CITY OF WILLOWS
GLENN COUNTY, CALIFORNIA
FINANCIAL STATEMENTS
TOGETHER WITH
THE INDEPENDENT AUDITOR'S OPINIONS
FOR THE YEAR ENDED
JUNE 30, 2018

CITY OF WILLOWS
GLENN COUNTY, CALIFORNIA
JUNE 30, 2018
TABLE OF CONTENTS

CITY OF WILLOWS
GLENN COUNTY, CALIFORNIA
JUNE 30, 2018

TABLE OF CONTENTS

ROY R. SEILER
CERTIFIED PUBLIC ACCOUNTANT

201C North Tehama
Willows, CA 95988

Phone: 530-934-8841
Fax: 530-934-8849

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willows, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willows, California, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information shown as statements one, two and three, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2019, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*.

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

January 8, 2019

Roy R. Seiler, CPA

ROY R. SEILER
CERTIFIED PUBLIC ACCOUNTANT

201 C. North Tehama
Willows, CA 95988

Phone: 530-934-8841
Fax: 530-934-8849

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

To the City Council
City of Willows, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of City of Willows, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Willows, California's basic financial statements, and have issued my report thereon dated January 8, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

January 8, 2019

Roy R. Seiler, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Willows (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The City's overall net position ended at $7,684,710 as a result of this year's operations and prior period adjustment due to actuarial changes associated with pensions.
During the year, the City's expenses exceeded the City's taxes, other governmental revenues and business activity revenues by $$733,540, including the effect of depreciation, a non-cash expense, of $498,722.
Governmental net position ended the year at $3,178,879.
The total revenues from all sources were $6,307,933.
The total cost and actuarial derived expenses of all City programs were $7,053,688.
The General Fund expenditures and other financing uses exceeded revenues and other financing sources by $5,114.
Actual resources received in the General Fund were greater than the final budget by $108,968, while actual expenditures and operating transfers were $27,061 less than final budget.
At the end of the fiscal year, fund balance for the General Fund was $1,106,063 or 28.5% of total General Fund expenditures.

USING THIS ANNUAL REPORT

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

1. Government-wide financial statements, which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole.

2. Fund financial statements describe how City services are financed in the short term as well as what resources are available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

3. Notes to the financial statements.

Reporting the City as a Whole

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

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

Fiduciary Funds- Fiduciary funds are used to account for resources held for the benefit of parties outside the government or for specific contributions, gifts, or bequests made on the government's behalf by non-public entities. Fiduciary funds are not reflected in the government-wide financial statements, as those funds are not available to support general City programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

THE CITY AS A WHOLE

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

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

	Governmental Activities 2018	%	Governmental Activities 2017	%
Current and Other Assets	$3,684,453	33.1	$3,601,527	33.7
Capital Assets	5,675,634	51.0	5,421,365	50.8
Deferred Outflows-Pension	1,767,128	15.9	1,655,103	15.5
Total Assets and Deferred Outflows	11,127,215	100.0	10,677,995	100.0
Current and Other Liabilities	$ 902,842	8.1	$ 849,602	8.0
Net Pension Liability	6,910,903	62.1	6,259,835	58.6
Deferred Inflows-Pension	134,591	1.2	234,690	2.2
Total Liabilities and Deferred Inflows	7,948,336	71.4	7,344,127	68.8
Net Position:				
Invested in Capital Assets Net of Debt	$5,675,634	51.0	$ 5,421,365	50.8
Committed for Working Capital	200,000	1.8	200,000	2.1
Committed for Surplus Property	5,000	0.1	5,000	0.1
Uncommitted	(4,471,259)	(40.2)	(4,100,248)	(38.4)
(2016 Net of Adjustment of $206)				
Restricted For:				
Parks, Recreation, Public Works	1,396,592	12.5	1,366,729	12.8
Library	136,922	1.3	131,733	1.2
Public Safety	156,018	1.4	155,295	1.3
Housing & Community Development	79,972	0.7	153,994	1.3
Total Net Position	$3,178,879	28.6	$3,333,868	31.2

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

	Business-Type Activities 2018	%	Business-Type Activities 2017	%
Current and Other Assets	$ 1,470,672	12.6	$ 1,694,073	14.0
Capital Assets	9,955,264	85.5	10,217,380	84.4
Deferred Outflows-Pension	223,528	1.9	191,931	1.6
Total Assets and Deferred Outflows	11,649,464	100.0	12,103,384	100.0
Current and Other Liabilities	$ 302,447	2.6	$ 223,219	1.8
Long-Term Debt	5,824,000	50.0	5,934,000	49.0
Net Pension Liability	1,013,557	8.7	829,922	6.9
Deferred Inflows-Pension	3,628	.0	31,861	.3
Total Liabilities and Deferred Inflows	7,143,632	61.3	7,019,002	58.0
Net Position:				
Invested in Capital Assets Net of Debt	$ 4,021,264	34.5	$ 4,177,380	34.5
Restricted For:				
Debt Service	360,600	3.1	360,600	3.0
Utility Service	123,967	1.1	546,402	4.5
Total Net Position	$ 4,505,831	38.7	$ 5,084,382	43.3

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

	Governmental Activities 2018	Business-Type Activities 2018	Total	Governmental Activities 2017	Business-Type Activities 2017	Total	$ Change
REVENUES:							
ogram Revenues:							
Charges for Services	$ 29,676	$ 1,559,732	$ 1,589,408	$ 33,262	$ 1,606,680	$ 1,639,942	$ (50,534)
Operating Grants/Contributions	$ 352,304		$ 352,304	$ 433,821		$ 433,821	$ (81,517)
Capital Grants/Contributions	$ 446,418	$ -	$ 446,418	$ 731,429	$ -	$ 731,429	$ (285,011)
neral Revenues:	$ -			$ -			
Taxes	$ 2,799,091		$ 2,799,091	$ 2,667,170		$ 2,667,170	$ 131,921
Intergovernmental	$ 576,494		$ 576,494	$ 596,200		$ 596,200	$ (19,706)
Investment Income	$ 47,501	$ 12,215	$ 59,716	$ 28,422	$ 9,849	$ 38,271	$ 21,445
Other	$ 496,717		$ 496,717	$ 493,364		$ 493,364	$ 3,353
TOTAL REVENUES	$ 4,748,201	$ 1,571,947	$ 6,320,148	$ 4,983,668	$ 1,616,529	$ 6,600,197	$ (280,049)
EXPENSES:							
General Government	$ 592,307		$ 592,307	$ 519,513		$ 519,513	$ 72,794
Public Safety	$ 2,727,517		$ 2,727,517	$ 2,357,954		$ 2,357,954	$ 369,563
Parks and Public Works	$ 764,308		$ 764,308	$ 695,446		$ 695,446	$ 68,862
Library	$ 318,006		$ 318,006	$ 303,026		$ 303,026	$ 14,980
Recreation	$ 173,726		$ 173,726	$ 164,641		$ 164,641	$ 9,085
Housing/ Community Developme	$ 404,560		$ 404,560	$ 249,596		$ 249,596	$ 154,964
Sewer		$ 2,060,359	$ 2,060,359		$ 1,815,783	$ 1,815,783	$ 244,576
Water		$ 12,905	$ 12,905		$ 12,849	$ 12,849	$ 56
TOTAL EXPENSES	$ 4,980,424	$ 2,073,264	$ 7,053,688	$ 4,290,176	$ 1,828,632	$ 6,118,808	$ 934,880
CREASE IN NET POSITION BEFORE TRANSFERS	$ (232,223)	$ (501,317)	$ (733,540)	$ 693,492	$ (212,103)	$ 481,389	$ (1,214,929)
Transfers	$ 77,234	$ (77,234)	$ -	$ 77,234	$ (77,234)	$ -	
CREASE IN NET POSITION	$ (154,989)	$ (578,551)	$ (733,540)	$ 770,726	$ (289,337)	$ 481,389	
NET POSITION-July 1	$ 3,333,868	$ 5,084,382	$ 8,418,250	$ 2,563,348	$ 5,373,719	$ 7,937,067	
IOR PERIOD ADJUSTMENT			$ -	$ (206)		$ (206)	
NET POSITION-June 30	$ 3,178,879	$ 4,505,831	$ 7,684,710	$ 3,333,868	$ 5,084,382	$ 8,418,250	

