 2,939,001</b>	<b>\$ 1,396,433</b>	<b>\$ 2,647,404</b>	<b>\$ 22,776,741</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
POSITION  
JUNE 30, 2025**

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**Total Fund Balance - Governmental Funds** \$ 15,551,061

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

Capital assets:

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

Capital assets	\$ 43,047,931	
Accumulated depreciation	(17,242,771)	25,805,160

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(284,014)

Long-term liabilities:

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

Total general obligation bonds	\$ 6,780,900	
Total certificates of participation	10,226,592	
Qualified zone academy bonds	1,645,431	
Compensated absences	1,557,831	
Total OPEB liability	4,214,321	
Net pension liability	15,242,025	(39,667,100)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 7,801,662	
Deferred inflows of resources related to pensions	(2,094,619)	5,707,043

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 464,052	
Deferred inflows of resources related to OPEB	(2,191,536)	(1,727,484)

**Total Net Position - Governmental Activities** \$ 5,384,666

**WILLOWS UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 20,969,740	\$ -	\$ -	\$ -	\$ 20,969,740
Federal sources	1,549,681	-	-	1,006,570	2,556,251
Other state sources	4,930,369	380,249	3,311	611,364	5,925,293
Other local sources	907,729	79,208	-	992,338	1,979,275
<b>Total Revenues</b>	<b>28,357,519</b>	<b>459,457</b>	<b>3,311</b>	<b>2,610,272</b>	<b>31,430,559</b>
<b>EXPENDITURES</b>					
Current					
Instruction	14,142,468	-	-	-	14,142,468
Instruction-related services					
Instructional supervision and administration	810,798	-	-	-	810,798
Instructional library, media, and technology	569,569	-	-	-	569,569
School site administration	1,846,415	-	-	-	1,846,415
Pupil services					
Home-to-school transportation	491,951	-	-	-	491,951
Food services	217,862	-	-	1,643,789	1,861,651
All other pupil services	1,161,434	-	-	-	1,161,434
General administration					
Centralized data processing	221,089	-	-	-	221,089
All other general administration	2,039,742	-	-	-	2,039,742
Plant services	2,572,635	2,775	4,626	-	2,580,036
Facilities acquisition and construction	601,918	1,162,422	5,398,824	118,979	7,282,143
Ancillary services	865,788	-	-	347,814	1,213,602
Community services	108,233	-	-	-	108,233
Transfers to other agencies	2,902,358	-	-	-	2,902,358
Debt service					
Principal	265,277	-	-	230,000	495,277
Interest and other	269,408	-	284,483	251,850	805,741
<b>Total Expenditures</b>	<b>29,086,945</b>	<b>1,165,197</b>	<b>5,687,933</b>	<b>2,592,432</b>	<b>38,532,507</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(729,426)</b>	<b>(705,740)</b>	<b>(5,684,622)</b>	<b>17,840</b>	<b>(7,101,948)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	400,000	4,220,343	1,401,167	267,418	6,288,928
Other sources	-	-	10,281,172	-	10,281,172
Transfers out	(818,585)	(1,250,000)	(4,220,343)	-	(6,288,928)
<b>Net Financing Sources (Uses)</b>	<b>(418,585)</b>	<b>2,970,343</b>	<b>7,461,996</b>	<b>267,418</b>	<b>10,281,172</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,148,011)</b>	<b>2,264,603</b>	<b>1,777,374</b>	<b>285,258</b>	<b>3,179,224</b>
<b>Fund Balance - Beginning</b>	<b>13,924,445</b>	<b>(2,225,602)</b>	<b>(1,570,198)</b>	<b>2,243,192</b>	<b>12,371,837</b>
<b>Fund Balance - Ending</b>	<b>\$ 12,776,434</b>	<b>\$ 39,001</b>	<b>\$ 207,176</b>	<b>\$ 2,528,450</b>	<b>\$ 15,551,061</b>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

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**Net Change in Fund Balances - Governmental Funds** \$ 3,179,224

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	8,450,586	
Depreciation expense:		<u>(1,625,048)</u>	6,825,538

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 495,277

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (10,281,172)

Donated capital assets:

In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was: 330,000

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (176,126)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (700,219)

***(continued on the following page)***

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 190,445

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 1,280,535

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 64,324

**Change in Net Position of Governmental Activities** \$ 1,207,826

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Willows Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District has no such component units.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**C. Basis of Presentation (continued)**

**Fund Financial Statements.** The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

**Non-Major Governmental Funds**

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Student Activity Fund:** This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code Sections 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (Government Code Section 66006).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

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

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**D. Basis of Accounting – Measurement Focus (continued)**

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

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

**Expenses/Expenditures**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2025**

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

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventories**

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

**Capital Assets**

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

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

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

**Interfund Balances**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

**Compensated Absences**

In accordance with GASB Statement No. 101, *Compensated Absences*, accumulated unpaid employee vacation and sick leave benefits are accrued as a liability in the government-wide financial statements as the benefits are earned, provided they accumulate and are more likely than not to be used or paid. The measurement of this liability includes estimated salary amounts and the employer’s share of related taxes and benefits, as applicable, that are directly related to these compensated absences.

For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. For accumulated sick leave benefits, a liability is recognized for the portion that employees have earned and that are more likely than not to be used or paid. The District's policy for sick leave recognition aligns with this criterion, accruing the liability based on historical usage patterns and other relevant factors.

**Accrued Liabilities and Long-Term Obligations**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

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

Valuation Date	July 1, 2023
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Pensions**

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

**Fund Balance**

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

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

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

**Fund Balance (continued)**

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

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

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

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

**F. Interfund Activity**

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

**G. Estimates**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**H. Budgetary Data**

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

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

**I. Property Tax**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**J. New Accounting Pronouncements**

**GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has implemented this Statement as of June 30, 2025.

**GASB Statement No. 102** – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The District has implemented this Statement as of June 30, 2025.

