

COUNTY *of* SHASTA

ANNUAL CITIZENS' REPORT

FOR THE YEAR ENDED JUNE 30, 2019



Inside the Citizens' Report

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What is This?

The Citizens' Report is an annual report prepared by the Shasta County Auditor-Controller's office to provide financial data in a format that is easily understood by individuals not fluent in finance or governmental accounting.

The Auditor-Controller's office is dedicated to promoting transparency and fiscal accountability in local government. The Citizens' Report plays an important role in the mission to provide citizens and stakeholders easy access to County financial information.

Covered in this Report

This report covers the fiscal year ended June 30, 2019 and covers the County's fiscal operations for the previous twelve month period, hereafter referred to as Fiscal Year (FY) 2019.



Financial Data Sources

The financial data in this report has been compiled from the County's Comprehensive Annual Financial Report (CAFR), which is a more detailed and comprehensive presentation of the financial condition of the County. The CAFR was prepared in accordance with generally accepted accounting principles (GAAP) and has been audited by a certified public accountant that presented the County with an unmodified (clean) opinion.

The CAFR and Citizens' Report can be accessed at:

https://www.co.shasta.ca.us/index/auditor_index/financial_reports/audit_reports.aspx

Demographic Data Sources

The following sources were used for the nonfinancial information:

California Franchise Tax Board, California Employment Development Department, Zillow.com (housing information), and the US Bureau of Labor Statistics.

Auditor-Controller's Message

The following Citizen's Report has been compiled by staff in the Auditor-Controller's office. Our dedicated staff strive to provide excellent service to citizens of the County, Special Districts, and County Departments.



Financial Highlights

At the close of the most recent fiscal year, *net position* of the County was \$82,479,224. Details on Net Position are presented on Page 6.

Economic Overview

Shasta County has seen multiple year increases in property tax values and positive employment figures that indicate the County continues to recover from the "Great Recession." Property values are up \$2.8 billion (inclusive of Proposition 8 adjustments) from the peak in 2008 and subsequent drop. Low unemployment rates mirror state and national trends as well.

The impact from the Carr and Delta wildfires is still unfolding; the initial effect on the General Fund was minimal, but it will be an issue for the County for many years due to decreased property values in the affected areas (including Proposition 8 valuation adjustments).

The most significant problems in the County's financial health are its unfunded liabilities relating to pensions and retiree healthcare. The retiree healthcare liability (OPEB) has been addressed by creating an alternate retiree health plan for new employees and the liability should be eliminated over the next 18-19 years. The County will need to create a plan to deal with its unfunded pension liability of over \$227 million.

Even with modest increases in year-to-year property tax receipts (discretionary revenues), the County continues

to adhere to conservative spending due to economic uncertainty at the State and Federal level. Looking to the future, conservative spending will not be enough, and expenditure growth will outpace increases in revenue. Most notably, the County's annual contribution for CalPERS retirement is expected to grow by more than 50% over the next 10 years, and historically, healthcare costs have risen by approximately 6% each year. Interest costs on any new debt will make the imbalance worse. If growth in the County's retirement contribution is unchecked, the result will be a reduction in service levels. Ultimately, balancing current needs with long-term health of the County will become increasingly difficult.

Progress is being made in addressing the unfunded retirement liability as the County and bargaining units start to talk about the importance of sharing in a plan to meet future obligations. In the Fall of 2019, two employee bargaining units filled the leadership void and voted to increase employee contributions to CalPERS retirement and to the County's unfunded liabilities in order to reduce its impact on future service delivery to our citizens.

Thank you for your continued support of our office and we look forward to serving you in the future.

Sincerely

A handwritten signature in blue ink, appearing to read "Brian Muir". The signature is stylized and cursive.

Brian Muir,
Auditor-Controller

Shasta County Information

The County of Shasta was established in 1850 as a general law county and was one of the State's original 27 counties. The County is located at the northern end of the Sacramento Valley and covers approximately 3,850 square miles and contains more than 2.46 million acres. The County is the 31st most populous county in the State with a population of approximately 178,733 as of January 1, 2019. The City of Redding is the County seat. The County occupies the northern reaches of the Sacramento Valley, with portions extending into the southern reaches of the Cascade Range. Residents residing in the County are represented by members of the Board of Supervisors that correspond to districts within the County.



Supervisor District 1	Supervisor District 2	Supervisor District 3	Supervisor District 4	Supervisor District 5
Joe Chimenti	Leonard Moty	Mary Rickert	Steve Morgan	Les Baugh

Supervisor districts maps can be located at : https://www.co.shasta.ca.us/index/bos_index/districts_map.aspx

County Administration

Shasta County policy and legislative authority resides with the County Board of Supervisors, referred to as the Board. The Board serves staggered four-year terms with each member representing a distinct district.