The City's combined net position as of June 30, 2018 was $7,684,710. Specifically, the City's net position for governmental activities were $3,178,879 while business-type activities resulted in a net position of $4,505,831.

The City experienced a decrease in capital grant revenue of approximately $285K as the City received a portion of State Transportation Improvement Funds in 2016-17 for completion of Sacramento and Butte Street reconstruction projects. Tax revenue was up approximately $132K as sales tax and property tax revenues were higher than anticipated.

Public Safety ($370K), Housing and Community Development ($154K), and Sewer Enterprise ($245K) expenses were all higher than prior year due to actuarially derived expenses for PERS retirement costs were greater than the prior year. In addition, Housing and Community Development had a experienced significant costs associated with contracted inspection services.

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

	Governmental 2018	Business-Type 2018	Total 2017
Interfund Transfer In (Out)			
General Fund	$ 77,234		$77,234
Sewer Fund		($77,234)	($77,234)
Net Transfer	$ 77,234	($77,234)	$-0-

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

		Governmental Activities 2018		Business-Type Activities 2018		Total 2017
Interfund Transfers In (by Fund):						
(1) General	$	77,234			$	77,234
(2) Community Discretionary	$	36,643			$	36,643
Interfund Transfers Out (By Fund)						
(1) Sewer			$	(77,234)	$	(77,234)
(2) 1992 CDBG Housing Loans	$	(4,966)			$	(4,966)
(2) 2003 CDBG Housing Loans	$	(1,678)			$	(1,678)
(2) CDBG-PI	$	(2,047)			$	(2,047)
(2) 1997 CDBG Housing Loans	$	(2,641)			$	(2,641)
(2) 2000 CDBG Housing Loans	$	(4,144)			$	(4,144)
(2) 1990 CDBG Housing Loans	$	(21,167)			$	(21,167)
Net Transfers In and Out	$	77,234	$	(77,234)	$	-
Amounts Due from Other Funds:						
(3) General	$	202,088			$	202,088
Amounts Due to Other Funds:						
(3) USDA Cold Storage Feasibility	$	(16,047)			$	(16,047)
(3) EDA Grant	$	(186,028)			$	(186,028)
(3) Gas Tax 2107.5	$	(13)			$	(13)
Net Amounts Due to/from Other Funds	$	-	$	-	$	-

(1) personnel not directly funded by the Sewer Fund.
(2) Transfer of loan payments received on CDBG housing rehabilitation loans that are not subject to CDBG revolving requirements.
(3) Due to General Fund from various funds where receivable balances are recorded at 6/30/17, but funds have not yet been received to cover cash deficits.

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

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

FUND	NET POSITION July 1, 2017	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2018
GENERAL FUND						
General Fund	906,177		(82,348)	77,234		901,
General Fund-Working Reserve	200,000		0			200,
General Fund-Surplus Property	5,000		0			5,
TOTAL GENERAL FUND	1,111,177	0	(82,348)	77,234	0	1,106,
PARKS AND PUBLIC WORKS FUNDS						
State Transportation Improvement Program	0					
Willows Lighting and Landscape District	14,031		1,667			15
EDA Grant	0		0			
Mall Maintenance	14,999		0			14
Storm Drainage Impact	293,374		5,132			298
Street Development Impact	108,662		2,614			111
Park Facilities Impact	257,875		3,663			261
I-5 Interchange Impact	331,525		5,285			336
CA Recycle Grant	8,970		0			8
TOTAL PARKS AND PUBLIC WORKS	1,029,436	0	18,361	0	0	1,047
GAS TAX FUNDS						
SB1 Repayment Funds	0		7,041			7
RSTP	170,093		(62,634)			107
SB1 RMRA Gas Tax	0		36,893			36
Gas Tax 2105	66,461		7,065			73
Gas Tax 2106	0		0			
Gas Tax 2107	0		0			
Gas Tax 2107.5	1,490		(1,490)			
Gas Tax 2103	78,274		25,406			10[illegible]
TOTAL GAS TAX	316,318	0	12,281	0	0	32[illegible]
HOUSING AND COMMUNITY DEVELOPMENT						
Certified Access Specialist	840		2,301			[illegible]
USDA Cold Storage Feasibility Study	0		0			
Community Discretionary	123,839		(97,564)	36,643		6[illegible]
2003 CDBG Housing Loans	0		1,678		1,678	
Economic Devlopment	26,860		(17,188)			[illegible]
1992 CDBG Housing Loans	0		4,966		4,966	
1990 CDBG Housing Loans	0		21,167		21,167	
1997 CDBG Housing Loans	0		2,641		2,641	
2000 CDBG Housing Loans	0		4,144		4,144	
CDBG-Program Income	0		2,047		2,047	
HOME Program Income	2,455		1,786			[illegible]
TOTAL HOUSING AND COMMUNITY DEVELOPMENT	153,994	0	(74,022)	36,643	36,643	[illegible]
RECREATION						
Recreation Reimburseable	19,832		(528)			[illegible]
Recreation Cultural	1,143		(252)			
TOTAL RECREATION	20,975	0	(780)	0	0	2[illegible]

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

FUND	NET POSITION July 1, 2017	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2018
LIBRARY						
County Library	30,700		6,405			37,105
Northnet-Training Funding	2,892		590			3,482
CLSA-Delivery Funding	3,886		(3,146)			740
Literacy Passthrough	0					0
Library-Development Impact	94,256		1,339			95,595
TOTAL LIBRARY	131,734	0	5,188	0	0	136,922
PUBLIC SAFETY						
Fire-Development Impact	119,641		2,165			121,806
Police Development Impact	23,654		558			24,212
SLESF	12,000		(2,000)			10,000
TOTAL PUBLIC SAFETY	155,295	0	723	0	0	156,018
FIDUCIARY FUNDS						
Non-Expendible Trust Funds	116,024		1,649			117,673
Agency Funds	223,036		(23,950)			199,086
TOTAL FIDUCIARY FUNDS	339,060	0	(22,301)	0	0	316,759
ENTERPRISE FUNDS						
Sewer Enterprise	4,988,141		(496,514)		77,234	4,414,393
Water Enterprise	96,241		(4,803)			91,438
TOTAL ENTERPRISE FUNDS	5,084,382	0	(501,317)	0	77,234	4,505,831
TOTALS	8,342,371	0	(644,215)	113,877	113,877	7,698,156

- Major (>$100K) Net Position changes during the year included the Sewer Enterprise Fund ($-496K) due to increased costs associated with electrical power and ongoing, contractual costs of plant operations. Actuarially derived expenses associated with pension funding also played a major role.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues were greater than final adopted budget. Total revenues were $108,968 (2.9%) over budget. Property Tax revenue was greater than anticipated as the long term effect of the County's adjustment tax allocations were not as severe as anticipated. Sales Tax was also greater than anticipated.