**GASB Statement No. 103** – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 104** – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2025**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Activities</b>
Investment in county treasury	\$ 16,014,933
Cash on hand and in banks	442,960
Cash in revolving fund	8,301
<b>Total</b>	<b>\$ 16,466,194</b>

**B. Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2025**

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

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$16,004,204 and an amortized book value of \$16,014,933.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2025**

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

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Glenn County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2025 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	<u>\$ 16,004,204</u>
<b>Total</b>	<u>\$ 16,004,204</u>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2025**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2025 consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 238,441	\$ -	\$ 172,140	\$ 410,581
State Government				
Categorical aid	163,566	-	86,485	250,051
Lottery	193,017	-	-	193,017
Local Government				
Other local sources	806,072	409,205	31,267	1,246,544
<b>Total</b>	<b>\$ 1,401,096</b>	<b>\$ 409,205</b>	<b>\$ 289,892</b>	<b>\$ 2,100,193</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 106,915	\$ -	\$ -	\$ 106,915
Construction in progress	146,440	5,845,928	47,478	5,944,890
Total capital assets not being depreciated	253,355	5,845,928	47,478	6,051,805
Capital assets being depreciated				
Land improvements	6,715,893	1,242,067	-	7,957,960
Buildings & improvements	22,191,685	757,412	-	22,949,097
Furniture & equipment	5,329,581	982,657	223,169	6,089,069
Total capital assets being depreciated	34,237,159	2,982,136	223,169	36,996,126
Less: Accumulated depreciation				
Land improvements	3,681,711	361,325	-	4,043,036
Buildings & improvements	9,316,360	761,829	-	10,078,189
Furniture & equipment	2,842,821	501,894	223,169	3,121,546
Total accumulated depreciation	15,840,892	1,625,048	223,169	17,242,771
Total capital assets being depreciated, net	18,396,267	1,357,088	-	19,753,355
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 18,649,622</b>	<b>\$ 7,203,016</b>	<b>\$ 47,478</b>	<b>\$ 25,805,160</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2025 were as follows:

	Due From Other Funds			
	Due To Other Funds	General Fund	Non-Major Governmental Funds	Total
General Fund		-	\$ 1,911	\$ 1,911
County School Facilities Fund		2,900,000	-	2,900,000
Special Reserve Fund for Capital Outlay Projects		700,000	-	700,000
Non-Major Governmental Funds		38,824	-	38,824
<b>Total</b>		<b>\$ 3,638,824</b>	<b>\$ 1,911</b>	<b>\$ 3,640,735</b>

Due from the General Fund to the Non-Major Cafeteria Fund to repay contribution.	\$ 1,398
Due from the General Fund to the Non-Major Deferred Maintenance Fund to repay contribution.	513
Due from the Non-Major Cafeteria Fund to the General Fund for cafeteria contributions.	38,824
Due from the County School Facilities Fund to the General Fund for project expenditures.	2,900,000
Due from the Special Reserve Fund for Capital Outlay Projects to the General Fund for project expenditures.	700,000
<b>Total</b>	<b>\$ 3,640,735</b>

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2025 were as follows:

	Interfund Transfers In					
	Interfund Transfers Out	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	\$ -	-	-	\$ 551,167	\$ 267,418	\$ 818,585
County School Facilities Fund		400,000	-	850,000	-	1,250,000
Special Reserve Fund for Capital Outlay Projects		-	4,220,343	-	-	4,220,343
<b>Total</b>		<b>\$ 400,000</b>	<b>\$ 4,220,343</b>	<b>\$ 1,401,167</b>	<b>\$ 267,418</b>	<b>\$ 6,288,928</b>

Transfer from the General Fund to the Non-Major Cafeteria Fund for cafeteria contributions.	\$ 210,000
Transfer from the General Fund to the Non-Major Deferred Maintenance Fund for project expenditures.	57,418
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for project expenditures.	551,167
Transfer from the County School Facilities Fund to the General Fund for project expenditures.	400,000
Transfer from the County School Facilities Fund to the Special Reserve Fund for Capital Outlay Projects for project expenditures.	850,000
Transfer from the Special Reserve Fund for Capital Outlay Projects to the County School Facilities Fund for project expenditures.	4,220,343
<b>Total</b>	<b>\$ 6,288,928</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2025 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 1,550,029	\$ -	\$ 44,247	\$ -	\$ 1,594,276
Construction	-	489,257	-	-	489,257
Vendors payable	1,408,644	-	35,883	-	1,444,527
Unmatured interest	-	-	-	284,014	284,014
<b>Total</b>	<b>\$ 2,958,673</b>	<b>\$ 489,257</b>	<b>\$ 80,130</b>	<b>\$ 284,014</b>	<b>\$ 3,812,074</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2025, consisted of the \$56,885 in the General Fund related to federal funding sources.

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term debt for the year ended June 30, 2025 consisted of the following:

	Restated Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 6,855,000	\$ -	\$ 230,000	\$ 6,625,000	\$ 250,000
Unamortized premium	165,644	-	9,744	155,900	9,744
Total general obligation bonds	7,020,644	-	239,744	6,780,900	259,744
Certificates of participation	-	9,135,000	-	9,135,000	300,000
Unamortized premium	-	1,146,172	54,580	1,091,592	54,580
Total certificates of participation	-	10,281,172	54,580	10,226,592	354,580
Qualified zone academy bonds	1,910,708	-	265,277	1,645,431	267,797
Compensated absences*	857,612	700,219	-	1,557,831	900,014
Total OPEB liability	4,809,178	-	594,857	4,214,321	-
Net pension liability	17,127,055	-	1,885,030	15,242,025	-
<b>Total</b>	<b>\$ 31,725,197</b>	<b>\$ 10,981,391</b>	<b>\$ 3,039,488</b>	<b>\$ 39,667,100</b>	<b>\$ 1,782,135</b>

\*The change in the compensated absences liability is presented as a net change.

