

Josephine County Oregon

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2017

Josephine County, Oregon

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017



Report Prepared by Josephine County Finance Department

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JOSEPHINE COUNTY, OREGON



Josephine County Courtroom

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017
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JOSEPHINE COUNTY, OREGON



District Attorney's Office

INTRODUCTORY SECTION





Josephine County, Oregon

Finance Office

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Grants Pass OR 97526

(541) 474-5255 / FAX (541) 474-5258 / TTY (800) 735-2900

Date: 12/21/2017

To the Citizens of Josephine County and
Members of the Board of Commissioners

We are pleased to present to you the audited Comprehensive Annual Financial Report (CAFR) of Josephine County for the fiscal year ended June 30, 2017. This report is published to provide the Board of Commissioners, our citizens, County staff, and other readers with detailed information about the financial position and results of operations of the County, and to demonstrate fiscal and operational accountability in the use of County resources. This report fulfills the requirements of Oregon Revised Statute 297.425 and other state and local laws.

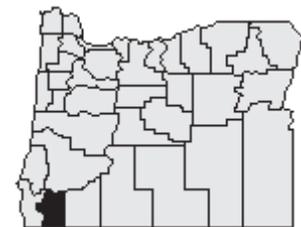
Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon the framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. We believe, to the best of our knowledge, the financial statements are complete and reliable in all material respects.

The independent audit firm of Moss Adams has audited the County's basic financial statements. The unmodified opinion rendered in this report indicates that the financial statements conform to generally accepted accounting principles (GAAP) and are free from material misstatement. The auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Josephine County Government

Josephine County was established on January 22, 1856 and is located in the southwestern corner of the State of Oregon. The County's boundaries encompass an area of 1,641 square miles. The County's population is estimated to be about 85,900.



The purpose of Josephine County is to effectively provide essential public services for all County citizens as authorized in state law and county charter. The County provides a wide range of public services, which can be grouped as follows:

- General Government – Includes voter registration, ballots, elections, document recording (County Clerk); assessment and maintenance of ownership records of all properties, computation of property tax bills (County Assessor); collection and distribution of property taxes on all property for the benefit of the County and all other taxing districts located in the County (Tax Collector); and investment of all County funds and agency funds (County Treasurer), and Emergency Management.
- Public Safety – Includes the Sheriff which operates the county jail, patrols, emergency services, crime investigation, records and dispatch; the District Attorney which provides prosecution of criminals and collection of child support; the Juvenile Department which provides assessment, evaluation and probation supervision of delinquent youth, and oversight of the juvenile offenders through juvenile court and youth programs; Community Corrections, which is funded by the state, to provide supervision of adult felony and misdemeanor cases placed on probation or parole, drug and alcohol treatment for adult offenders, and operation of the community service work crew program.
- Community Development – Includes implementation of the County's land use program, issuance of land use permits, provision of land use information and other planning services (Planning Department); issuance of building permits, plan reviews, and building inspections (Building Safety Department); collection, storage and

providing public access to land survey, corner and property boundary records (County Surveyor); operation of forest management and harvest on County owned land and fire mitigation plans within the County (Forestry Department).

- Public Works – Primarily construction and maintenance of the County’s roads and bridges.
- Culture and Recreation – Includes operation of the County’s Parks and public boat ramps, County Airports in Merlin and the Illinois Valley, and County Fairgrounds.
- Health and Human Services – Includes provision of health care education, inspections of restaurants and public water drinking systems, health and disaster emergency services, maintenance of vital records, and animal protection and regulation (Public Health Department); transportation for elderly and disabled and operation of public bus transportation (Transit Department); provision of veterans services (Veterans Service Office); and administration of state and federal grants for mental health services and prevention and treatment of alcohol and drug abuse, which the County contracts to not-for-profit providers (Mental Health Authority).
- Debt Service – Payment of principal and interest, primarily on the Adult Jail Facility Bonds and the PERS Bonds.

Josephine County operates under a home-rule charter wherein voters have the power to adopt and amend their own county government organization. The Board of Commissioners (BCC) is the governing body of the County. The BCC consists of three commissioners who are elected at large for four-year terms. Within the limits of state law and county charter, the BCC is empowered to adopt ordinances, establish programs, levy taxes, appropriate funds, make appointments, and zone property in the unincorporated area. In addition, members of the Board represent the County on numerous intergovernmental bodies. The daily administrative functions of each County department are overseen by managers appointed by the BCC or by one of seven Elected Officials – Sheriff, District Attorney, Assessor, Clerk, Surveyor, Treasurer, and Legal Counsel.