Total General Fund expenditures finished the year under final budget by 0.7% or $27,061. Parks and Public Works contingency activity was not as great as anticipated.

The final impact on the General Fund's fund balance was a decrease of $5,114, reflecting revenues totaling $3,804,611, expenditures totaling $3,886,959, and an operating transfer in in the amount of $77,234.

Table 6
Schedule of Budgetary Expenditure Changes

Fund	Amount of Increase/(Decrease) From Original Budget
(1)General Fund	$ 57,230
(2)Community Discretionary	49,500
(3) SB 1 RMRA	175,514
(3) State Transportation Improvement Program	624,000
(3) Regional Surface Transportation Program	184,420

(1) General Fund items include appropriation of funds associated with legal ($20K), planning ($13K), and close out costs associated with transfer of Police Department ($24K),
(2) Costs associated with website development, support of South Tehama expansion, and re-roof of City rental property
(3) Allocation of funds for Sycamore Street reconstruction. .

CASH MANAGEMENT

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

CAPITAL ASSETS

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

At June 30, 2018, net capital assets of the governmental activities totaled $5,675,634 and the net capital assets of the business-type activities totaled $9,955,264. Depreciation on capital assets is recognized in the Government-wide financial statements but not in the fund financial statements.

Table 7
Schedule of Significant Capital Acquisitions
And Projects

Description	Expenditure Amount	Status at June 30, 2018
Fire Department Command Vehicle	$ 43,474	Complete
Sycamore St. Reconstruction	319,395	In Progress

CURRENT LIABILITIES AND LONG-TERM DEBT

The City has total governmental type liabilities and deferred outflows of $7,948,336 which includes $7,083,583 in long-term liabilities, consisting of compensated absences deemed to be payable in a year or more, actuarially based pension liability resulting from implementation of *GASB 68* and actuarially- based other post-employment benefit liabilities. Business type liabilities total $7,143,632, which includes $6,852,380 in long-term liabilities pertaining to wastewater treatment facility renovations completed in 2007, accrued compensated absences deemed to be payable in a year or more, actuarially derived pension liability resulting from implementation of *GASB 68,* and actuarially derived other post-employment benefit liabilities.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City's Budget for fiscal year 2018/19, the City Council and management recognized the ongoing cost of maintaining operations is of paramount concern, primarily in the areas of future pension cost and health care. Updating sewer fees, which haven't been adjusted since 2007, will also be of major interest to City operations.

The General Fund budget for 2018/19 includes an operating deficit of $97,945 utilizing existing General Fund reserves ($1,106,063 available at July 1, 2018) to cover the projected deficit.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

By mail	By Phone	By E-Mail
City of Willows 201 North Lassen Street Willows, CA 95988	530-934-7041	tsailsbery@cityofwillows.org

BASIC FINANCIAL STATEMENTS

EXHIBIT ONE

CITY OF WILLOWS
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Funds	Total
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Cash and Investments	2,695,296	1,297,009	3,992,305
Receivable:			
Accounts		170,370	170,370
Interest	11,358	3,293	14,651
Intergovernmental/Other	615,204		615,204
Deferred Loans	360,029		360,029
Prepaid Expenses	2,566		2,566
Capital Assets (Net of Depreciation)	5,675,634	9,955,264	15,630,898
	9,360,087	11,425,936	20,786,023
DEFERRED OUTFLOWS			
Deferred Outflow of Resources-Pension	1,767,128	223,528	1,990,656
TOTAL ASSETS AND DEFERRED OUTFLOWS	11,127,215	11,649,464	22,776,679
LIABILITIES DEFERRED INFLOWS AND NET ASSETS			
LIABILITIES			
Accounts Payable	304,672	88,429	393,101
Interest Payable		61,027	61,027
Other Current Liabilities			
Compensated Absences			
Payable Withing One Year	8,747	1,647	10,394
Due in More Than One Year	78,724	14,823	93,547
Other	293		293
Deferred Revenue	416,450		416,450
OPEB Liability	93,956	26,521	120,477
Notes Payable			
Due Within One Year		110,000	110,000
Due in More Than One Year		5,824,000	5,824,000
Net Pension Liability	6,910,903	1,013,557	7,924,460
TOTAL LIABILITIES	7,813,745	7,140,004	14,953,749
DEFERRED INFLOWS			
Deferred Inflow of Resources-Pension	134,591	3,628	138,219
TOTAL LIABILITIES AND DEFERRED INFLOWS	7,948,336	7,143,632	15,091,968
NET POSITION			
Invested in Capital Assets, Net of Related Debt	5,675,634	4,021,264	9,696,898
Committed for Working Capital	200,000		200,000
Committed for Surplus Property	5,000		5,000
Uncommitted	(4,471,259)		(4,471,259)
Restricted For:			
Parks, Recreation, Public Works, and Streets	1,396,592		1,396,592
Library	136,922		136,922
Public Safety	156,018		156,018
Housing and Community Development	79,972		79,972
Debt Service		360,600	360,600
Utility Service		123,967	123,967
TOTAL NET POSITION	3,178,879	4,505,831	7,684,710

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

EXHIBIT TWO

CITY OF WILLOWS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM REVENUE				Net Revenue (Expense) And Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	592,307				(592,307)		(592,307)
Public Safety	2,727,517		139,416		(2,588,101)		(2,588,101)
Parks and Public Works	764,308	10,684	99,289	446,418	(207,917)		(207,917)
Library	318,006		113,599		(204,407)		(204,407)
Recreation	173,726	18,992			(154,734)		(154,734)
Housing and Community Development	404,560				(404,560)		(404,560)
					0		
Total Governmental Activities	4,980,424	29,676	352,304	446,418	(4,152,026)		(4,152,026)
Business Type Activities							
Sewer	2,060,359	1,551,738				(508,621)	(508,621)
Water	12,905	7,994				(4,911)	(4,911)
Total Business-Type Activities	2,073,264	1,559,732	0	0	0	(513,532)	(513,532)
General Revenues:							
Taxes					2,799,091		2,799,091
Intergovernmental Not For Restricted Use					576,494		576,494
Investment Income					47,501	12,215	59,716
Other					496,717		496,717
Net Activity Transfers In/(Out)					77,234	(77,234)	0
Total General Revenues and Transfers					3,997,037	(65,019)	3,932,018
Change in Net Assets					(154,989)	(578,551)	(733,540)
Net Position, Beginning					3,333,868	5,084,382	8,418,250
Net Assets, Ending					3,178,879	4,505,831	7,684,710