- Payments for the general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for qualified zone academy bonds are made in the General Fund.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**A. General Obligation Bonds**

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2024	Additions	Deductions	Outstanding June 30, 2025
Election 2016, Series 2017A	March 28, 2017	August 1, 2040	2.00% - 5.00%	\$ 8,000,000	\$ 6,855,000	\$ -	\$ 230,000	\$ 6,625,000
					\$ 6,855,000	\$ -	\$ 230,000	\$ 6,625,000

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

The annual requirements to amortize these bonds and the remaining outstanding balance of Election 2016, 2017 Series A are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	\$ 250,000	\$ 244,650	\$ 494,650
2027	265,000	236,925	501,925
2028	285,000	228,675	513,675
2029	305,000	220,206	525,206
2030	320,000	211,213	531,213
2031 - 2035	1,940,000	883,206	2,823,206
2036 - 2040	2,625,000	471,656	3,096,656
2041	635,000	15,875	650,875
<b>Total</b>	<b>\$ 6,625,000</b>	<b>\$ 2,512,406</b>	<b>\$ 9,137,406</b>

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2025**

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

**B. Certificates of Participation**

The District's 2024 Certificates of Participation were executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2024, by and among Zions Bancorporation, National Association, as trustee, Public Property Financing Corporation of California and the District to finance certain capital improvements to District facilities. Pursuant to a site lease, dated as of August 1, 2024, the District will lease Willows High School to the Financing Corporation of California, and will lease the property back from the Corporation pursuant to a Lease Agreement, by and between the Corporation and the District. Semi-annual interest payments are to be made each February 1 and August 1, commencing February 1, 2025 and continuing through August 1, 2044. The interest rate is stated at 5.00% per year. The certificates have payments as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 300,000	\$ 435,928	\$ 735,928
2027	290,000	434,500	724,500
2028	305,000	419,625	724,625
2029	320,000	404,000	724,000
2030	335,000	387,500	722,500
2031 - 2035	1,940,000	1,662,875	3,602,875
2036 - 2040	2,480,000	1,113,250	3,593,250
2041 - 2045	3,165,000	410,875	3,575,875
<b>Total</b>	<b>\$ 9,135,000</b>	<b>\$ 5,268,553</b>	<b>\$ 14,403,553</b>

**C. Qualified Zone Academy Bonds**

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 267,797	\$ 14,360	\$ 282,157
2027	270,341	11,803	282,144
2028	272,910	9,223	282,133
2029	275,502	6,618	282,120
2030	278,119	3,988	282,107
2031	280,762	1,334	282,096
<b>Total</b>	<b>\$ 1,645,431</b>	<b>\$ 47,326</b>	<b>\$ 1,692,757</b>

**D. Compensated Absences**

The restated beginning total unpaid employee compensated absences was \$857,612 and increased by a net amount of \$700,219 during the year ended June 30, 2025. The ending compensated absences at June 30, 2025 amounted to \$1,557,831. This amount is included as part of long-term liabilities in the government-wide financial statements.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**E. Other Postemployment Benefits**

The District’s beginning total OPEB liability was \$4,809,178 and decreased by \$594,857 during the year ended June 30, 2025. The ending total OPEB liability at June 30, 2025 was \$4,214,321. See Note 10 for additional information regarding the total OPEB liability.

**F. Net Pension Liability**

The District’s beginning net pension liability was \$17,127,055 and decreased by \$1,885,030 during the year ended June 30, 2025. The ending net pension liability at June 30, 2025 was \$15,242,025. See Note 11 for additional information regarding the net pension liability.

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2025:

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	\$ 4,275	\$ -	\$ -	\$ 4,026	\$ 8,301
Stores inventory	21,793	-	-	19,451	41,244
Prepaid expenditures	528,375	-	-	-	528,375
Total nonspendable	<u>554,443</u>	<u>-</u>	<u>-</u>	<u>23,477</u>	<u>577,920</u>
Restricted					
Educational programs	7,835,620	-	-	-	7,835,620
Food service	-	-	-	664,739	664,739
Associated student body	-	-	-	234,370	234,370
Capital projects	-	39,001	207,176	28,815	274,992
Debt service	-	-	-	1,577,049	1,577,049
Total restricted	<u>7,835,620</u>	<u>39,001</u>	<u>207,176</u>	<u>2,504,973</u>	<u>10,586,770</u>
Unassigned	4,386,371	-	-	-	4,386,371
<b>Total</b>	<u>\$ 12,776,434</u>	<u>\$ 39,001</u>	<u>\$ 207,176</u>	<u>\$ 2,528,450</u>	<u>\$ 15,551,061</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2025**

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

**A. Plan Description**

The Willows Unified School District’s defined benefit OPEB plan, Willows Unified School District’s Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**B. Benefits Provided**

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

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

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

**C. Contributions**

For the measurement period, the District contributed \$471,117 to the Plan, all of which was used for current premiums. There is no actuarially determined contribution, nor any contribution requirement established by statute or contract. The District’s contribution is currently based on a projected pay as-you-go funding method, that is, benefits are payable when due.

**D. Plan Membership**

Membership of the Plan consisted of the following:

	<b><u>Number of participants</u></b>
Inactive employees receiving benefits	36
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	168
<b>Total number of participants**</b>	<b><u>204</u></b>

\*Information not provided

\*\*As of the July 1, 2023 valuation date

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**E. Total OPEB Liability**

The Willows Unified School District’s total OPEB liability of \$4,214,321 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2023.

**F. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2025 was determined by an actuarial valuation as of July 1, 2023 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

**Economic assumptions:**

Inflation	2.50%
Salary increases	3.00%
Healthcare cost trend rates	5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years; Medicare ages: 4.50% for 2023-2029 and 4.00% for 2030 and later years.