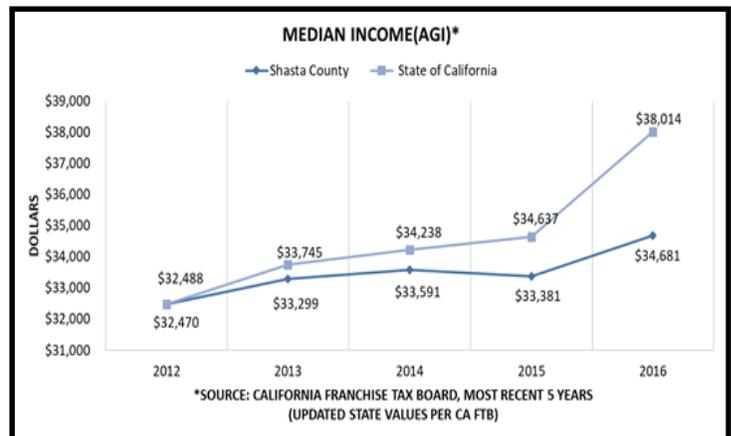
The County Executive Officer assists the Board in managing and directing the various County departments. The Sheriff-Coroner, Assessor-Recorder, Auditor-Controller, Treasure-Tax Collector, District Attorney, and County Clerk-Registrar of Voters are elected department heads. The other County department heads are appointed by the County Executive Officer or the Board.

County Staff and Services

The County employed approximately 2,040 full-time equivalent employees during the 2018-2019 fiscal year (includes extra-help employees). The County services generally fall into one of seven categories: General Government, Public Protection, Public Ways and Facilities, Health and Sanitation, Public Assistance, Education, and Recreation. Citizens residing in the unincorporated areas of the County receive most of their governmental services from the County. Citizens within the incorporated areas of the County receive some County services such as Social Services, Behavioral Health, and some Public Safety services.

Demographics and Economy

Median income of \$34,861, as reported to the Franchise Tax Board, increased 3.9% from 2015 to 2016 (the most recent data from FTB) for the residents of Shasta County. Shasta County 2016 median income was approximately 9.6% lower than the State median. Shasta County ranked 34th out of 58 counties when comparing annual income in 2016; in 2015 the County was ranked 36th, representing improvement in local income.



Shasta County Information-(Cont.)

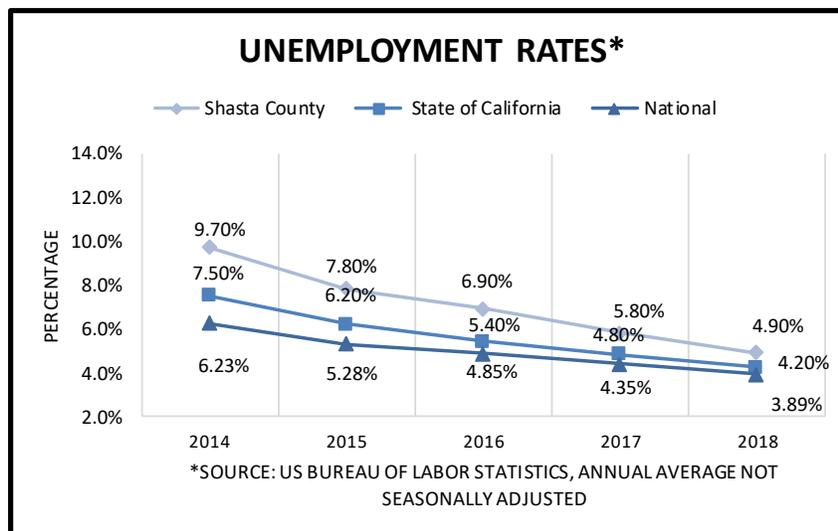
Employment

Shasta County's employment rate has recovered to pre-recession levels, but the number of people in the workforce has not recovered, indicating that the County is still recovering from the recession. Average unemployment in the County for 2018 was 4.9%, which is higher than the State rate of 4.2%. While Shasta County's unemployment rate is higher than the State average, it is lower than the average for the six adjacent counties (Siskiyou, Trinity, Tehama, Plumas, Lassen, and Modoc) which was 6.3%.

Overall economic job growth is predicted to increase 6.3% from 2017-2022, led by retail sales growth of 7.0%. The fastest growing job sector over the same period is expected to be Health and Education. As a result of the expected growth, the personal income is expected to rise by 9.9%.