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

EXHIBIT THREE

CITY OF WILLOWS
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	*PPW Funds*	Gas Tax Funds	Recreation Funds	*Library Funds*	*Public Safety Funds*	*Housing Community Dev. Funds*	Total Governmental Funds
ASSETS								
Cash and Investments	891,457	*1,044,062*	347,995	20,168	*136,561*	*155,467*	*99,586*	2,695,296
Receivables:								
Intergovernmental	193,367	*392,668*	13,113				*16,056*	615,204
Interest	4,883	*3,858*	1,327	91	*361*	*551*	*287*	11,358
Deferred Loans							*360,029*	360,029
From Other Funds	202,088							202,088
Other	2,566							2,566
TOTAL ASSETS	1,294,361	*1,440,588*	362,435	20,259	*136,922*	*156,018*	*475,958*	3,886,542
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY								
LIABILITIES:								
Current Liabilities								
Accounts Payable	44,113	*206,763*	33,822	64			*19,910*	304,672
Due to Other Funds		*186,028*	13				*16,047*	202,088
Compensated Absences	87,471							87,471
Other	293							293
TOTAL LIABILITIES	131,877	*392,791*	33,835	64	*0*	*0*	*35,957*	594,524
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	56,421						*360,029*	416,450
TOTAL DEFERRED INFLOWS OF RESOURCE	56,421						360,029	416,450
FUND BALANCE								
Fund Balances:								
Committed for Working Capital	200,000							200,000
Committed for Surplus Property	5,000							5,000
Uncommitted	901,063							901,063
Restricted for:								
Parks, Recreation, Public Works, and Streets		1,047,797	328,600	20,195	*136,922*	*156,018*	*79,972*	1,396,592
Library								136,922
Public Safety								156,018
Housing and Community Development								79,972
TOTAL FUND BALANCE	1,106,063	*1,047,797*	328,600	20,195	*136,922*	*156,018*	*79,972*	2,875,567
TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES, AND FUND BALANCE	1,294,361	1,440,588	362,435	20,259	136,922	156,018	475,958	3,886,541

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

CITY OF WILLOWS
Reconciliation of the Balance Sheet
Of Government Funds to the
Statement of Net Position
June 30, 2018

Total Fund Balance-Total Governmental Funds Amounts Reported For Governmental Activities in the Statement of Net Assets are Different Because:	**2,875,567**
Capital Assets, Net of Accumulated Depreciation and Related Debt, Are Not Financial Resources, and, Therefore, Are Not Reported in the Funds	**5,675,634**
Deferred Outflow of Resources-Pension is an actuarial deferral related to pension activity. Pension activity is reported at the time of payment in Funds.	**1,767,128**
The unpaid annual contribution for accrued other post employment benefits is a long term obligation not due and payable in the current period, and, therefore, not reported in governmental funds	**(93,956)**
Net Pension Liability is an actuarial liability related to pension activity. Pension activity is reported at the time of payment in Funds.	**(6,910,903)**
Deferred Inflow of Resources-Pension is an actuarial deferral related to pension activity. Pension activity is reported at the time of payment in Funds.	**(134,591)**
Net Position of Governmental Activities	**3,178,879**

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

EXHIBIT FOUR

CITY OF WILLOWS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	*PPW Funds*	*Gas Tax Funds*	*Recreation Funds*	*Library Funds*	*Public Safety Funds*	*Housing and Community Development*	Total Governmental Funds
REVENUES								
Taxes	2,799,091							2,799,091
Licenses, Permits and Franchise	265,061							265,061
Fines Forfeitures and Penalties	11,803							11,803
Intergovernmental	576,494	*314,587*	*231,120*		*113,599*	*139,416*		1,375,216
Charges for Services	87,677	*10,684*		*18,992*				117,353
Interest	21,668	*14,308*	*5,542*	*336*	*1,339*	*2,042*	*2,265*	47,501
Other	42,817	*2,585*				*681*	*86,093*	132,176
Total Revenue	3,804,611	*342,164*	*236,662*	*19,328*	*114,938*	*142,139*	*88,359*	4,748,201
EXPENDITURES								
General Government	516,760							516,760
Public Safety	2,274,569					*141,416*		2,415,985
Parks and Public Works	471,502	*9,216*	*92,549*					573,267
Recreation	138,982			*20,108*				159,090
Library	192,801				*109,749*			302,550
Housing and Community Development	212,912						*162,380*	375,291
Capital Outlay	79,433	*314,587*	*131,832*					525,852
Total Expenditures	3,886,959	323,803	*224,381*	*20,108*	*109,749*	*141,416*	*162,380*	4,868,795
Excess (Deficiency) of Revenues Over Expenditures	(82,348)	18,361	*12,281*	*(780)*	*5,189*	*723*	*(74,021)*	(120,594)
OTHER FINANCING SOURCES (USES)								
Transfers In	77,234						*36,643*	113,877
Transfers Out							*(36,643)*	(36,643)
Total Other Financing Sources (Uses)	77,234	0	*0*	0	0	0	0	77,234
Net Change in Fund Balance	(5,114)	*18,361*	*12,281*	*(780)*	*5,189*	*723*	*(74,021)*	(43,360)
Fund Balance, July 1, 2017	1,111,177	*1,029,436*	*316,318*	*20,975*	*131,733*	*155,295*	*153,993*	2,918,927
Fund Balance, June 30, 2018	1,106,063	*1,047,797*	*328,599*	*20,195*	*136,922*	*156,018*	*79,972*	2,875,567

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

CITY OF WILLOWS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to
Statement of Activities
For The Year Ended June 30, 2018

Amounts Reported For Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balances: Total Governmental Funds	(43,360)
Governmental Funds Reported Capital Outlays as Expenditures	525,852
In the Statement of Activities, the Cost of Capital Assets is Allocated Over their Estimated Useful Lives as Depreciation Expense	(216,606)
In the Statement of Activities, Capital Assets retired or transferred to another Agency with remaining basis are treated as capital losses. In Governmental Funds, Capital Assets are treated as expenditures at the time of purchase.	(54,978)
In the Statement of Activities, Other Post Employment Benefits (OPEB) are derived from a number of actuareial factors. In Governmental Funds, expenditures for retiree health care are reported as payments are made	73,046
In the Statement of Activities-Pension Expense is derived from a number of actuarial factors. In Governmental Funds, expenditures for Pensions are reported as payment is made.	(438,943)
Change in Net Assets of Governmental Activities	(154,989)