**Non-economic assumptions:**

Preretirement mortality	Certificated: Mortality Rates for active employees from CalSTRS Experience Analysis (2015-2018) Classified: Preretirement Mortality Rates from CalPERS Experience Study (2000-2019)
Postretirement mortality	Certificated: Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018) Classified: Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019)

The actuarial assumptions used in the July 1, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023. The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

**G. Changes in Total OPEB Liability**

	<u>June 30, 2025</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 98,820
Interest on total OPEB liability	185,587
Changes of assumptions	(408,147)
Benefits payments	(471,117)
Net change in total OPEB liability	(594,857)
Total OPEB liability - beginning	4,809,178
Total OPEB liability - ending	<u>\$ 4,214,321</u>
Covered-employee payroll	\$ 13,556,712
District's total OPEB liability as a percentage of covered-employee payroll	31.09%

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

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

	<b>1% Decrease (4.20%)</b>	<b>Valuation Discount Rate (5.20%)</b>	<b>1% Increase (6.20%)</b>
Total OPEB liability	\$ 4,541,777	\$ 4,214,321	\$ 3,921,275

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

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

	<b>1% Decrease (4.25%)</b>	<b>Healthcare Cost Trend Rate (5.25%)</b>	<b>1% Increase (6.25%)</b>
Total OPEB liability	\$ 4,088,017	\$ 4,214,321	\$ 4,327,284

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

For the fiscal year ended June 30, 2025 the Willows Unified School District recognized OPEB expense of \$280,672. At June 30, 2025, the Willows Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 200,838	\$ 592,243
Changes in assumptions	263,214	1,599,293
<b>Total</b>	<b>\$ 464,052</b>	<b>\$ 2,191,536</b>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)**

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 299,164	\$ 320,341
2027	102,920	320,341
2028	15,114	320,341
2029	15,114	320,341
2030	15,114	320,341
Thereafter	16,626	589,831
<b>Total</b>	<b>\$ 464,052</b>	<b>\$ 2,191,536</b>

**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
CalSTRS Pension	\$ 8,256,190	\$ 4,031,164	\$ 1,995,093	\$ 1,018,789
CalPERS Pension	6,985,835	3,770,498	99,526	788,193
<b>Total</b>	<b>\$ 15,242,025</b>	<b>\$ 7,801,662</b>	<b>\$ 2,094,619</b>	<b>\$ 1,806,982</b>

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2025**

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

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

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2025, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,862,615 for the year ended June 30, 2025.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$764,882 to CalSTRS.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	8,256,190
State's proportionate share of the net pension liability associated with the District		3,788,027
<b>Total</b>	\$	12,044,217

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

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

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District’s proportion was 0.012 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$1,018,789. In addition, the District recognized pension expense and revenue of \$(361,922) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 33,313
Differences between expected and actual experience	933,881	361,039
Changes in assumptions	36,141	563,869
Changes in proportion and differences between District contributions and proportionate share of contributions	1,198,527	1,036,872
District contributions subsequent to the measurement date	1,862,615	-
<b>Total</b>	<u>\$ 4,031,164</u>	<u>\$ 1,995,093</u>

The \$1,862,615 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 519,250	\$ 999,512
2027	519,251	(253,491)
2028	501,180	389,160
2029	399,607	367,402
2030	175,787	398,226
2031	53,474	94,284
<b>Total</b>	<u>\$ 2,168,549</u>	<u>\$ 1,995,093</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2025**

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

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2021 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2024, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Public Equity	38%	5.25%
Real Estate	15%	4.05%
Private Equity	14%	6.75%
Fixed Income	14%	2.45%
Risk Mitigating Strategies	10%	2.25%
Inflation Sensitive	7%	3.65%
Cash/Liquidity	2%	0.05%
	100%	

\*Real return is net of assumed 2.7

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

**Discount Rate**

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

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

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

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 14,685,061	\$ 8,256,190	\$ 2,887,816

**Pension Plan Fiduciary Net Position**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

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

**Benefits Provided**

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

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2025 was 27.05% of annual payroll. Contributions to the plan from the District were \$1,224,902 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$6,985,835 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.020 percent, which did not change from its proportion measured as of June 30, 2023.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

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

For the year ended June 30, 2025, the District recognized pension expense of \$788,193. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 271,359	\$ -
Differences between expected and actual experience	585,660	49,997
Changes in assumptions	154,411	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,534,166	49,529
District contributions subsequent to the measurement date	1,224,902	-
<b>Total</b>	<u>\$ 3,770,498</u>	<u>\$ 99,526</u>

The \$1,224,902 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 1,140,247	\$ 99,526
2027	1,052,163	-
2028	439,049	-
2029	(85,863)	-
<b>Total</b>	<u>\$ 2,545,596</u>	<u>\$ 99,526</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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

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

**Actuarial Assumptions (continued)**

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>
Global Equity – cap-weighted	30.0%	4.54%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

\*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

**Discount Rate**

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

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<b>1% Decrease (5.90%)</b>	<b>Current Discount Rate (6.90%)</b>	<b>1% Increase (7.90%)</b>
District’s proportionate share of the net pension liability	\$ 10,377,516	\$ 6,985,835	\$ 4,184,036

**Pension Plan Fiduciary Net Position**

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2025**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2025.

**C. Construction Commitments**

As of June 30, 2025, the District had commitments with respect to unfinished capital projects of \$740,707.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

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

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

**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2025, total deferred outflows related to pensions was \$7,801,662 and total deferred inflows related to pensions was \$2,094,619.

**B. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2025, total deferred outflows related to other postemployment benefits was \$464,052 and total deferred inflows related to other postemployment benefits was \$2,191,536.

**WILLOWS UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2025**

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**NOTE 15 – RESTATEMENT OF NET POSITION**

The beginning net position of the Governmental Activities has been restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 establishes recognition and measurement guidance for liabilities related to compensated absences, requiring that the liability be recognized when leave is attributable to services already rendered and it is probable that the leave will be used or paid. This standard supersedes certain provisions of GASB Statement No. 16.