The annual budget serves as the foundation of the County’s financial planning and control. The budget is prepared and adopted for all County funds as required by Oregon Local Budget Law (ORS 294.305). The County Budget Officer prepares a balanced budget that is presented to the public and a six-member Budget Committee. The Budget Committee is comprised of the three Commissioners and three citizens appointed from the public at large by the BCC. Each of the citizens serves a three-year term (terms are staggered so one is up for replacement each year), and they are not paid for their services. The Budget Committee reviews and approves the budget in hearings open to the public. The BCC adopts the approved budget via resolution authorizing appropriations for each department or expenditure category within a fund, setting the levels that expenditures cannot legally exceed.

Relevant Financial Policies

Josephine County has adopted financial and budget policies to support the County’s strategic goals, ensure stability in service delivery, and promote the efficient use of public funds.

- A minimum of \$4 million is budgeted for general fund contingency, with a long-term goal to accumulate a \$6 million contingency in general fund.
- The County established the Property Reserve Funds to accumulate funds for purchases, major repairs, or improvements to county owned real property and infrastructure.
- The County established the Equipment Reserve Fund to accumulate funds to purchase items of equipment having a cost in excess of \$5,000.
- The County is investing in technology to improve efficiencies within departments and enhance services to citizens.

Financial Conditions and Outlook

Local Economy – Josephine County’s industry and economic activity is mostly centered in and nearby the City of Grants Pass. The economy, once dependent on the timber industry, is now highly diversified. Salaries and wages in Josephine County tend to be low compared to the state. Unfortunately, the unemployment rate tends to be above average, approximately 5.0% in June 2017 compared to the state average of 3.6%.

Population Growth – Since 2010 the County has added about 3,000 new residents, for an increase of 3.7%. The population is also aging, which creates a greater demand for the services provided by the County. However, due to our low property tax rate, the County receives very little additional revenue from population growth.

Property Tax – Josephine County levies \$0.5867 per \$1,000 assessed value, which is the lowest property tax rate in the state. Property taxes make up about 12% of the County’s total revenue, or about \$5.7 million annually. Annual property tax revenues continue to have modest growth, with assessed values on individual properties generally increasing 3 percent per year up to the level of real market value. However, our ability to increase property tax revenues is severely constrained by the passage of Ballot Measures 5, 47, and 50 that placed statewide constitutional limitations on increasing tax rates and on increasing assessed values.

Tax Abatement Transparency – In 2010, Josephine County and the City of Grants Pass formed the Rogue Enterprise Zone, which is a designated area to encourage business investment in that area through property tax relief. Businesses enter into abatement agreements with the City of Grants Pass. For the 2016-17 tax year, Josephine County’s estimated tax abatements are \$13,300. Additional information can be found on the City’s website at www.grantspassoregon.gov.

Federal Timber Revenue – Approximately 62% of Josephine County is owned by the federal government. Sharing timber harvest revenue on National Forest lands with the counties goes back more than a century, beginning with President Harrison in 1893. In addition to National Forest lands, in 1916 the federal government reclaimed 2.8 million acres in Oregon that had originally been designated for a railroad, creating what we now call the O&C lands.

Recognizing the fiscal constraint to counties by lack of taxation on this federally claimed land, the federal government agreed to manage the land, harvest the timber, and share the proceeds with the counties. However, federal policies changed beginning in the 1970s. The National Forest Management Act of 1976, the Clean Water Act, the Environmental Policy Act, and the Endangered Species Act all had the effect of sharply decreasing the ability to harvest timber, thereby decreasing the revenue counties were receiving.

In the last 13 years, federal timber payments to Josephine County decreased about 86%, going from \$16.5 million in 2004 to \$2.3 million in 2017. The County expects timber receipts to be steady at approximately \$2.0 million per year for the next several years.

Plan for the Future – The County has adapted to the decrease in federal support by making significant budget cuts in general fund programs, particularly in the area of public safety. Programs and departments that once received some support from the general fund are now self-sustaining using revenue sources they generate, such as fees, grants, and state or federal contracts. Service reductions and other strategic efforts have been implemented that will allow the County to continue to operate, although at reduced levels.

In May 2017, county voters passed a new operating levy for the Adult Jail and Juvenile Detention Facility. The five-year levy is \$0.93 cents per \$1,000 of assessed value and will provide approximately \$7.2 million for the 2017-18 fiscal year. While this does not completely offset the reduction in federal timber revenue, it does provide a five-year window for the Board of Commissioners to develop long-term revenue replacement options. The Board of Commissioners is working with department managers, elected officials, and citizen groups to develop options regarding revenue replacement and/or reductions of County services in future operating budgets. Revenue replacement from local property tax measures and business license fees is being considered, as well as statewide tax rate changes. Reductions in specific programs are being identified that will allow us to maintain a balanced budget.