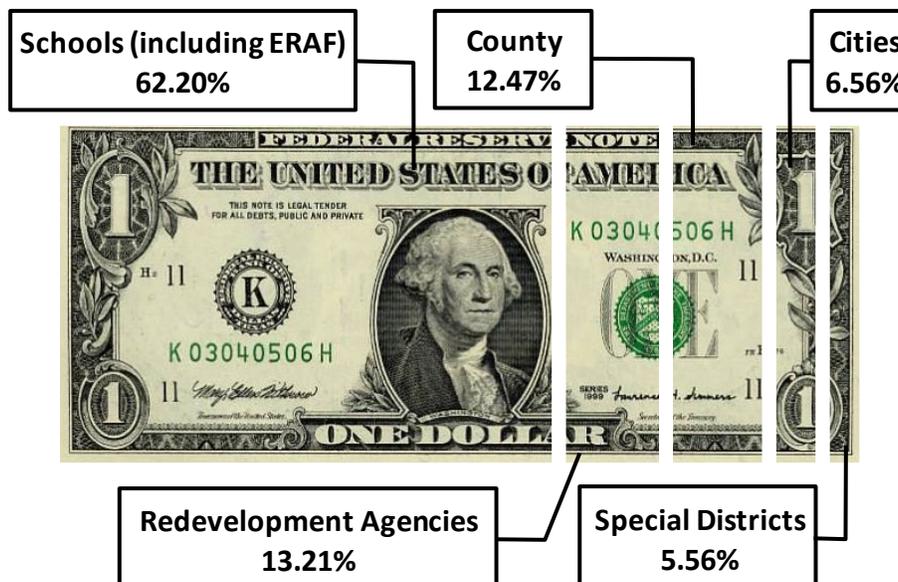
Median Home Prices

The median home prices increased from \$251,200 to \$265,800 from 2018 to 2019, an increase of 5.8%. County-wide home sales have been assisted by historically low mortgage rates and low inventory.



Where your property tax* dollars go:

*Excludes voter approved debt for schools and special districts. ERAF-Educational Revenue Augmentation Fund.



Financial Summary and Trends

Overview

The following section provides a general description of the financial condition of Shasta County as well as how the County utilizes resources.

Statement of Net Position

Assets are resources owned or controlled by Shasta County (real estate, equipment, cash investments, etc.)

Deferred Outflows/Inflows of resources are the consumption (outflow) or acquisition (inflow) of resources in the current period that are applicable to future periods.

Liabilities are debts of Shasta County, whether due currently or in the future.

Net Position is the sum of assets and deferred outflows less the sum of liabilities and deferred inflows.

Net investment in capital assets represents the value of property owned by the County (real and personal) less depreciation and any debt related to the same property. The County's capital assets cannot be used to provide services or satisfy debt, therefore other resources need to be provided to satisfy those needs.

Restricted Net Position represents resources that have contractual restrictions placed on them by the provider. Examples are grants for Behavioral Health or Public Safety. Grantors, contributors, laws and regulations, legislation passed by federal, state or local governments can all place requirements on restricted assets.

Unrestricted Net Position is the balance of Net Position and represents resources that may be used to satisfy ongoing obligations to residents and creditors. In FY 2019 the County's net position was \$82.5 million. However, the unrestricted portion of the net position was a deficit of \$228.3 million, largely attributable to long-term liabilities associated with pensions (\$227.2 million) and post-employment healthcare (\$177.8 million).

Net Position

At the end of FY 2019, the County's Net Position increased by \$5.7 million in comparison with the prior year. This increase was primarily due to the revenues exceeding expenses. One positive metric in the net position is the decrease in the Net Pension Liability due to prior year investment earnings recognition.

During the year, the County's total assets and deferred outflows increased by \$6.1 million and liabilities and deferred inflows increased by \$0.4 million resulting in an overall increase in net position of \$5.7 million.

The table below represents the long-term financial position of Shasta County:

Net Position (in thousands)			
	FY 2019	FY 2018	Change
Current and Other Assets	\$ 340,182	\$ 317,089	\$ 23,093
Capital Assets	201,272	202,641	(1,369)
Total Assets	541,454	519,730	21,724
Deferred Outflows of Resources	55,983	71,588	(15,605)
Total Assets and Deferred Outflows of Resources	597,437	591,318	6,119
Current and Other Liabilities	37,032	32,312	4,720
Long-Term Liabilities	466,985	473,217	(6,232)
Total Liabilities	504,017	505,529	(1,512)
Deferred Inflows of Resources	10,940	9,018	1,922
Total Liabilities and Deferred Inflows of Resources	514,957	514,547	410
Invested in Capital Assets, Net of Related Debt	169,362	168,288	1,074
Restricted	141,452	142,479	(1,027)
Unrestricted	(228,334)	(233,996)	5,662
Total Net Position	\$ 82,479	\$ 76,771	\$ 5,709

Financial Summary and Trends

Statement of Activities

The Statement of Activities serves as the counterpart to the Statement of Net Position, it represents the revenues and expenses that the government realized and ultimately are reflected in the Net Position.