The cumulative effect of applying GASB 101 required a restatement of the beginning net position, as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 5,004,333
Restatement	<u>(827,493)</u>
Net Position - Beginning, as Restated	<u>\$ 4,176,840</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 20,349,705	\$ 20,052,331	\$ 20,969,740	\$ 917,409
Federal sources	750,177	1,495,962	1,574,991	79,029
Other state sources	3,160,721	3,735,348	4,165,487	430,139
Other local sources	449,920	820,247	878,431	58,184
<b>Total Revenues</b>	<b>24,710,523</b>	<b>26,103,888</b>	<b>27,588,649</b>	<b>1,484,761</b>
<b>EXPENDITURES</b>				
Certificated salaries	9,087,677	10,379,960	10,518,053	(138,093)
Classified salaries	4,175,855	4,433,234	4,377,144	56,090
Employee benefits	4,274,324	4,771,463	4,618,417	153,046
Books and supplies	2,267,506	3,025,725	1,877,427	1,148,298
Services and other operating expenditures	2,164,246	2,965,632	2,260,243	705,389
Capital outlay	786,700	2,009,560	1,233,736	775,824
Other outgo				
Excluding transfers of indirect costs	2,589,877	3,462,820	3,437,043	25,777
Transfers of indirect costs	(48,257)	-	-	-
<b>Total Expenditures</b>	<b>25,297,928</b>	<b>31,048,394</b>	<b>28,322,063</b>	<b>2,726,331</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(587,405)</b>	<b>(4,944,506)</b>	<b>(733,414)</b>	<b>4,211,092</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	400,000	400,000
Transfers out	450,000	150,000	(818,585)	(968,585)
<b>Net Financing Sources (Uses)</b>	<b>450,000</b>	<b>150,000</b>	<b>(418,585)</b>	<b>(568,585)</b>
<b>NET CHANGE IN FUND BALANCE</b>				
	1,037,405	5,094,506	(1,151,999)	(6,246,505)
<b>Fund Balance - Beginning</b>	<b>13,819,346</b>	<b>13,819,330</b>	<b>13,819,330</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 14,856,751</b>	<b>\$ 18,913,836</b>	<b>\$ 12,667,331</b>	<b>\$ (6,246,505)</b>

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

- On-behalf payments of \$764,882 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amount on that schedule include the financial activity of the Foundation Private-Purpose Trust Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 84.
- Audit reclassifying entries are not reported in this schedule.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>								
Service cost	\$ 98,820	\$ 97,869	\$ 192,418	\$ 254,885	\$ 141,541	\$ 121,800	\$ 89,155	\$ 94,060
Interest on total OPEB liability	185,587	189,163	241,567	148,605	177,492	218,232	203,445	190,611
Difference between expected and actual experience	-	(761,455)	-	152,652	-	651,870	-	-
Changes of assumptions	(408,147)	(707,977)	(88,422)	(1,033,940)	351,350	1,021,267	226,758	(239,095)
Benefits payments	<u>(471,117)</u>	<u>(474,952)</u>	<u>(462,119)</u>	<u>(475,227)</u>	<u>(471,738)</u>	<u>(566,485)</u>	<u>(492,820)</u>	<u>(538,119)</u>
Net change in total OPEB liability	(594,857)	(1,657,352)	(116,556)	(953,025)	198,645	1,446,684	26,538	(492,543)
Total OPEB liability - beginning	<u>4,809,178</u>	<u>6,466,530</u>	<u>6,583,086</u>	<u>7,536,111</u>	<u>7,337,466</u>	<u>5,890,782</u>	<u>5,864,244</u>	<u>6,356,787</u>
Total OPEB liability - ending	<u>\$ 4,214,321</u>	<u>\$ 4,809,178</u>	<u>\$ 6,466,530</u>	<u>\$ 6,583,086</u>	<u>\$ 7,536,111</u>	<u>\$ 7,337,466</u>	<u>\$ 5,890,782</u>	<u>\$ 5,864,244</u>
Covered-employee payroll	\$ 13,556,712	\$ 11,671,929	\$ 9,717,388	\$ 9,479,450	\$ 8,375,087	\$ 8,085,289	\$ 7,999,660	\$ 8,253,556
District's total OPEB liability as a percentage of covered-employee payroll	31.09%	41.20%	66.55%	69.45%	89.98%	90.75%	73.64%	71.05%

See accompanying note to required supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
District's proportion of the net pension liability	0.012%	0.013%	0.014%	0.013%	0.012%	0.013%	0.013%	0.012%	0.013%	0.013%
District's proportionate share of the net pension liability	\$ 8,256,190	\$ 10,194,181	\$ 9,499,839	\$ 6,022,255	\$ 11,963,431	\$ 11,771,519	\$ 11,595,192	\$ 11,083,490	\$ 10,910,972	\$ 8,576,263
State's proportionate share of the net pension liability associated with the District	3,788,027	4,884,408	4,757,547	3,030,229	6,167,100	6,422,201	6,638,822	6,556,953	3,212,337	4,535,886
<b>Total</b>	<u>\$ 12,044,217</u>	<u>\$ 15,078,589</u>	<u>\$ 14,257,386</u>	<u>\$ 9,052,484</u>	<u>\$ 18,130,531</u>	<u>\$ 18,193,720</u>	<u>\$ 18,234,014</u>	<u>\$ 17,640,443</u>	<u>\$ 14,123,309</u>	<u>\$ 13,112,149</u>
District's covered payroll	\$ 8,174,508	\$ 8,411,460	\$ 8,165,678	\$ 7,331,568	\$ 7,200,759	\$ 7,055,698	\$ 6,715,588	\$ 6,499,814	\$ 6,911,670	\$ 5,810,473
District's proportionate share of the net pension liability as a percentage of its covered payroll	101.00%	121.19%	116.34%	82.14%	166.14%	166.84%	172.66%	170.52%	157.86%	147.60%
Plan fiduciary net position as a percentage of the total pension liability	83.55%	80.62%	81.20%	87.21%	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
District's proportion of the net pension liability	0.020%	0.019%	0.014%	0.014%	0.016%	0.012%	0.012%	0.012%	0.012%	0.013%
District's proportionate share of the net pension liability	\$ 6,985,835	\$ 6,932,874	\$ 4,679,264	\$ 2,767,703	\$ 4,972,292	\$ 3,605,599	\$ 3,261,224	\$ 2,919,832	\$ 2,436,588	\$ 1,947,623
District's covered payroll	\$ 3,959,524	\$ 3,328,900	\$ 3,328,914	\$ 1,958,719	\$ 1,778,506	\$ 1,708,645	\$ 1,617,546	\$ 1,558,120	\$ 1,490,941	\$ 1,477,995
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.43%	208.26%	140.56%	141.30%	279.58%	211.02%	201.62%	187.39%	163.43%	131.77%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	69.96%	69.76%	80.97%	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 1,862,615	\$ 1,561,331	\$ 1,559,644	\$ 1,376,539	\$ 1,177,660	\$ 1,229,703	\$ 1,149,523	\$ 970,017	\$ 813,458	\$ 683,286
Contributions in relation to the contractually required contribution*	(1,862,615)	(1,561,331)	(1,559,644)	(1,376,539)	(1,177,660)	(1,229,703)	(1,149,523)	(970,017)	(813,458)	(683,286)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,775,669	\$ 8,174,508	\$ 8,411,460	\$ 8,165,678	\$ 7,331,568	\$ 7,200,759	\$ 7,055,698	\$ 6,715,588	\$ 6,499,814	\$ 6,911,670
Contributions as a percentage of covered payroll	19.05%	19.10%	18.54%	16.86%	16.06%	17.08%	16.29%	14.44%	12.52%	9.89%

