

COUNTY *of* SHASTA

Annual Citizens' Report

FOR THE YEAR ENDED JUNE 30, 2020



BRIAN MUIR, AUDITOR-CONTROLLER

Inside the Citizens' Report

Table of Contents

Auditor-Controller's Message _____	2
Shasta County Information _____	3
Financial Summary and Trends _____	5
County Revenues _____	7
County Expenses _____	8
CalPERS Pension _____	9
Other Post Employment Benefits (OPEB) _____	10

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, 2020 and covers the County's fiscal operations for the previous twelve month period, hereafter referred to as Fiscal Year (FY) 2019-20.



Financial Data Sources

While the Citizens' Report is not audited, the financial information in this report has been compiled from the County's audited 2019-20 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

Dear Shasta County Residents...

I am honored to present the County's Financial Highlights report, also known as the Popular Annual Financial Report (PAFR), for fiscal year July 1, 2019 through June 30, 2020.

Financial Highlights

At the close of the most recent fiscal year, *net position* of the County was \$75,304,248. Additional details on Net Position are presented on Page 5.

In FY 2019-20, government-wide revenues increased \$5.1 million, while expenses increased \$18.7 million. A portion of increased expenses were attributed to the immediate response to the Covid-19 pandemic and corresponding CARES Act revenue unavailable until FY 2020-21. Additionally, the County's assets increased \$19.4 million, while liabilities only increased \$1.2 million.

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 \$3.7 billion (inclusive of Proposition 8 adjustments) from the peak in 2008 and subsequent drop, despite the Covid-19 pandemic. Unemployment rates continue to mirror state and national trends as well. The full impact of the pandemic on employment rates is still unfolding.

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 that began January 1, 2017, and the liability should be eliminated over the next 18 years.

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. Beginning in the Fall of 2019, employee bargaining units 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. Eleven of the thirteen units have agreed to increase employee contributions by 1%.

Although the County is seeing modest increases in year-to-year property tax receipts (discretionary revenues), with the Covid-19 pandemic continuing through fiscal year-end into FY 2020-21, 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.

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

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

Sincerely,



Brian Muir,
Auditor-Controller
County of Shasta



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 178,045 as of January 1, 2020. 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. The County was named after Mount Shasta as it was originally within the County, but is now part of Siskiyou County, to the north. Residents residing in the County are represented by members of the Board of Supervisors that correspond to districts within the County.

Supervisors and their district 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.

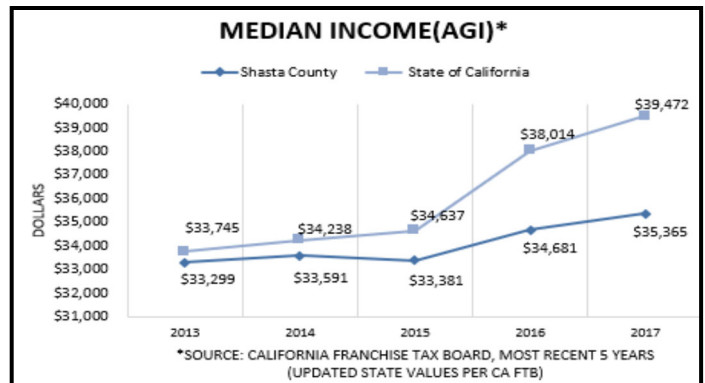
Demographics and Economy

Median income of \$35,365, as reported to the Franchise Tax Board, increased 1.97% from 2016 to 2017 (the most recent data from FTB) for the residents of Shasta County. Shasta County 2017 median income was approximately 11.6% lower than the State median. Shasta County ranked 36th out of 58 counties when comparing annual income in 2017; in 2016 the County was ranked 34th, representing a slight decline.



County Staff and Services

The County employed approximately 2,041 full-time equivalent employees during the 2019-20 fiscal year. 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.



Energy Retrofit Project

During FY 2019-20, the County began an energy retrofit project. The project is expected to be completed by the end of FY 2020-21.