The Net Position was restated due to the recognition of various Housing loan write-offs due to foreclosure or grant forgiveness requirements.

The table below represents the activities of Shasta County:

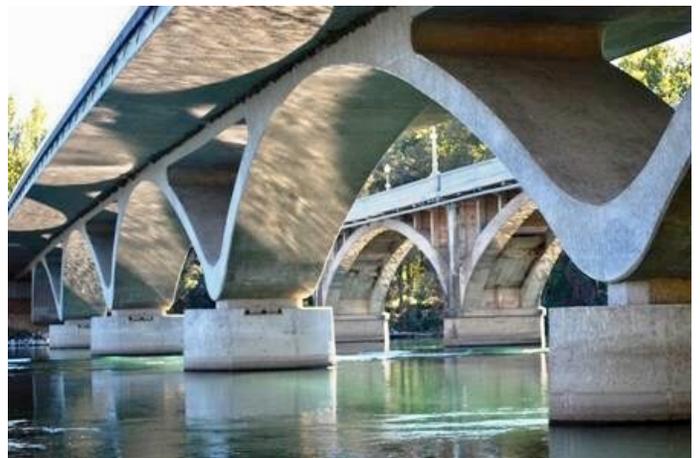
Total Activities (in thousands)			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 39,418	\$ 34,116	\$ 5,302
Operating Grants/Contributions	268,740	259,293	9,447
Capital Grants/Contributions	5,179	1,593	3,586
Property Taxes	28,750	29,381	(631)
Sales and Use Taxes	4,615	3,901	714
Other Taxes	2,601	3,977	(1,376)
Interest and Investment Earnings	4,863	3,215	1,648
Miscellaneous	4,603	5,039	(436)
Total Revenues	<u>\$ 358,769</u>	<u>\$ 340,515</u>	<u>\$ 18,254</u>
Expenses			
General Government	17,933	11,736	6,197
Public Protection	101,568	96,391	5,177
Public Ways and Facilities	25,125	16,361	8,764
Health and Sanitation	71,684	63,965	7,719
Public Assistance	124,659	121,644	3,015
Education	1,608	1,559	49
Recreation	185	145	40
Interest on Debt	870	931	(61)
Enterprise Funds	6,968	6,126	842
Total Expenses	<u>\$ 350,600</u>	<u>\$ 318,858</u>	<u>\$ 31,742</u>
Excess/(Deficiency) Before Transfers	8,168	21,656	(13,488)
Transfers	-	-	-
Change in Position	8,168	21,656	(13,488)
Net Position - Beginning	76,771	133,096	(56,325)
Net Position - Restated	74,313	55,115	19,198
Net Position - Ending	<u>\$ 82,479</u>	<u>\$ 76,771</u>	<u>\$ 5,709</u>

Long Term Debt

At the end of the current fiscal year, the County had total debt obligation outstanding of \$31.9 million. Of this amount, \$26.9 million comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$0.6 million of special assessment debt secured by property subject to the assessment. The remainder of the County's debt represents loans secured solely by specified revenue sources. Other long-term obligations include compensated absences (accrued vacation and sick leave), workers' compensation and general liability insurance claims liability, the landfill closure/post closure care costs liability, pension, and other post-employment healthcare costs.