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

EXHIBIT FIVE

CITY OF WILLOWS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Sewer Enterprise Funds	Water Enterprise Fund	Totals
ASSETS:			
Current Assets			
Cash	1,289,630	7,379	1,297,009
Receivables:			
Accounts	168,229	2,141	170,370
Interest	3,264	29	3,293
Total Current Assets	1,461,123	9,549	1,470,672
Non-Current Assets			
Capital Assets			
Systems and Improvements	13,238,236	162,133	13,400,369
Licensed Vehicles	576,045		576,045
Equipment	76,099		76,099
Accumulated Depreciation	(4,017,687)	(79,562)	(4,097,249)
Total Non-Current Assets	9,872,693	82,571	9,955,264
Deferred Outflows of Resources			
Deferred Pension Outflows	223,528		223,528
TOTAL ASSETS	11,557,344	92,120	11,649,464
LIABILITIES			
Current Liabilities:			
Accounts Payable	87,748	681	88,429
Accrued Compensated Absences	16,470		16,470
Accrued Interest Payable	61,027		61,027
Notes Payable- Current Portion	110,000		110,000
Total Current Liabilities	275,245	681	275,926
Non-Current Liabilities			
OPEB Payable	26,521		26,521
Notes Payable	5,934,000		5,934,000
Less: Current Portion	(110,000)		(110,000)
Net Pension Liability	1,013,557		1,013,557
Total Non-Current Liabilities	6,864,078	0	6,864,078
Deferred Inflows of Resources			
Deferred Pension Inflows	3,628		3,628
TOTAL LIABILITIES	7,142,951	681	7,143,632
NET POSITION			
Invested in Capital Assets, Net of Related Debt	3,938,693	82,571	4,021,264
Restricted for Debt Service	360,600		360,600
Restricted for Utility Service	115,100	8,867	123,967
TOTAL NET POSITION	4,414,393	91,438	4,505,831

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

CITY OF WILLOWS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	SEWER ENTERPRISE FUND	WATER ENTERPRISE FUND	TOTALS
OPERATING REVENUES:			
Charges for Services	1,548,216	7,994	1,556,210
Connection Fees	3,171		3,171
Development Impact Fees	351		351
TOTAL OPERATING REVENUES	1,551,738	7,994	1,559,732
OPERATING EXPENSES:			
Salaries and Benefits	519,297		519,297
Maintenance	173,547	4,426	177,973
Utilities	195,328	285	195,613
Professional Fees	648,315	3,276	651,591
Depreciation	277,998	4,118	282,116
Other		800	800
TOTAL OPERATING EXPENSES	1,814,485	12,905	1,827,390
OPERATING INCOME (LOSS)	(262,747)	(4,911)	(267,658)
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	12,107	108	12,215
Interest Expenses	(245,874)		(245,874)
TOTAL NON-OPERATING REVENUES AND EXPENSES	(233,767)	108	(233,659)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(496,514)	(4,803)	(501,317)
OTHER FINANCING SOURCES (USES):			
Operating Transfer Out	(77,234)		(77,234)
TOTAL OTHER FINANCING SOURCES (USES)	(77,234)	0	(77,234)
CHANGE IN NET POSITION	(573,748)	(4,803)	(578,551)
NET POSITION, July 1, 2017	4,988,141	96,241	5,084,382
PRIOR PERIOD ADJUSTMENT			-
NET POSITION, June 30, 2018	4,414,393	91,438	4,505,831

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

CITY OF WILLOWS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Enterprise	Water Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Sewer Services and Connections	1,590,860		1,590,860
Cash Received from Water Services		8,793	8,793
Cash Payments for Employee and Related Expenses	(394,045)		(394,045)
Cash Payments for Repairs and Maintenance	(173,637)	(4,426)	(178,063)
Cash Payments for Utilities	(197,127)	(285)	(197,412)
Cash Payments for Professional and Contract Services	(592,215)	(2,616)	(594,831)
Cash Payments for Other Expenses		(800)	(800)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	233,836	666	234,502
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Transfers In	0	0	0
Operating Transfers Out	(77,234)	0	(77,234)
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	(77,234)	0	(77,234)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets			0
Interest Paid	(246,964)		(246,964)
Payment on Long Term Debt	(106,000)		(106,000)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(352,964)	0	(352,964)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	12,971	120	13,091
NET CASH FLOWS FROM INVESTING ACTIVITIES	12,971	120	13,091
NET INCREASE (DECREASE) IN CASH	(183,391)	786	(182,605)
CASH AND CASH EQUIVALENTS, JULY 1, 2017	1,473,021	6,593	1,479,614
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	1,289,630	7,379	1,297,009

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

CITY OF WILLOWS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Enterprise	Water Enterprise	Total
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating Income	(262,747)	(4,911)	(267,658)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	277,998	4,118	282,116
Decrease (Increase) in Receivables	39,119	799	39,918
Increase (Decrease) in Payables	55,266	660	55,926
Increase (Decrease) in Accrued Compensated Absences	(1,335)		(1,335)
Increase (Decrease) in OPEB Liability	1,731		1,731
Increase (Decrease) in Other Liabilities	123,804		123,804
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	233,836	666	234,502

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

EXHIBIT EIGHT

CITY OF WILLOWS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Non Expendible Trust Fund	Agency Funds	Totals
ASSETS:			
Cash and Investments	117,228	205,405	322,633
Receivables:			
Accounts		3,000	
Interest	444	194	638
TOTAL ASSETS	117,673	208,599	323,272
LIABILITIES			
Accounts Payable		9,513	9,513
TOTAL LIABILITIES	0	9,513	9,513
NET POSITION			
Restricted for Trust Designated Purposes	117,673	199,086	316,759
TOTAL NET POSITION	117,673	199,086	316,759

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

CITY OF WILLOWS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	NON-EXPENDIBLE TRUST FUND	AGENCY FUNDS	TOTALS
ADDITIONS			
Contributions		17,241	17,241
Use of Money	1,649	721	2,370
Service Fees		25,567	25,567
Other		4,636	4,636
Total Additions	1,649	48,165	49,814
DEDUCTIONS			
Library		10,072	10,072
Parks and Recreation		12,209	12,209
Housing and Community Development		34,136	34,136
Other		15,699	15,699
Total Deductions	0	72,115	72,115
CHANGE IN NET POSITION	1,649	(23,950)	(22,301)
NET POSITION, July 1, 2017	116,024	223,036	339,060
NET POSITION, June 30, 2018	117,673	199,086	316,759

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

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

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting principles and practices are discussed in subsequent sections of this note. All other notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2018.

The Reporting Entity

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

B. Government Wide and Fund Financial Statements.

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

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

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

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

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues if received within 60 days of year-end. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

D. Budgets and Budgetary Accounting

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

1. Formal budgetary integration is employed as a management control device during the year for all funds. These budgets, except as stated below, are adopted on the cash basis of accounting.

2. The encumbrance system of budgetary accounting is not utilized.

3. The City Council approves, by motion, total budget appropriations. Any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Govt, Public Safety, etc).

4. Unused appropriations for all of the above annually budgeted funds lapse at the end of year, unless specifically appropriated to the following year by the City Council.

5. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Pensions

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

F. Assets, Liabilities and Net Assets or Equity:

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

RECEIVABLES AND PAYABLES:

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

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

PREPAID ITEMS:

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

CAPITAL ASSETS:

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

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

HOUSING AND REHABILATION LOAN PROGRAM:

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

ACCRUED COMPENSATED ABSENCES

The City provides for accrued compensatory absences for vacation, certain holidays, and in-lieu of overtime compensation. The range of allowed accrual of said types of compensation vary based upon the classification of compensatory absence. The City accrues the liability associated with the available accrued compensatory absences on an annual basis. As of June 30, 2018, said accrual was $103,941.

LONG-TERM DEBT:

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

NET POSITION:

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

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

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

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

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

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

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

G. Use of Estimates

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

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at June 30, 2018 are reported at cost (fair market value differences are immaterial on cash equivalent deposit and investments) and consisted of the following:

Cash Held on Premises	$ 500
Cash In Bank	213,684
Bank Money Market Accounts	1,526,085
Local Agency Investment Fund	1,152,670
Total Cash and Cash Equivalents	$ 2,892,939

Custodial Credit Risk

As of June 30, 2018, Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized under the provisions of the California Government Code, California banks are required to secure a City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110 percent of the City's deposits. It is the City's policy not to waive the collateral requirements.

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

At June 30, 2018, the carrying amount of the City's cash account was $377,611 and the bank balances were $213,684. The carrying value and the bank balances differ due to outstanding checks. Of the carrying amount, $127,611 was not covered by FDIC insurance but was subject to collateralization.

California Local Agency Investment Fund:

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

Investments

Investments at June 30, 2018 are presented at cost and fair value as follows:

	Rating	Cost	Fair Value
Negotiable Certificates of Deposit	FDIC Insured	$1,272,000	$1,248,158
United States Agency-FNMA	AAA	$ 150,000	$ 149,381
Total		$1,422,000	$1,397.539

The City's investment policy limits the maturity of investments to five years from date of purchase in accordance with California Government code 53600. Maturities of investments held at June 30, 2018 consist of the following:

	Par	Maturity Less Than One Year	Maturity Greater Than One Year
Negotiable Certificates of Deposit	$1,272,000	$400,000	$872,000
United States Agency Notes	150,000	150,000	
Total	$1,422,000	$550,000	$872,000

Authorized Investments:

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

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

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

Concentration of Investment Credit Risk

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

Capital One Bank	21%	
American Express Centurion		17%
Barclay's Bank		14%
State Bank of India		14%
Federal Nat'l Mortgage Assn.		11%
Sandhills State Bank		8%
Goldman Sachs Bank		7%
Sallie Mae Bank		5%

Allocation of Interest Income Among Funds

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

NOTE 3 PROPERTY TAXES

The City's ad Val Orem property tax is levied each July 1 on the assessed value listed as of March 1 for all real and business personal property located within the City. The assessed value of the roll on January 1, 2016 upon which the levy for the 2017-18 year was based was $326,059,215.

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

NOTE 4 CHANGES IN CAPITAL ASSETS

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

July 1	$9,383,651
Additions	508,760
Deletions	(193,548)
June 30	$9,698,863
Less: Accumulated Depreciation	(4,023,230)
Net Property, Plant, Infrastructure and Equipment	$ 5,675,633

Business Type Capital Assets
A summary of changes in business type capital assets is as follows:

Property, Plant and Equipment July 1	$14,032,513
Additions	20,000
Deletions	(0)
Property, Plant & Equipment June 30	$14,052,513
Less: Accumulated Depreciation	(4,097,249)
Net Property, Plant and Equipment	$ 9,955,264

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

NOTE 5 CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City of Willows for the Year ended June 30, 2018

Business Type Long Term Debt Transactions

	Wastewater Treatment Construction Loan
Long term Debt July 1	$6,040,000
Additions	-0-
Repayment	(106,000)
Long term Debt June 30	$5,934,000

Interest expense for the year ended June 30, 2018 was $245,874.

Federal Construction Loan Payable:

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

The annual requirements to amortize the loan as of June 30, 2018, are as follows:

Fiscal Year	Interest Payment	Principal Payment	Total Payment
2018/19	242,509	110,000	352,509
2019/20	237,889	114,000	351,889
2020/21	233,083	119,000	352,083
2021/22	228,071	124,000	352,071
2022/23	222,853	129,000	351,853
2023/24-2027/28	1,028,156	730,000	1,758,156
2028/29-2032/33	861,238	893,000	1,754,238
2033/34-2037/38	657,174	1,093,000	1,750,174
2038/39-2042/43	407,302	1,338,000	1,745,302
2043/44-2046/47	108,611	1,284,000	1,392,611
Total	$4,226,887	$5,934,000	$10,160,887

NOTE 6 OTHER REQUIRED FUND DISCLOSURES

A. Excesses of Expenditures over Appropriations in Individual Funds

	Expenditures	Appropriations
RSTP-Gas Tax	128,292	80,000
Gas Tax 2105	27,531	27,000
Water Enterprise	12,905	7,692
Economic Development	17,188	13,750
CSLA Delivery	12,741	4,525
Supplemental Law Enforcement	141,416	140,000

All expenditures in excess of appropriations were funded via existing fund balances or 2016-17 revenue within the given fund.

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

At June 30, 2018, no Fund Balances within the City stood in a deficit balance.

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

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

Such balances at June 30, 2018 were:

	Due From Other Funds	Due to Other Funds
General Fund	$202,088	
EDA Grant		186,028
USDA Cold Storage Feasibility Grant		16,047
Gas Tax 2107.5		13
Totals	$202,088	$202,088

D. Individual Fund Operating Transfers

for the year Ended June 30, 2018 transfers were as follows:

	Transfers In	Transfers Out
To General Fund	$ 77,234	
From Sewer Enterprise Fund		$ 77,234
To Community Discretionary Fund	$ 36,643	
From1992 CDBG Housing Loans		$ 4,966
2003 CDBG Housing Loans		1,678
CDBG-PI		2,047
1997 CDBG Housing Loans		2,641
2000 CDBG Housing Loans		4,143
1990 CDBG Housing Loans		21,167
Totals	$113,877	$113,877

NOTE 7 PENSION PLANS

CALPERS Safety and Miscellaneous Employees Plans

Plan Description

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

Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the **miscellaneous or safety risk pools. The Agency sponsors 5 rate plans (2 miscellaneous and 3** safety). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Safety - Classic	Fire - PEPRA	Police - PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	57	57
Monthly benefits, as a % of annual salary	3.0%	2.7%	2.7%
Required employee contribution rates	9.000%	11.500%	11.500%
Required employer contribution rates	18.615%	11.990%	11.990%
Required UAL payment	$ 283,141	$ 7	$ 69

	Miscellaneous – Classic	Miscellaneous - PEPRA
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits, as a % of annual salary	3.0%	2.0%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	12.036%	6.533%
Required UAL payment	$ 203,270	$ 4

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

The Agency's contributions to the Plan for the measurement period ended June 30, 2017 were $639,429

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

As of June 30, 2018, the Agency reported a net pension liability for its proportionate share of the net pension liability of the Plan of $7,924,460 .

The Agency's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Agency's proportionate of the net pension liability was based on the Agency's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the
valuation date where not available.