Awards and Acknowledgments

Certificate of Achievement – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Josephine County for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 19th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment – The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office. Our appreciation is also given to the professional management and accounting personnel in each department; without their contribution this report could not be developed. Finally, we want to thank the Board of County Commissioners for their support in conducting the financial operations of the County.

Respectfully Submitted,



Arthur O’Hare
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Josephine County
Oregon**

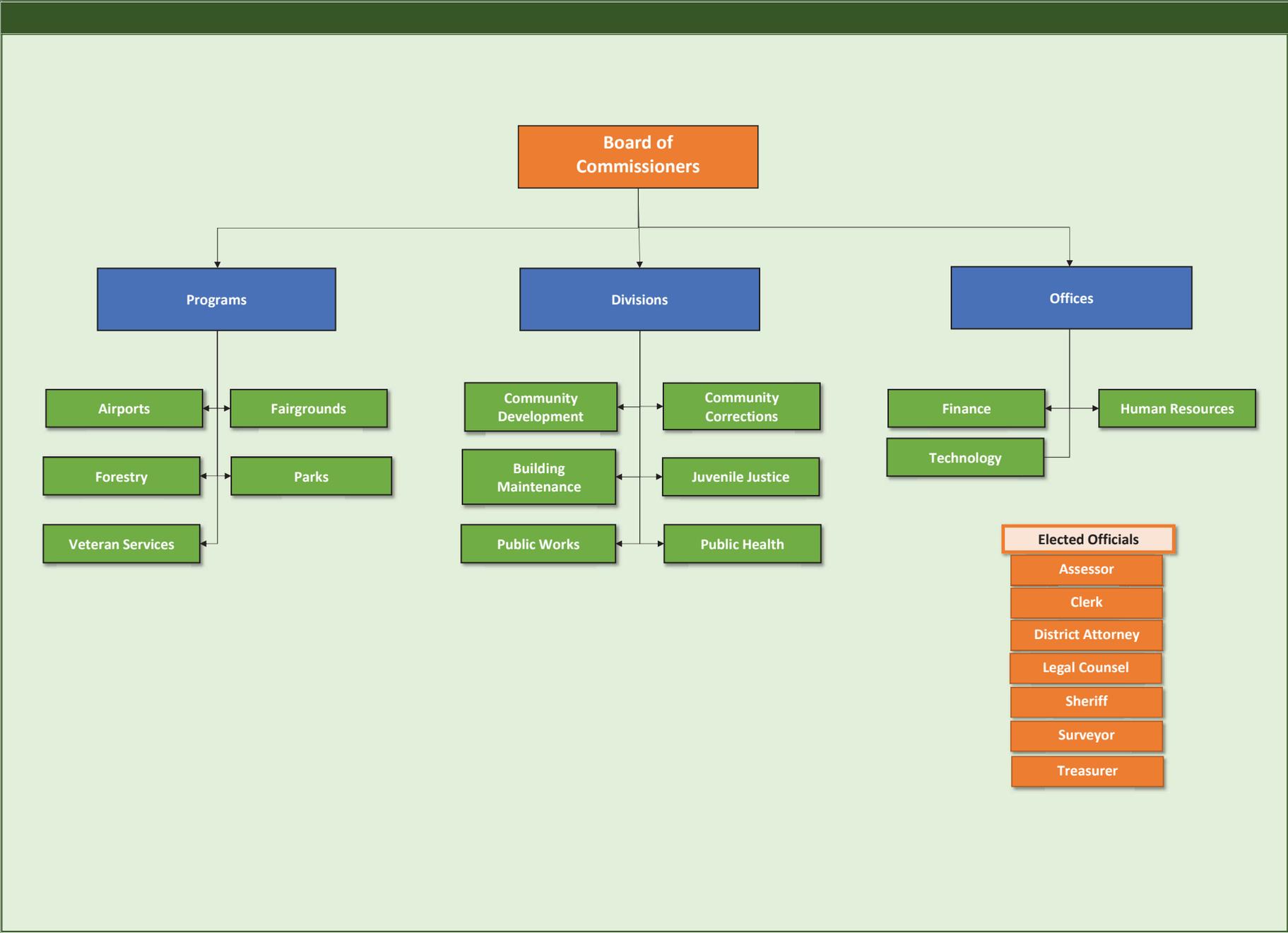
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