The project includes the installation of fifteen solar arrays with a combined generation capacity of 2.1 MW, substitution of LED lighting at fifteen sites, replacement of HVAC equipment at seven sites, and upgrades to HVAC controls at various sites.

Estimated expenses financed through a long-term capital lease of \$21.2 million, are expected to be recovered in energy savings over the next thirty years, with an additional net savings of approximately \$9.3 million.

Shasta County Information (Cont.)

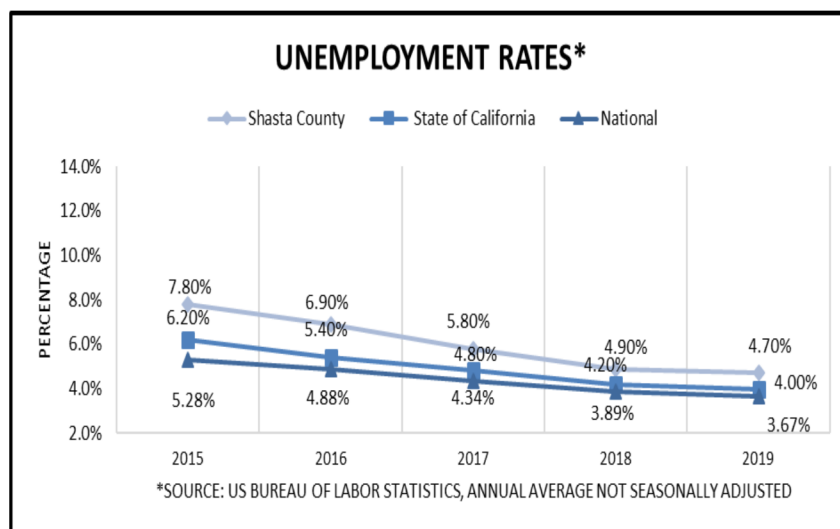
Employment

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 2019 was 4.7%, which is higher than the State rate of 4.0%. While Shasta County's unemployment rate is higher than the State average, it is lower than the average for five of the six adjacent counties (Siskiyou, Trinity, Tehama, Plumas, and Modoc) which was 6.5%.

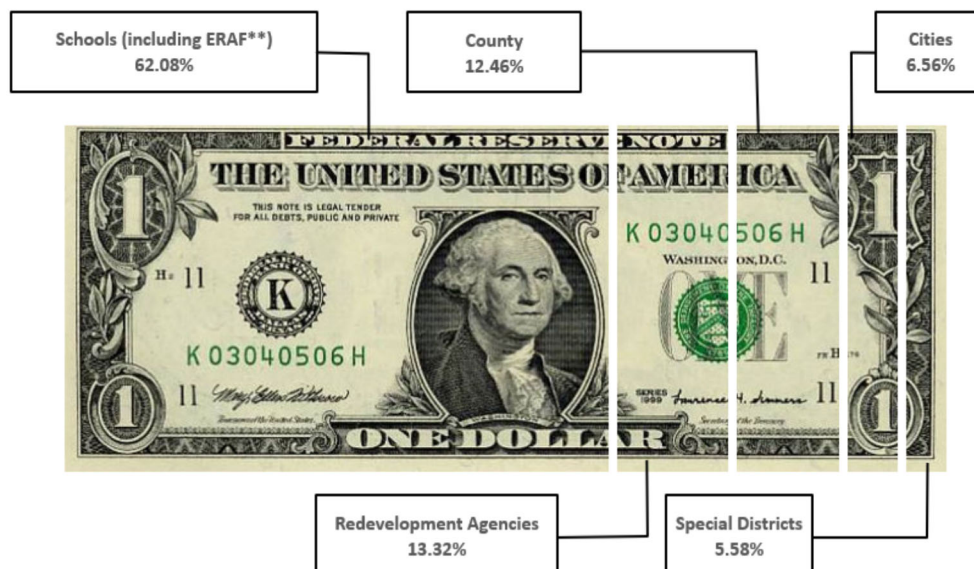
Overall economic job growth is predicted to increase 6.3% from 2017-2022, led by retail sales growth of 7.0%. The fastest growing job sector over the same period is expected to be Health and Education. As a result of the expected growth, the personal income is expected to rise by 9.9%.