\*Amounts do not include on-behalf contributions

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 1,224,902	\$ 1,056,401	\$ 848,101	\$ 544,382	\$ 406,114	\$ 350,220	\$ 309,172	\$ 250,987	\$ 216,609	\$ 186,165
Contributions in relation to the contractually required contribution*	(1,224,902)	(1,056,401)	(848,101)	(544,382)	(406,114)	(350,220)	(309,172)	(250,987)	(216,609)	(186,165)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,534,372	\$ 3,959,524	\$ 3,328,900	\$ 3,328,914	\$ 1,958,719	\$ 1,778,506	\$ 1,708,645	\$ 1,617,546	\$ 1,558,120	\$ 1,490,941
Contributions as a percentage of covered payroll	27.01%	26.68%	25.48%	16.35%	20.73%	19.69%	18.09%	15.52%	13.90%	12.49%

\*Amounts do not include on-behalf contributions

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2025**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Changes in Total OPEB Liability and Related Ratios**

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

**Changes in Benefit Terms**

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

**Changes in Assumptions**

The discount rate changed from 3.97% to 5.20% since the previous measurement date.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

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

**Changes in Assumptions**

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

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
 FOR THE YEAR ENDED JUNE 30, 2025**

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

For the year ended June 30, 2025, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 10,379,960	\$ 10,518,053	\$ 138,093

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## **SUPPLEMENTARY INFORMATION**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 656,816
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	76,937
Title III, English Learner Student Program	84.365	14346	35,111
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	42,441
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	32,771
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	384,570
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	262,628
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	17,850
Subtotal Education Stabilization Fund Discretionary Grants			<u>665,048</u>
<b>Total U. S. Department of Education</b>			<u>1,509,124</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	257,574
National School Lunch Program	10.555	13391	514,171
USDA Commodities	10.555	*	73,498
Meal Supplements	10.555	*	29,867
Summer Food Service Program for Children	10.559	13004	131,461
Subtotal Child Nutrition Cluster			<u>1,006,571</u>
Forest Reserve Funds	10.665	10044	874
<b>Total U. S. Department of Agriculture</b>			<u>1,007,445</u>
U. S. DEPARTMENT OF THE INTERIOR:			
<i>Direct Award</i>			
U.S. Wildlife Reserve Fund	15.673	*	39,682
<b>Total U. S. Department of the Interior</b>			<u>39,682</u>
<b>Total Federal Expenditures</b>			<u>\$ 2,556,251</u>

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

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2025**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	366.30	367.29
Fourth through Sixth		
Regular ADA	312.59	310.93
Seventh through Eighth		
Regular ADA	212.69	213.14
Ninth through Twelfth		
Regular ADA	416.60	405.75
TOTAL SCHOOL DISTRICT	1,308.18	1,297.11

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2025**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Actual Instructional Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	47,345	180	Complied
Grade 1	50,400	51,365	180	Complied
Grade 2	50,400	51,365	180	Complied
Grade 3	50,400	51,365	180	Complied
Grade 4	54,000	55,365	180	Complied
Grade 5	54,000	56,167	180	Complied
Grade 6	54,000	56,167	180	Complied
Grade 7	54,000	57,984	180	Complied
Grade 8	54,000	57,984	180	Complied
Grade 9	64,800	66,334	180	Complied
Grade 10	64,800	66,334	180	Complied
Grade 11	64,800	66,334	180	Complied
Grade 12	64,800	66,334	180	Complied

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2025**

	<b>2026 (Budget)</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 25,082,205	\$ 27,988,649	\$ 26,538,952	\$ 27,051,079
Expenditures And Other Financing Uses	29,067,145	29,140,648	25,038,129	22,484,554
Net change in Fund Balance	\$ (3,984,940)	\$ (1,151,999)	\$ 1,500,823	\$ 4,566,525
Ending Fund Balance	\$ 8,682,391	\$ 12,667,331	\$ 13,819,330	\$ 12,318,507
Available Reserves*	\$ 3,382,253	\$ 4,386,371	\$ 6,192,704	\$ 3,151,834
Available Reserves As A Percentage Of Outgo	11.64%	15.05%	24.73%	14.02%
Long-term Liabilities	\$ 37,884,965	\$ 39,667,100	\$ 30,897,704	\$ 30,224,688
Average Daily Attendance At P-2	1,249	1,308	1,284	1,295

The General Fund ending fund balance has increased by \$348,824 over the past two years. However, the fiscal year 2025-26 budget projects a decrease of \$3,984,940. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term obligations have increased by \$9,442,412 over the past two years.

Average daily attendance has increased by 13 ADA over the past two years. However, a decrease of 59 ADA is anticipated during the 2025-26 fiscal year.

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

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Foundation Private-Purpose Trust Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally, on-behalf payments are not included in the actual revenues and expenditures reported in this schedule.