Long-Term Debt

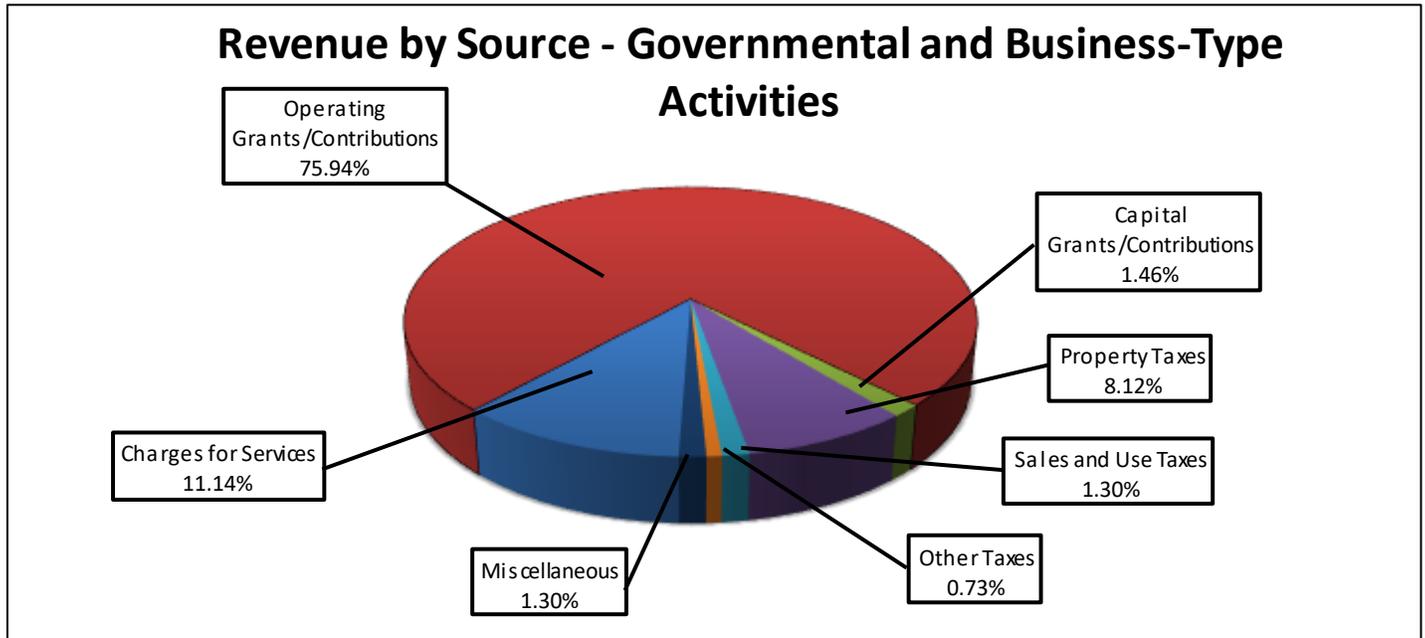
	<u>Total</u>	
	<u>2019</u>	<u>2018</u>
Lease Revenue Bonds	\$ 26,890,000	\$ 28,910,000
Special Assessment Bonds	648,800	725,700
Water/Sewer Bonds	20,000	20,000
Financing Leases	617,011	760,870
Notes Payable	3,345,917	3,518,139
Debt Obligation	31,521,728	33,934,709
Unamortized Bond Premium	387,940	418,367
Total Debt	<u>31,909,668</u>	<u>34,353,076</u>
Less Current Portion	<u>(2,440,404)</u>	<u>(2,402,982)</u>
Net Long-Term Debt	<u>\$ 29,469,265</u>	<u>\$ 31,950,095</u>



County Revenues

Total Revenues

The County's total revenues for FY 2019 were \$358 million, an increase of approximately \$18 million or 6% from the prior year. These revenues are derived from two broad categories: program revenues and general revenues. Program revenues include grants and charges for services. General revenues include taxes, investment returns, and miscellaneous revenue. Less than 9% of the County's revenues come from property taxes.