Josephine County Org Chart
 FY2016-17 Budget



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JOSEPHINE COUNTY, OREGON

LIST OF ELECTED AND APPOINTED OFFICIALS

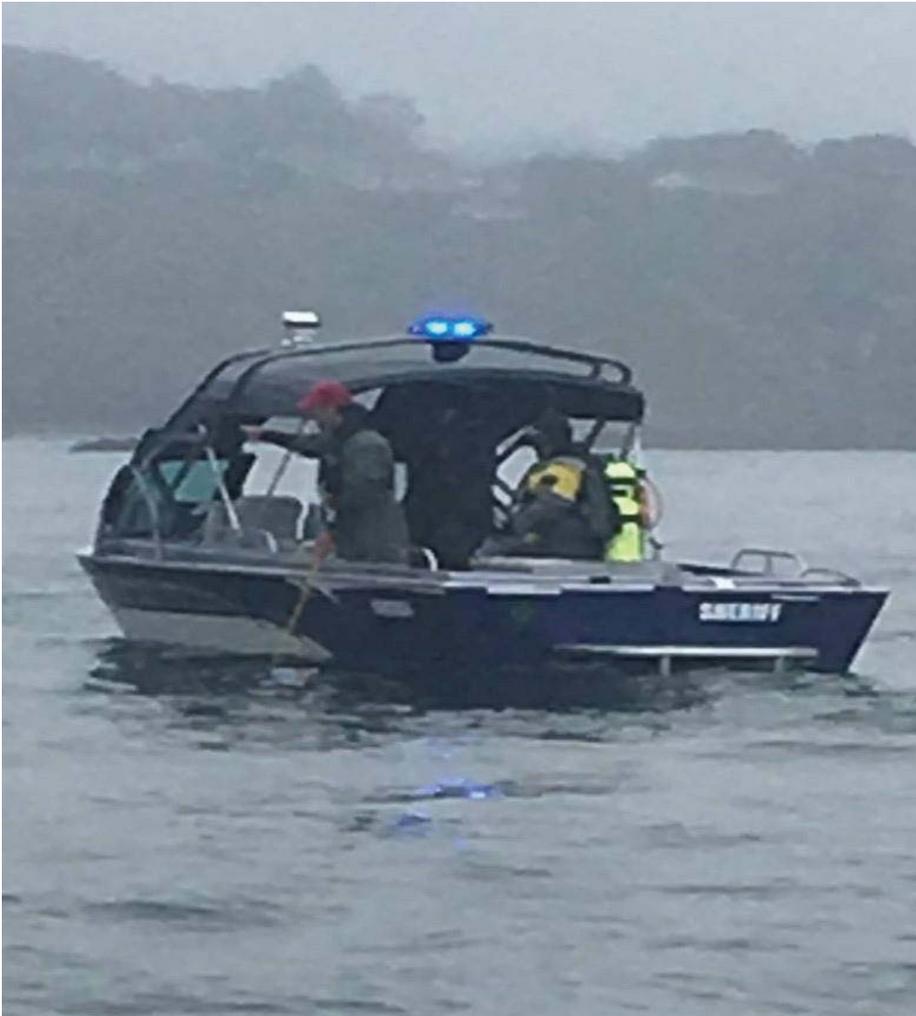
JUNE 30, 2017

Elected Officials		Term Expires
Simon G. Hare	Chair, Board of County Commissioners	2019
Lily N. Morgan	Vice Chair, Board of County Commissioners	2021
Daniel E. DeYoung	Commissioner, Board of County Commissioners	2021
Connie Roach	Assessor	2021
Rhiannon Henkels	Clerk (Appointed)	2019
Wally Hicks	County Counsel	2019
Ryan Mulkins	District Attorney	2021
Dave Daniel	Sheriff	2019
Peter Allen	Surveyor	2021
Eve Arce	Treasurer	2021

Appointed Officials

Larry Graves	Airports
Mark Stevenson	Building and Safety
Nate Gaoiran	Community Corrections
Julie Schmelzer	Community Development/Planning
Ryan Johnson	Facilities
Peggy Anderson	Fair
Arthur O'Hare	Finance Director
David Streeter	Forestry
JJ Scofield	Human Resources
John McCafferty	Information Technology
James Goodwin	Juvenile Justice
Sarah Wright	Parks
Michael Watson	Property Management
Diane Hoover	Public Health
Robert Brandes	Public Works
Scott Chancey	Transit
Lisa Pickart	Veteran's Service

JOSEPHINE COUNTY, OREGON



Josephine County Sheriff Department Rescue