Median Home Prices

The median home prices increased from \$265,800 to \$284,000 from 2019 to 2020, an increase of 6.8%. 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 external restrictions. 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 2019-20 the County's net position was \$75.3 million. However, the unrestricted portion of the net position was a deficit of \$231.2 million, largely attributable to long-term liabilities associated with pensions (\$251.3 million) and post-employment healthcare (\$143.8 million).

Net Position

At the end of FY 2019-20, the County's Net Position decreased by \$7.2 million in comparison with the prior year. The change in net position represents a variety of activity during the year (increases and decreases), comprised mainly of:

- A minor increase in interest and investment earning revenues
- Decrease in capital grant and contribution revenues in certain funds
- Increases in expenditures in certain funds
- Increased expenditures in governmental activities that exceeded corresponding revenues

During the year, the County's total assets and deferred outflows increased by \$21.8 million and liabilities and deferred inflows increased by \$28.9 million resulting in an overall decrease in net position of \$7.2 million.

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

	FY 2020	FY 2019	Change
Current and Other Assets	\$ 355,794	\$ 340,182	\$ 15,612
Capital Assets	205,030	201,272	3,758
Total Assets	560,824	541,454	19,370
Deferred Outflows of Resources	58,391	55,983	2,408
Total Assets and Deferred Outflows of Resources	619,215	597,437	21,778
Current and Other Liabilities	33,653	37,032	(3,379)
Long-Term Liabilities	471,583	466,985	4,598
Total Liabilities	505,236	504,017	1,219
Deferred Inflows of Resources	38,678	10,940	27,738
Total Liabilities and Deferred Inflows of Resources	543,914	514,957	28,957
Invested in Capital Assets, Net of Related Debt	169,458	169,362	96
Restricted	137,083	141,452	(4,369)
Unrestricted	(231,236)	(228,334)	(2,902)
Total Net Position	\$ 75,304	\$ 82,480	\$ (7,175)

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. Net position may serve over time as a useful indicator of a government's financial position.

Due to the damage from the Carr Fire in July of 2018, County Service Area (CSA) No. 25-Keswick was no longer considered a viable entity. An annexation of CSA No. 25-Keswick's assets to Shasta Community Service District was completed during FY 2019-20, resulting in a special item (loss) of \$1.7 million.

The table below represents the activities of Shasta County:

	Total Activities (in thousands)		
	FY 2020	FY 2019	Change
Revenues			
Program Revenues:			
Charges for Services	\$ 39,889	\$ 39,418	\$ 471
Operating Grants/Contributions	271,498	268,740	2,758
Capital Grants/Contributions	4,241	5,179	(938)
Property Taxes	30,094	28,750	1,344
Sales and Use Taxes	4,479	4,615	(136)
Other Taxes	2,636	2,601	35
Interest and Investment Earnings	5,972	4,863	1,109
Miscellaneous	5,119	4,603	516
Total Revenues	\$ 363,928	\$ 358,769	\$ 5,159
Expenses			
General Government	17,437	17,933	(496)
Public Protection	107,262	101,568	5,694
Public Ways and Facilities	21,546	25,125	(3,579)
Health and Sanitation	76,457	71,684	4,773
Public Assistance	136,236	124,659	11,577
Education	2,015	1,608	407
Recreation	207	185	22
Interest on Debt	1,019	870	149
Enterprise Funds	7,183	6,968	215
Total Expenses	\$ 369,362	\$ 350,600	\$ 18,762
Excess/(Deficiency) Before Transfers	(5,432)	8,168	(13,600)
Transfers	-	-	-
Special Items	(1,743)	-	(1,743)
Change in Position	(7,175)	8,168	(15,343)
Net Position - Beginning	82,479	74,313	8,166
Net Position - Ending	\$ 75,304	\$ 82,477	\$ (7,172)