The Agency's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.08193%
Proportion - June 30, 2017	0.07991%
Change - Increase (Decrease)	-0.00203%

For the year ended June 30, 2018, the Agency recognized pension expense of $ 1,178,396.
At June 30, 2018 the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 615,648	$ -
Changes in assumptions	1,049,399	80,287
Differences between expected and actual experience	-	22,191
Changes in employer's proportion	44,880	27,161
Differences between the employer's contribution and the employer's proportionate share of contributions	48,039	8,580
Net differences between projected and actual earnings on plan investments	232,690	-
Total	$ 1,990,656	$138,219

$ 615,648 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:		
2019	$	323,843
2020		654,085
2021		395,943
2022		(137,082)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the Agency's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	$	11,387,750
Current Discount Rate		7.15%
Net Pension Liability	$	7,924,460
1% Increase		8.15%
Net Pension Liability	$	5,076,432

Payable to the Pension Plan

At June 30, 2018 the Agency reported a payable of $0 for outstanding amount of contributions to the pension plan.

NOTE 8 JOINT VENTURE

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

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

A. Description of Joint Powers Authority

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

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

B. Self-Insurance Program

General Liability Insurance: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Willows, self-insures for the first $50,000 of each loss for liability and $100,000 for workers' compensation. Participating cities shared in loss occurrences in excess up to $500,000 for fiscal year 2018, $39,500,000 in excess coverage for liability and $4,500,000 in workers compensation, per occurrence, was purchased by the Authority. Specific coverage includes: comprehensive and general liability, personal injury, contractual liability, errors and omissions, and auto liability.

C. Condensed Financial Information of the Authority

Noted below is a condensed audited Statement of Net Position of the Authorities Combined Worker's Compensation Insurance and Liability Insurance Fund as of June 30, 2018 (Latest available):

Assets	$ 57,315,358
Liabilities	41,696,368
Total Net Position	$ 15,618,990

D. Claims and Judgments

The City accounts for material liability claims and judgment in accordance with GASB Code Section C50.110. When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2018, the City, in the opinion of the City Attorney, had no material claims, which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

NOTE 9 POST-EMPLOYMENT MEDICAL BENEFITS PLAN

Plan Description

Plan administration. The valuation analyzes the health and welfare benefit plans of City of Willows. Our findings and assumptions are based on a 50%/50% blend of premium rates for calendar years 2018 and 2019, as well as the PEMHCA statutory minimum benefit for 2018.As of January 1, 2018, the City participates in California State Association of Counties Excess Insurance Authority (CSAC EIA), a small group health benefits program. There are 4 medical plans available (a three-tiered plan for Non-Medicare participants, and 3 for Medicare eligible participants).

Benefits provided. Eligible employees who retired before July 1, 2017 are eligible for the PEMCHA minimum ($133 per month in 2018). This amount will stay at $133 per month for the remainder of the retiree's life. There are currently 4 retirees who are receiving these benefits. Effective for retirements on or after July 1, 2017, the employee must self-pay the entire cost of premiums during retirement. Employees are eligible to remain on the City health plan if they retire directly from the City via service retirement or through industrial disability. There is no age or service requirement.

While the City does not directly contribute towards the cost of premiums for retirees except as noted for the four retirees receiving the 2018 PEMHCA minimum amount per month, the premiums do not **vary by age.**

When this happens, there is almost always an implicit subsidy, where the older participants' costs are being subsidized by younger participants. This subsidy must be valued and included under GASB 75. For this valuation, we have assumed that participants do not participate in City-sponsored health plans at Medicare eligibility (age 65). However, we have assumed that 20% of participants at retirement will participate in City-sponsored health plans until age 65. Because actives and retirees under age 65 who elect to remain on the City health plan have the same premiums, there as an implicit subsidy realized, as the younger actives are subsidizing the costs of the older retirees.

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

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

Contributions. The City currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

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

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

Salary increases	3.00 percent
Healthcare cost trend rate	6.00 percent for 2018; 5.50 percent for 2019; 5.25 percent for 2020; and 5.00 percent for 2021 and later years
Participation (future retirees)	20%

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

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

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

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

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

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

The components of the net OPEB liability were as follows:

Total OPEB liability	120,457
Plan fiduciary net position	0
Net OPEB liability	$120,457

Measurement date	June 30, 2018
Reporting date	June 30, 2018

Covered payroll	$1,004,404
Net OPEB liability (asset) as a percentage of covered payroll	11.99%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

Schedule of Changes in Net OPEB Liability

Total OPEB Liability	
Service Cost	3,120
Interest	4,322
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions	0
Benefit payments[1]	(12,644)
Net change in total OPEB liability	(5,202)
Total OPEB liability – beginning (a)	$125,659
Total OPEB liability – ending (b)	$120,457
Plan fiduciary net position	
Contributions – employer[1]	12,644
Net investment income	0
Benefit payments[1]	(12,644)
Trustee fees	0
Administrative expense	0
Net change in plan fiduciary net position	0
Plan fiduciary net position – beginning (c)	$0
Plan fiduciary net position – ending (d)	$0
Net OPEB liability – beginning (c) – (a)	$125,659
Net OPEB liability – ending (d) – (b)	$120,457

[1] Amount includes implicit subsidy associated with benefits paid

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability (asset)	129,242	120,457	112,717

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing To 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB liability (asset)	117,199	120,457	124,101

Statement of Changes in Fiduciary Net Position

Additions	
Employer contributions[2]	12,644
Investment income:	
Net increase in fair value of investments	0
Total additions	12,644
Deductions	
Trustee fees	0
Administrative expense	0
Benefit payments[2]	12,644
Total deductions	12,644
Net increase in net position	0
Net position restricted for postemployment benefits other than pensions	
Beginning of year	$0
End of year	$0

[2] Includes $6,384 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amounts of $6,260 on benefit payments from sources outside of trust.

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

At June 30, 2018, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience[3]	0	0
Changes in assumptions or other inputs[3]	0	0
Differences between projected and actual return investments[3]	0	0
Total	$0[4]	$0

[3] Measured at June 30, 2018.

[4] Does not include District contributions after the measurement date, which will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2019.

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

Fiscal Year ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	0	0
2020	0	0
2021	0	0

2022	0	0
2023	0	0
2024	0	0
2025	0	0
2026	0	0
2027	0	0
2028	0	0
2029	0	0
2030	0	0
2031	0	0
2032	0	0
2033	0	0
2034	0	0
2035	0	0
2036	0	0
2037	0	0
2038	0	0

Net OPEB Expense
The City's Net OPEB expense was $7,442.

Net OPEB Liability - beginning (a)	$125,659
Net OPEB Liability – ending (b)	$120,457
Change in Net OPEB Liability [(b)-(a)]	(5,202)
Change in Deferred Outflows	0
Change in Deferred Inflows	0
Employer Contributions	12,644
Net OPEB Expense	$7,442

Service Cost	3,120
Interest Cost	4,322
Expected Return on Assets	0
Changes of benefit terms	0
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	0
Changes of assumptions	0
Differences between projected and actual investments	0
Total	0
Net OPEB Expense	$7,442

NOTE 10 LITIGATION

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

NOTE 11 CONTINGENCIES

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

NOTE 12 DEFERRED COMPENSATION PLAN

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

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

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

NOTE 13 CHANGE IN OPERATING UNIT OF THE CITY-LAW ENFORCEMENT SERVICES

Commencing on 7/1//17, the City began contracting law enforcement services with the Glenn County Sheriff's Office under mutually agreed upon contract terms and conditions. As a result, the Willows Police Department has suspended law enforcement services, and the City does not employ any police related employees.