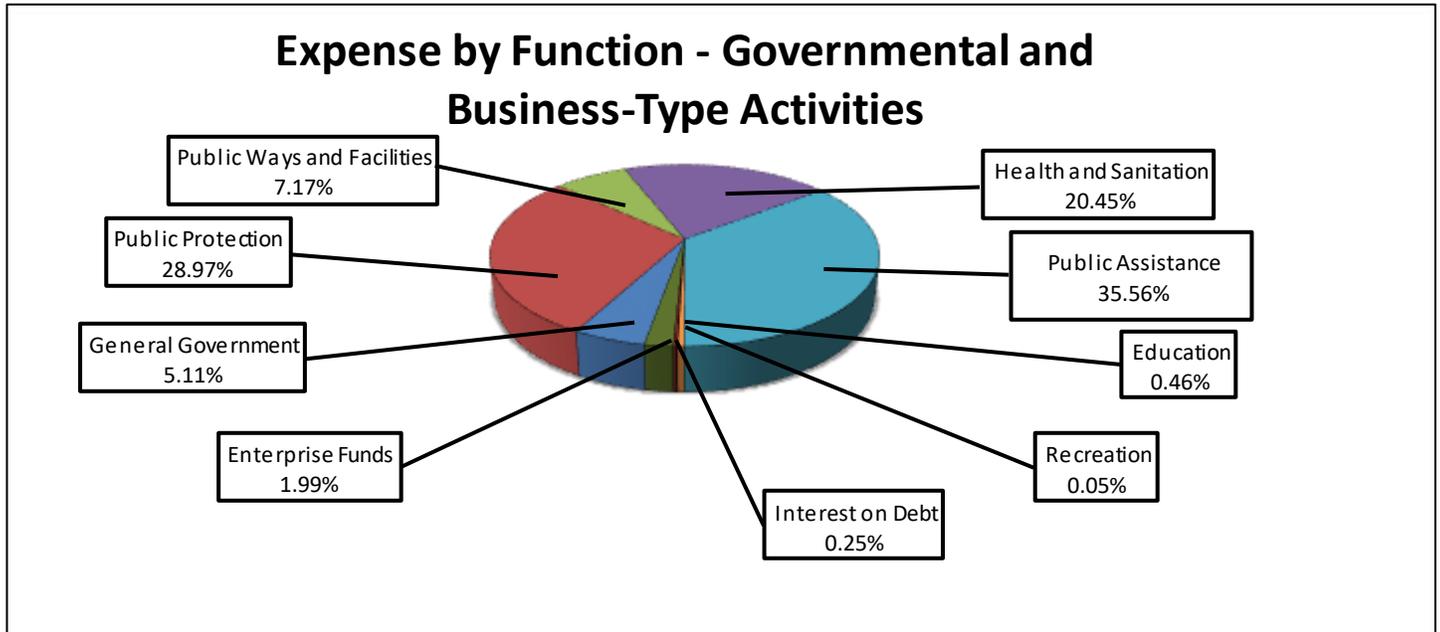


Source	Amount	Description
Charges for Services	\$39.4 million	Charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided.
Operating Grants & Contributions	\$268.7 million	Mandatory and voluntary nonexchange/exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. These programs include Public Protection, Public Assistance, and Mental Health.
Capital Grants & Contributions	\$5.2 million	Grants that are restricted for the construction, purchase, or renovation of capital assets for a particular program.
Property Taxes	\$28.7 million	Revenues based on the assessed value of real property (land, buildings), personal property (boats, aircraft), and business property (equipment, inventory) located within Shasta County.
Sales, Use, & Other Taxes	\$7.2 million	Sales and use tax, Transient Occupancy Tax (tax on temporary lodging within the County), and other miscellaneous taxes.
Investment Earnings	\$4.9 million	Earnings from the Treasurer's investments of the County Treasury pool per approved investment policy.
Miscellaneous	\$4.6 million	Revenues comprised of reimbursements, various miscellaneous revenues, and settlements.

County Expenses

Total Expenses

The County's total expenses for FY 2019 were \$350 million, an increase of approximately \$32 million or 10% from the prior year. Expenses comprise the cost of County operations and are presented below based on function.



Function	Amount	Description
General Government	\$17.9 million	General Government expenses are generated by the Board of Supervisors, County Administrative Office, County Counsel, Clerk of the Board, Auditor-Controller, Assessor, Treasurer-Tax Collector, etc. Most functions considered part of the general government fall into this category.
Public Protection	\$101.6 million	Public Protection departments consists of the Sheriff, Jail Operations, Probation, Public Defender, District Attorney, Planning, Building, Child Support, etc. Functions deemed to protect the public generally fall into this category. Approximately 31.5% of these expenses are funded by the General Fund.
Public Ways and Facilities	\$25.1 million	Public Ways and Facilities includes all operations of the Roads Department as well as the operations of the various County Permanent Road Divisions (owner supported agreements for the maintenance of private roads).
Health and Sanitation	\$71.7 million	Public Health, Mental Health, Drug and Alcohol Programs and Environmental Health are the primary departments in this category. Approximately 0.85% of these expenses are funded by the General Fund.
Public Assistance	\$124.7 million	Public Assistance is comprised of Social Services, Indigent Care, Economic Assistance, and Housing. Approximately 3.35% of these expenses are funded by the General Fund.
Education	\$1.6 million	Education expenses are primarily the County contribution to the library system.
Recreation	\$0.19 million	Expenses related to County parks and Veterans facilities.
Interest on Debt	\$0.9 million	Interest on debt is related to the Shasta County Administrative Center bonds, the Courthouse Improvement bonds, and Energy Retrofit projects.
Enterprise Funds	\$7.0 million	Expenses related to providing services in the various County Service Areas, Permanent Road Divisions, Solid Waste Operations, Transit and Fall River Mills Airport.

CalPERS Pension

Pension

All qualified permanent and probationary employees are eligible to participate in Shasta County's separate Safety (sworn peace officers) and Miscellaneous (all other) pension plans. The plans are agent multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers.