Long Term Debt

At the end of the current fiscal year, the County had total debt obligation outstanding of \$40.5 million. Of this amount, \$24.8 million comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, \$14.4 million capital lease obligation for the energy retrofit (additional details on page 3), 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

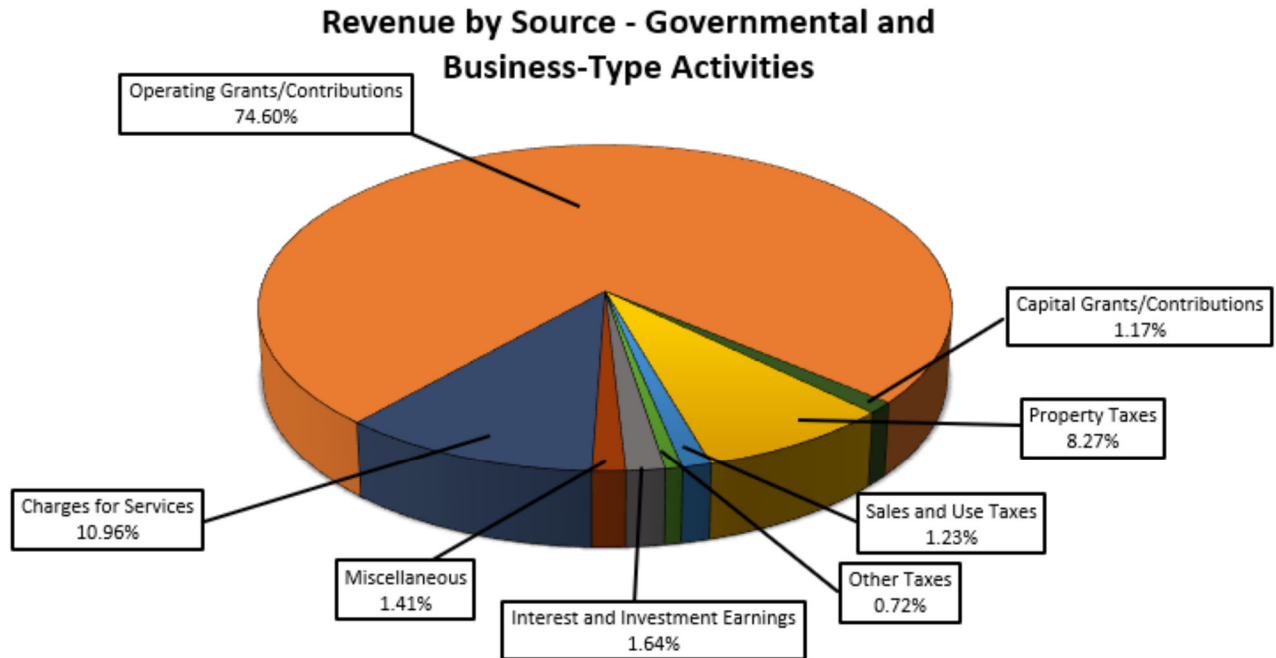
	Total	
	2020	2019
Lease Revenue Bonds	\$ 24,810,000	\$ 26,890,000
Special Assessment Bonds	629,800	648,800
Water/Sewer Bonds	-	20,000
Capital Lease Obligations	14,416,303	-
Financing Leases	-	617,011
Notes Payable	3,172,414	3,345,917
Debt Obligation	43,028,517	31,521,728
Unamortized Bond Premium	357,513	387,940
Total Debt	43,386,030	31,909,668
Less Current Portion	(2,827,598)	(2,440,404)
Net Long-Term Debt	\$ 40,558,432	\$ 29,469,265



County Revenues

Total Revenues

The County's total revenues for FY 2019-20 were \$364 million, an increase of approximately \$5.2 million or 1.4% 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.