NOTE 14 SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date that the financial statements were issued, January 8, 2019, and determined that no events have occurred that meet the requirements for disclosure set for the by FASB Statement No. 165.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLOWS
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		General	Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes	2,680,000	2,680,000	2,799,091	119,091
Licenses, Permits and Franchise	247,907	247,907	265,061	17,154
Fines Forfeitures and Penalties	1,000	1,000	11,803	10,803
Intergovernmental	588,500	588,500	576,494	(12,006)
Charges for Services	105,936	105,936	87,677	(18,259)
Interest	15,000	15,000	21,668	6,668
Other	57,300	57,300	42,817	(14,483)
Total Revenue	3,695,643	3,695,643	3,804,611	108,968
EXPENDITURES				
General Government	477,406	500,636	516,760	(16,124)
Public Safety	2,208,390	2,232,390	2,274,569	(42,179)
Parks and Public Works	520,950	520,950	471,502	49,448
Recreation	152,265	152,265	138,982	13,283
Library	194,231	194,231	192,801	1,430
Housing and Community Development	203,548	213,548	212,912	636
Capital Outlay	100,000	100,000	79,433	20,567
Total Expenditures	3,856,790	3,914,020	3,886,959	27,061
Excess (Deficiency) of Revenues Over Expenditures	(161,147)	(218,377)	(82,348)	136,029
OTHER FINANCING SOURCES (USES)				
Transfers In	77,234	77,234	77,234	0
Total Other Financing Sources (Uses)	77,234	77,234	77,234	0
Net Change in Fund Balance	(83,913)	(141,143)	(5,114)	136,029
Fund Balance, July 1, 2017	1,111,177	1,111,177	1,111,177	0
Fund Balance, June 30, 2018	1,027,264	970,034	1,106,063	136,029

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

STATEMENT TWO

CITY OF WILLOWS
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
and
SCHEDULE OF CONTRIBUTIONS
As of June 30, 2018

Schedule of the Agency's Proportionate Share of the Net Pension Liability - Last 4 Years

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

Schedule of Contributions - Last 4 Years

Fiscal year	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 615,648	$ 639,429	$ 748,028	$ 468,134
Contribution in relation to the actuarially determined contributions	615,648	639,429	748,028	468134
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,036,377	$ 1,525,987	$ 1,628,424	$ 1,488,702
Contributions as a percentage of covered payroll	59.40%	41.90%	45.94%	31.45%

OTHER SUPPLEMENTARY INFORMATION

CITY OF WILLOWS
SCHEDULE OF CHANGES IN INDIVIDUAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

FUND	NET POSITION July 1, 2017	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2018
GENERAL FUND						
General Fund	906,177		(82,348)	77,234		901,063
General Fund-Working Reserve	200,000		0			200,000
General Fund-Surplus Property	5,000		0			5,000
TOTAL GENERAL FUND	1,111,177	0	(82,348)	77,234	0	1,106,063
PARKS AND PUBLIC WORKS FUNDS						
State Transportation Improvement Program	0					0
Willows Lighting and Landscape District	14,031		1,667			15,698
EDA Grant	0		0			0
Mall Maintenance	14,999		0			14,999
Storm Drainage Impact	293,374		5,132			298,506
Street Development Impact	108,662		2,614			111,276
Park Facilities Impact	257,875		3,663			261,538
I-5 Interchange Impact	331,525		5,285			336,810
CA Recycle Grant	8,970		0			8,970
TOTAL PARKS AND PUBLIC WORKS	1,029,436	0	18,361	0	0	1,047,797
GAS TAX FUNDS						
SB1 Repayment Funds	0		7,041			7,041
RSTP	170,093		(62,634)			107,459
SB1 RMRA Gas Tax	0		36,893			36,893
Gas Tax 2105	66,461		7,065			73,526
Gas Tax 2106	0		0			0
Gas Tax 2107	0		0			0
Gas Tax 2107.5	1,490		(1,490)			0
Gas Tax 2103	78,274		25,406			103,680
TOTAL GAS TAX	316,318	0	12,281	0	0	328,599
HOUSING AND COMMUNITY DEVELOPMENT						
Certified Access Specialist	840		2,301			3,141
USDA Cold Storage Feasibility Study	0		0			0
Community Discretionary	123,839		(97,564)	36,643		62,918
2003 CDBG Housing Loans	0		1,678		1,678	0
Economic Devlopment	26,860		(17,188)			9,672
1992 CDBG Housing Loans	0		4,966		4,966	0
1990 CDBG Housing Loans	0		21,167		21,167	0
1997 CDBG Housing Loans	0		2,641		2,641	0
2000 CDBG Housing Loans	0		4,144		4,144	0
CDBG-Program Income	0		2,047		2,047	0
HOME Program Income	2,455		1,786			4,241
TOTAL HOUSING AND COMMUNITY DEVELOPME!	153,994	0	(74,022)	36,643	36,643	79,972
RECREATION						
Recreation Reimburseable	19,832		(528)			19,304
Recreation Cultural	1,143		(252)			891
TOTAL RECREATION	20,975	0	(780)	0	0	20,195

CITY OF WILLOWS
SCHEDULE OF CHANGES IN INDIVIDUAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

FUND	NET POSITION July 1, 2017	PRIOR PERIOD ADJUSTMENT	NET RECEIPTS (EXPENDITURES)	TRANSFERS IN	TRANSFERS OUT	NET POSITION June 30, 2018
LIBRARY						
County Library	30,700		6,405			37,105
Northnet-Training Funding	2,892		590			3,482
CLSA-Delivery Funding	3,886		(3,146)			740
Literacy Passthrough	0					0
Library-Development Impact	94,256		1,339			95,595
TOTAL LIBRARY	131,734	0	5,188	0	0	136,922
PUBLIC SAFETY						
Fire-Development Impact	119,641		2,165			121,806
Police Development Impact	23,654		558			24,212
SLESF	12,000		(2,000)			10,000
TOTAL PUBLIC SAFETY	155,295	0	723	0	0	156,018
FIDUCIARY FUNDS						
Non-Expendible Trust Funds	116,024		1,649			117,673
Agency Funds	223,036		(23,950)			199,086
TOTAL FIDUCIARY FUNDS	339,060	0	(22,301)	0	0	316,759
ENTERPRISE FUNDS						
Sewer Enterprise	4,988,141		(496,514)		77,234	4,414,393
Water Enterprise	96,241		(4,803)			91,438
TOTAL ENTERPRISE FUNDS	5,084,382	0	(501,317)	0	77,234	4,505,831
TOTALS	8,342,371	0	(644,215)	113,877	113,877	7,698,156