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

Members

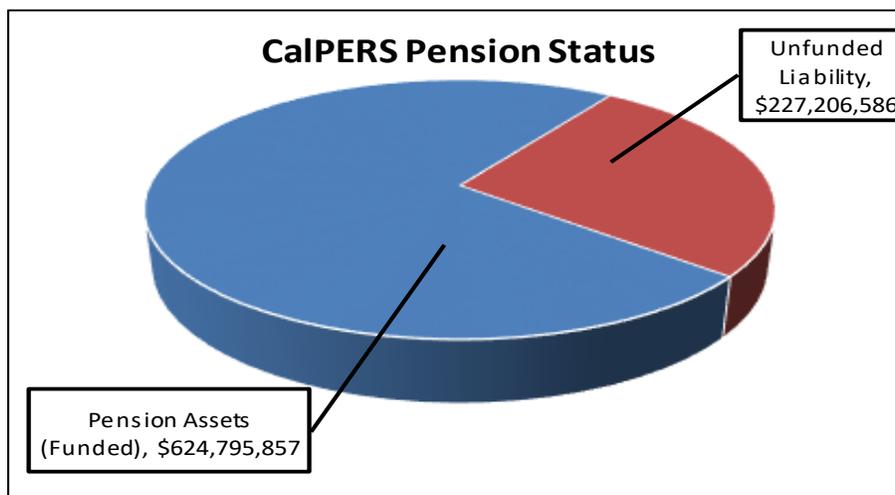
There are 1,957 active employees, 2,657 inactive employees or beneficiaries currently receiving benefits, and 1,652 inactive employees entitled to, but not receiving benefits. The average retired employee or beneficiary annual compensation was \$18,259.

Net Pension Liability (NPL)

The County's NPL is measured as the total pension liability less the plans assets. The total liability is determined by an actuarial study. This study calculates the liability based on age, retirement age, mortality, inflation, and earnings on plan assets. The actuarial study also determines the amount of employee and employer contributions for the corresponding time period. Recent State legislation has placed reforms on pensions in order to preserve the fund for future generations.

As of June 30, 2018, the County's total pension liability (Safety and Miscellaneous) was \$852,002,444, with plan assets of \$624,795,857, resulting in a NPL of \$227,206,586. For the same period, employer contributions were \$21,281,078, employee contributions were \$7,314,722, and investment earnings were \$50,024,481. The same period also saw interest charges (on the total pension liability) of \$57,771,586 and benefit payments of \$44,891,862. The Safety Plan was considered funded at 68% and the Miscellaneous Plan was funded at 75%. A plan is considered 100% funded when sufficient assets are on hand to pay all current and future retiree pension costs.

A more comprehensive look at the County retirement plan can be viewed in the County Comprehensive Annual Financial Report for the year ending June 30, 2019.



Other Post Employment Benefits (OPEB)

Other Post Employment Benefits (OPEB)

The County of Shasta Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the County. The plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The County provides retiree healthcare benefits to employees retiring from the County. Medical coverage is provided through CalPERS healthcare program (PEMHCA) except for County Trades and Crafts/Teamster provided through the union sponsored plan. The County pays a portion of retiree healthcare premiums that vary by bargaining unit and length of service according to bargaining agreements. Also under requirements of state and local law, the County pays the medical insurance coverage for employees that retire due to disability. No vision or life insurance benefits are provided.

The County has prefunded a portion of its OPEB benefits in Public Agency Retirement Services Trust (PARS). PARS is an Internal Revenue Code Section 115 trust designed for agencies to accumulate resources for future obligations. PARS invests the funds per the Trust agreement with the County.