**WILLOWS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>
June 30, 2025, annual financial and budget report fund balance	\$ 12,667,331	\$ 509,305
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Accounts payable	-	(302,129)
Fund balance transfer (GASB 84)	109,103	-
Net adjustments and reclassifications	<u>109,103</u>	<u>(302,129)</u>
June 30, 2025, audited financial statement fund balance	<u>\$ 12,776,434</u>	<u>\$ 207,176</u>

	<u>Private-Purpose Trust Fund</u>
June 30, 2025, annual financial and budget report net position	\$ 109,103
Adjustments and reclassifications:	
Increase (decrease) in total net position:	
Net position transfer (GASB 84)	<u>(109,103)</u>
Net adjustments and reclassifications	<u>(109,103)</u>
June 30, 2025, audited financial statement net position	<u>\$ -</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2025**

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 234,370	\$ 496,703	\$ -	\$ 28,560	\$ 1,576,517	\$ 2,336,150
Accounts receivable	-	258,625	-	255	31,012	289,892
Due from other funds	-	1,398	513	-	-	1,911
Stores inventory	-	19,451	-	-	-	19,451
<b>Total Assets</b>	<b>\$ 234,370</b>	<b>\$ 776,177</b>	<b>\$ 513</b>	<b>\$ 28,815</b>	<b>\$ 1,607,529</b>	<b>\$ 2,647,404</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ -	\$ 49,137	\$ 513	\$ -	\$ 30,480	\$ 80,130
Due to other funds	-	38,824	-	-	-	38,824
<b>Total Liabilities</b>	<b>-</b>	<b>87,961</b>	<b>513</b>	<b>-</b>	<b>30,480</b>	<b>118,954</b>
<b>FUND BALANCES</b>						
Nonspendable	-	23,477	-	-	-	23,477
Restricted	234,370	664,739	-	28,815	1,577,049	2,504,973
<b>Total Fund Balances</b>	<b>234,370</b>	<b>688,216</b>	<b>-</b>	<b>28,815</b>	<b>1,577,049</b>	<b>2,528,450</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 234,370</b>	<b>\$ 776,177</b>	<b>\$ 513</b>	<b>\$ 28,815</b>	<b>\$ 1,607,529</b>	<b>\$ 2,647,404</b>

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2025**

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ -	\$ 1,006,570	\$ -	\$ -	\$ -	\$ 1,006,570
Other state sources	-	608,916	-	-	2,448	611,364
Other local sources	359,370	21,285	(929)	15,902	596,710	992,338
<b>Total Revenues</b>	<b>359,370</b>	<b>1,636,771</b>	<b>(929)</b>	<b>15,902</b>	<b>599,158</b>	<b>2,610,272</b>
<b>EXPENDITURES</b>						
Current						
Pupil services						
Food services	-	1,643,789	-	-	-	1,643,789
General administration						
Facilities acquisition and construction	-	-	118,979	-	-	118,979
Ancillary services	347,814	-	-	-	-	347,814
Debt service						
Principal	-	-	-	-	230,000	230,000
Interest and other	-	-	-	-	251,850	251,850
<b>Total Expenditures</b>	<b>347,814</b>	<b>1,643,789</b>	<b>118,979</b>	<b>-</b>	<b>481,850</b>	<b>2,592,432</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>11,556</b>	<b>(7,018)</b>	<b>(119,908)</b>	<b>15,902</b>	<b>117,308</b>	<b>17,840</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	210,000	57,418	-	-	267,418
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>210,000</b>	<b>57,418</b>	<b>-</b>	<b>-</b>	<b>267,418</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>11,556</b>	<b>202,982</b>	<b>(62,490)</b>	<b>15,902</b>	<b>117,308</b>	<b>285,258</b>
<b>Fund Balance - Beginning</b>	<b>222,814</b>	<b>485,234</b>	<b>62,490</b>	<b>12,913</b>	<b>1,459,741</b>	<b>2,243,192</b>
<b>Fund Balance - Ending</b>	<b>\$ 234,370</b>	<b>\$ 688,216</b>	<b>\$ -</b>	<b>\$ 28,815</b>	<b>\$ 1,577,049</b>	<b>\$ 2,528,450</b>

See accompanying note to supplementary information.

**WILLOWS UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the de minimis indirect cost rate of not more than 15 percent.

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

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

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## **OTHER INFORMATION**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2025**

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The Willows Unified School District was established in 1966. There were no changes in the boundaries of the District during the current year. The District operates one elementary school, one intermediate school, one high school, and one continuation school.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Jeromy Geiger	President	December 2028
Gina Taylor	Vice President	December 2026
Lourdes Ruiz	Clerk	December 2026
Kirsten Gray	Member	December 2026
Margaret Parisio ( <i>retired December 2025</i> )	Member	December 2028
Jered Shipley ( <i>sworn in January 2026</i> )	Member	December 2028

**DISTRICT ADMINISTRATORS**

Emmett Koerperich  
*Superintendent*

Diana Baca  
*Director of Business Services (effective September 1, 2024)*

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

Governing Board  
Willows Unified School District  
Willows, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Willows Unified School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Willows Unified School District's basic financial statements, and have issued our report thereon dated March 24, 2026.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding #2025-001 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

## **Willows Unified School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Willows Unified School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Willows Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.



San Diego, California  
March 24, 2026

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

Governing Board  
Willows Unified School District  
Willows, California

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

We have audited Willows Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Willows Unified School District's major federal programs for the year ended June 30, 2025. Willows Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Willows Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Willows Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Willows Unified School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Willows Unified School District's federal programs.

## ***Auditor's Responsibilities for the Audit for Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Willows Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Willows Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Willows Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Willows Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Willows Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

**Report on Internal Control Over Compliance (continued)**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
March 24, 2026

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL  
OVER COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

Governing Board  
Willows Unified School District  
Willows, California

**Report on State Compliance*****Opinion on State Compliance***

We have audited Willows Unified School District's compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Willows Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2025.

In our opinion, Willows Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2025.

***Basis for Opinion on State Compliance***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Willows Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Willows Unified School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Willows Unified School District's state programs.