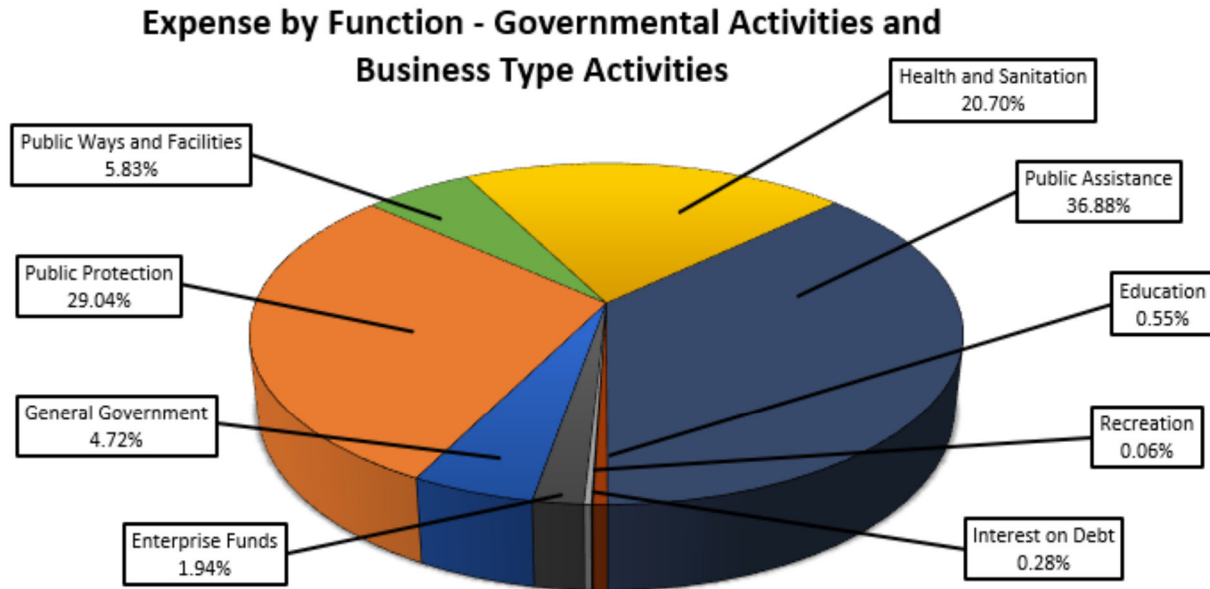


Source	Amount	Description
Charges for Services	\$39.9 million	Charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided.
Operating Grants & Contributions	\$271.5 million	Mandatory and voluntary nonexchange/exchange transactions with other 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	\$4.2 million	Grants that are restricted for the construction, purchase, or renovation of capital assets for a particular program.
Property Taxes	\$30.1 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	\$7.1 million	Sales and use tax, Transient Occupancy Tax (tax on temporary lodging within the County), and other miscellaneous taxes.
Investment Earnings	\$5.9 million	Earnings from the Treasurer's investments of the County Treasury pool per approved investment policy.
Miscellaneous	\$5.1 million	Revenues comprised of reimbursements, various miscellaneous revenues, and settlements.

County Expenses

Total Expenses

The County's total expenses for FY 2019-20 were \$369 million, an increase of approximately \$18.7 million or 5.4% from the prior year. Expenses comprise the cost of County operations and are presented below based on function.



Function	Amount	Description
General Government	\$17.4 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	\$107.3 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	\$21.5 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	\$76.4 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	\$136.2 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	\$2.0 million	Education expenses are primarily the County contribution to the library system.
Recreation	\$0.2 million	Expenses related to County parks and Veterans facilities.
Interest on Debt	\$1.0 million	Interest on debt is related to the Shasta County Administrative Center bonds, the Courthouse Improvement bonds, and Energy Retrofit projects.
Enterprise Funds	\$7.2 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 can be eligible to retire as early as 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