Members

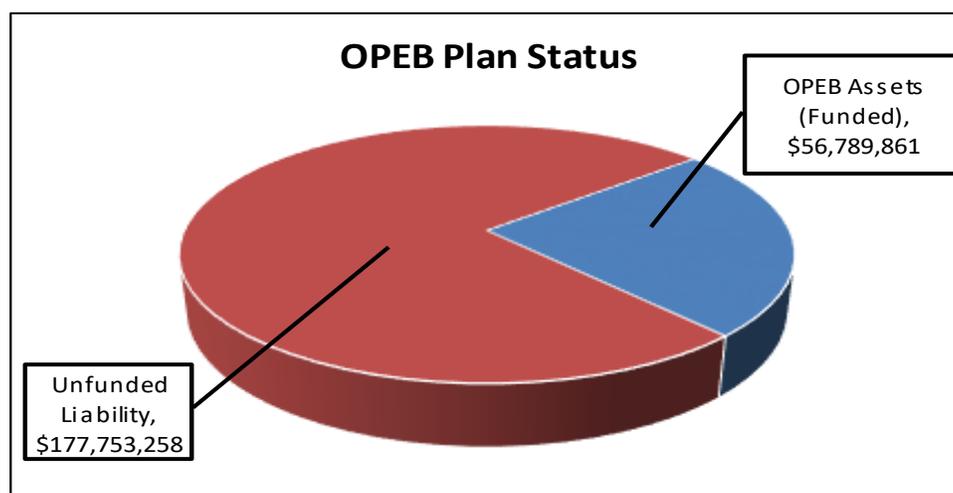
There are 1,774 active participants and 1,334 inactive employees or beneficiaries currently receiving benefits. All new hires after January 1, 2017, will be eligible to participate in a County sponsored 401(a) plan in lieu of retiree healthcare benefits. Eligible employees must participate in a deferred compensation plan to be eligible for participation in the 401 (a) plan. New hires will only be eligible for the CalPERS Minimum Required Contribution towards healthcare. The implementation of the 401 (a) plan is projected to allow the County to be fully funded by 2039/40.

Net OPEB Liability

The County's Net OPEB Liability is measured as the total OPEB liability less the plan's assets, similar to the pension calculation. The total liability is determined by an actuarial study. This study calculates the liability based on age, mortality, health care inflation rates, and earnings on plan assets.

As of June 30, 2018, the County's total OPEB liability was \$234,543,119 with plan assets of \$56,789,861 resulting in a Net OPEB Liability of \$177,753,258. The County funds the OPEB plan on a pay-go basis as well as funding the PARS trust with a 3% of covered-employee payroll contribution. Pay-go funding means that all current retiree health care costs are paid directly from current County resources. Total contributions (pay-go and trust contributions) for the year ended June 30, 2019 were \$11,807,213.

A more comprehensive look at the County OPEB plan can be viewed in the County Comprehensive Annual Financial Report for the year ending June 30, 2019.



Department Highlights:

Auditor-Controller's Office

Who we serve:

The Auditor-Controller is the main financial officer of the county. The Auditor-Controller performs duties under the legal authority prescribed in the California Government Code. The Auditor-Controller is an elected official that is responsible for providing a broad range of financial accounting and auditing services to all County departments, agencies, and various special districts within the Shasta County whose funds are kept in the county treasury.

While ensuring that County departments have all necessary accounting functions provided to maintain operations, the Auditor-Controller also ensures that those functions are compliant with all federal, state, and local regulations. In addition to County departments, the office provides cash management services (in conjunction with the Treasurer's office) to the various school districts located within the County. Of particular importance is the collection of taxes and payments related to all school debt issuance. These cash management (and tax collection) functions are required by government code and assist the various schools in safeguarding public resources.

Accounting services are also provided to various independent districts located within the County. These independent (separate Board from the Board of Supervisors) districts are comprised of fire districts, cemetery districts, and vector control districts. The cost for these accounting services is borne by the County per direction from the Board of Supervisors.

The public's trust in government is essential to an entity's success and the Auditor-Controller's office strives to provide timely, accurate information for public use. Whether providing information through public records requests or producing the award winning Comprehensive Annual Financial Report (CAFR), the Auditor-Controller's office holds the public interest to the highest level.

The Auditor-Controller's office is committed to working with integrity and professionalism to provide the citizens, the other county departments, and the agencies of Shasta County with accurate and timely financial reports and services.

Fun Facts (Statistics):

All numbers are for the Fiscal Year ending June 30, 2019:

Number of Invoices approved for Payment:	72,888
Number of Payroll checks issued:	53,363
Number of Deposits posted:	9,841
Number of Journal Entries posted:	5,581
Number of Funds managed (excluding 279 school funds):	296
Transit Occupancy Tax audits performed/amounts recovered:	13/\$108,319

Contacts:

Contact information provided below for the respective area/function:

Payroll	Jennifer Lamprecht	530-245-6663	AuditorPayroll@co.shasta.ca.us
Property Tax	Debbie Edwards	530-245-6615	AuditorPropertyTax@co.shasta.ca.us
Systems and Accounting	Rich Vietheer	530-245-6660	AuditorSecurity@co.shasta.ca.us
Financial Reporting	Sam Osborne	530-245-6664	AuditorReporting@co.shasta.ca.us
Assistant Auditor-Controller	Nolda Short	530-245-6657	nshort@co.shasta.ca.us
Auditor-Controller	Brian Muir	530-225-5541	bmuir@co.shasta.ca.us