**Auditor’s Responsibilities for the Audit of State Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Willows Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Willows Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Willows Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Willows Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Willows Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Willows Unified School District's compliance with the state laws and regulations applicable to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools or Programs	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

**Auditor’s Responsibilities for the Audit of State Compliance (continued)**

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>School Districts, County Offices of Education, and Charter Schools</b>	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes

We did not perform testing for Independent Study or Continuation Education because ADA did not exceed the materiality threshold.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2025-002. Our opinion on state compliance is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Willows Unified School District’s response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Willows Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on 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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

***Report on Internal Control Over Compliance (continued)***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
March 24, 2026

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>84.425, 84.425U</u>	<u>Education Stabilization Fund Discretionary Grants</u>	
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?		<u>No</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2024-25 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**WILLOWS UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

**FINDING #2025-001: BIDDING PROCEDURES (30000)**

**Criteria:** Public Contract Code (PCC) requires school district governing boards to competitively bid and award any construction contracts involving an expenditure of more than \$15,000, adjusted for inflation, to the lowest responsible bidder.

**Condition:** Upon review of 3 projects started during the fiscal year, the district did not follow PCC regarding bidding procedures for 2 of the sampled projects.

**Effect:** If the District does not consistently follow PCC then contracts may get awarded to a vendor that was not the lowest responsible bidder and may end up causing the District to pay more for services or products and be out of compliance with PCC. In addition, the risk for fraud and material misstatement is increased.

**Cause:** Inconsistent procedures involving bid practices.

**Repeat Finding:** Yes, this is a repeat of Finding #2024-002.

**Recommendation:** We recommend the District review their bid procedures to ensure that all contracts required to go to bid, do go to bid and all bids are awarded to the appropriate vendor. If the lowest bidder is not selected, then documentation around disqualification of the vendor must be on file.

**Corrective Action Plan:** As noted in the Corrective Action Plan for Finding #2024-001, the District completed implementation of the plan in the fall of FY 2025 which includes following CUPCCAA guidelines. Additionally, while utilizing the informal bidding process allowed by CUPCCAA, the District will make an attempt to acquire three bids per project. If three bids are not possible, the District will record the reason.

**WILLOWS UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FIVE DIGIT CODE**  
50000

**AB 3627 FINDING TYPE**  
Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2025.

**WILLOWS UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
43000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Apprenticeship: Related and Supplemental Instruction  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

**FINDING #2025-002: CLASSROOM TEACHER SALARIES (61000)**

**Criteria:** As set forth in California Education Code section 41372, a unified school district should expend a minimum of 55% of the District's current expenses of education towards salaries of classroom teachers.

**Condition:** In the 2024-25 fiscal year, the District did not meet the minimum percentage requirement of 55%. The District only spent 52.79% on classroom teacher salaries in the 2024-25 fiscal year.

**Effect:** The District's current expense of education for the year ended June 30, 2025 was \$21,689,657 and the total salaries and benefits for classroom teachers was \$11,449,961. The District was below the minimum required percentage of 55% by 2.21% which calculates out to a deficiency of \$479,341.

**Cause:** The deficiency amount was due to the one-time grant funding received.

**Questioned Costs:** The questioned costs are the deficiency of \$479,341.

**Repeat Finding:** No, this is not a repeat finding.

**Recommendation:** We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 55% minimum requirement. Additionally, the District should work with their County Office of Education to request a waiver from the California Department of Education.

**Corrective Action Plan:** The District has applied for and received an approval for the CEA waiver. It is the District's plan to meet with the county office to better understand this situation and make a plan to avoid it in the future.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-001: INTERNAL CONTROLS OVER CASH DISBURSEMENTS (30000)**

**Criteria:** Expenditures processed through the warrant disbursement process should obtain proper approval and funds should be encumbered prior to purchases of goods or services. For proper budgeting practices, the District should also be monitoring any open purchase orders to verify total approved purchase order amount is not exceeded.

**Condition:** During our testing of internal control procedures related to cash disbursements at the district level we noted two (2) out of twenty-five (25) disbursements tested had purchase orders dated after the invoice date.

**Effect:** The possibility to circumvent the purchasing process and not encumber funds or obtain required approvals. Potential for inappropriate or unapproved use of District funds and errors in accounting records related to expenditures.

**Cause:** Inadequate controls and monitoring over the cash disbursement cycle.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that all purchases be substantiated by completed purchase orders before the commitment to make the purchase (invoice date).

**Corrective Action Plan:** At the time of this corrective action plan, the District business office is in the seventh month of a substantial staffing change, starting with the Director of Business Services. Both the accounting and payroll technicians are new to their roles as well. All prior District business office functions are being reviewed to improve accounting procedures. Our County Office has also been offering support and guidance during this transition.

As noted for FY24, requests for purchases were often not approved in a timely manner resulting in backdating of POs and direct payments of invoices. It is now the practice of our office to review and approve PO requisitions within a 24-48 hour period (notwithstanding emergencies) and to require PO requisitions for all non-emergency purchases. It is the goal of this business office to encumber 100% of purchases (aside from emergencies) as we move into 2025-26. Training for site staff and business office staff will be on-going as we work to correct this finding.

**Current Status:** Implemented.

**WILLOWS UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-002: BIDDING PROCEDURES (30000)**

**Criteria:** Public Contract Code (PCC) requires school district governing boards to competitively bid and award any construction contracts involving an expenditure of more than \$15,000, adjusted for inflation, to the lowest responsible bidder.

**Condition:** Upon review of 3 projects started during the fiscal year, the district did not follow PCC regarding bidding procedures.

**Effect:** If the District does not consistently follow PCC then contracts may get awarded to a vendor that was not the lowest responsible bidder and may end up causing the District to pay more for services or products and be out of compliance with PCC. In addition, the risk for fraud and material misstatement is increased.

**Cause:** Inconsistent procedures involving bid practices.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend the District review their bid procedures to ensure that all contracts required to go to bid, do go to bid and all bids are awarded to the appropriate vendor. If the lowest bidder is not selected, then documentation around disqualification of the vendor must be on file.

**Corrective Action Plan:** The District now requires a minimum of three quotes for construction projects exceeding \$15,000. In FY24 and early FY25, this practice was inconsistently applied. As a CUPCCAA member, the District may choose to use a formal or informal bidding process on projects up to \$220,000. Over \$220,000, the District will use a formal bidding process.

**Current Status:** Not implemented, see Finding #2025-001.