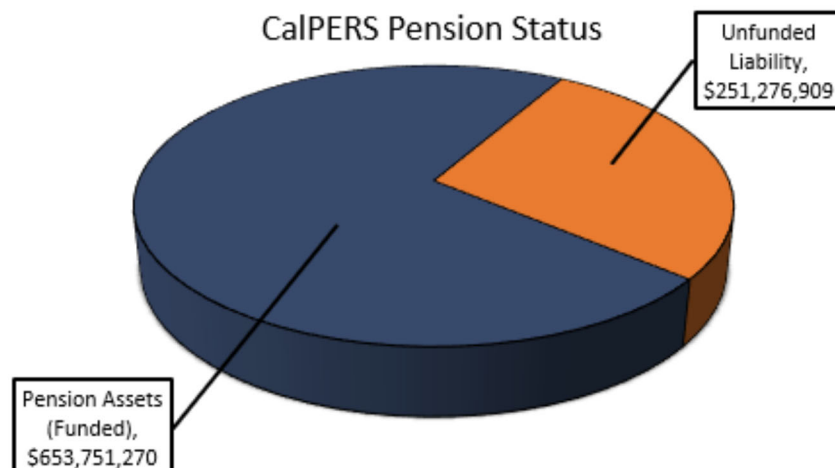
There are 1,926 active employees, 2,740 inactive employees or beneficiaries currently receiving benefits, and 1,746 inactive employees entitled to, but not receiving benefits. As of June 30, 2019, the average retired employee or beneficiary annual compensation was \$18,618.

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, 2019, the County's total pension liability (Safety and Miscellaneous) was \$905,028,179, with plan assets of \$653,751,270, resulting in a NPL of \$251,276,909. This represents a 10.6% increase over the NPL as of June 30, 2018. Also as of June 30, 2019, employer contributions were \$24,301,096, employee contributions were \$7,650,761, and investment earnings were \$41,134,001. The same period also saw interest charges (on the total pension liability) of \$61,380,141 and benefit payments of \$55,432,823. The Safety Plan was considered funded at 66% and the Miscellaneous Plan was funded at 73%. 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, 2020.



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 is 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

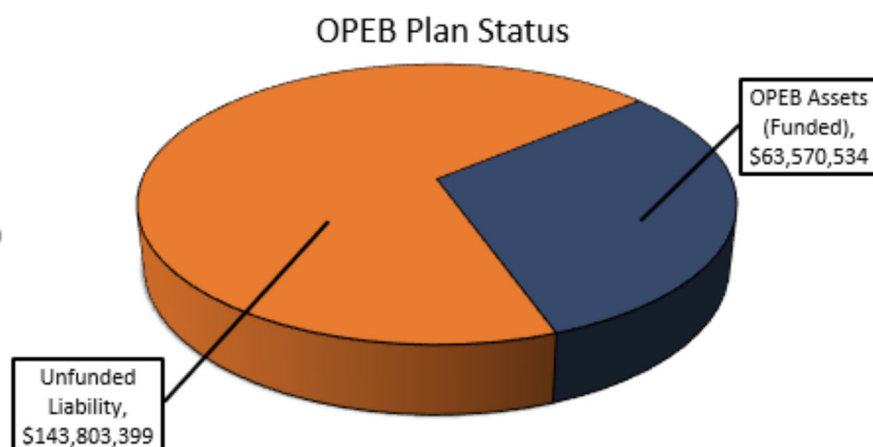
There are 1,764 active participants and 1,277 inactive employees or beneficiaries currently receiving benefits. All new hires after January 1, 2018, will be eligible to participate in a County sponsored 401(a) plan in lieu of retiree healthcare benefits. Eligible employees must participate in a deferred 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 2038/39.

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, 2019, the County's total OPEB liability was \$207,373,933, with plan assets of \$63,570,534, resulting in a Net OPEB Liability of \$143,803,399. This represents a 19.1% decrease from the Net OPEB Liability as of June 30, 2018. The County funds the OPEB plan on a pay-go basis as well as funding the PARS trust with a 4% 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, 2020 were \$13,088,797.

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, 2020.



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, 2020:

Number of Invoices approved for Payment:	69,148
Number of Payroll checks issued:	55,904
Number of Deposits posted:	9,425
Number of Journal Entries posted:	5,254
Number of Funds managed (excluding 279 school funds):	269
Transit Occupancy Tax audits performed/amounts identified as recoverable:	21/\$72,505

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	Michelle Gambill	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