

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Josephine County, Oregon

Report on Compliance for Each Major Federal Program

We have audited Josephine County, Oregon's (the County) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mass Adams LLP

Medford, Oregon
December 21, 2017

JOSEPHINE COUNTY, OREGON

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Grantor or Pass-Through Grantor and Program Title	Federal CFDA Number		Pass-through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior: Bureau of Land Management: Oregon & California Railroad Lands	15.U01	(1)	N/A	\$ -	\$ 2,271,334
Total U.S. Department of the Interior					2,271,334
Passed through Forest Service: Forest Service Schools and Roads Cluster: County Roads & Schools	10.665		N/A	24,841	99,402
Passed through Oregon Dept of Human Services - Health Division & Oregon Health Authority: Women, Infants and Children WIC Breastfeeding	10.557 10.578		148015 148015	- -	443,018 1,047
Total U.S. Department of Agriculture				24,841	543,467
U.S. Department of Justice: Passed through Oregon Department of Justice: VOCA - Crime Victims Assistance Violence Against Women Formula Grant	16.575 16.588		unavailable VAWA-C-2015-00009	- -	92,191 89,509
Total U.S. Department of Justice					181,700
U.S. Office of Environmental Protection Agency: Passed through Oregon Health Authority: State Public Water System Supervision Drinking Water State Revolving Fund Cluster: Capitalization Grant for Drinking Water	66.432 66.468		148015 148015	- -	33,792 37,535
Total U.S. Office of Environmental Protection Agency					71,327
U.S. Department of Transportation: Federal Aviation Administration - Airport Improvement Program	20.106		FA10/11/07	-	964,874
Federal Transit Cluster Urbanized Area Formula Program section 5307 Bus and Bus Facilities Formula Program (passed through from Oregon DOT) Total Federal Transit Cluster	20.507 20.526	OR954064/OR2016016/OR90X171/OR950058	31476	633,350 -	1,572,637 260,100
				633,350	1,832,737
Passed through Oregon Department of Transportation: Drinking Water State Revolving Fund Cluster Capital Assistance Program for Elderly Persons and Persons with Disabilities Drinking Water State Revolving Fund Cluster Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Formula Grants for Other Than Urbanized Areas	20.513 20.505 20.509		30759 30110 30474	- - -	125,426 125,426 28,019 79,082
Total U.S. Department of Transportation				633,350	3,030,137
U.S. Department of Health and Human Services: Passed through Oregon Health Authority: Bioterrorism Preparedness and Response Public Health Emergency Preparedness (PHEP) - EBOLA TB Control and AIDS Family Planning Services Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Mngt State & Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease & Stroke (PPHF) National Bioterrorism Hospital Preparedness Program Assistance Programs for Chronic Disease Prevention and Control CMHS Block Grant for Community Mental Health Substance Abuse Prevention and Treatment (SAPT) Block Grant Maternal and Child Health (MCH) Services Block Grant	93.069 93.074 93.116 93.217 93.734 93.757 93.889 93.945 93.958 93.959 93.994		148015 148015 148015 148015 148015 148015 152328/150065 148015 147792/148944 147792/148452 148015	- - - - - - - - 152,086 361,219 -	82,521 10,756 135 9,643 1,053 (440) 7,920 2,312 152,086 421,103 41,538
Passed through Oregon Department of Justice: Child Support Enforcement	93.563		07-GOV-DA-13	-	162,486
Passed through Health Care Coalition of Southern Oregon: Healthy Start Initiative - Eliminate Disparities in Perinatal Infant & Maternal Health	93.926		H49MC00136	-	107,200
Total U.S. Department of Health and Human Services				513,305	998,312
U.S. Department of Homeland Security: Passed through Oregon Military Department Office of Emergency Management: Emergency Management Performance Grants (EMPG)	97.042		15-517	-	95,511
Total U.S. Department of Homeland Security					95,511
U.S. Dept of General Services Administration: Donation/Disposal of Federal Surplus Personal Property	39.002		N/A	-	(529)
Total U.S. Dept of General Services Administration					(529)
Total Expenditures of Federal Awards				\$ 1,171,496	\$ 7,191,260

(1) This program was previously reported under 15.234 and has been modified to 15.U01 in the current year .

JOSEPHINE COUNTY, OREGON
Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

A. Purpose of the Schedule

1. The accompanying schedule of expenditures of federal awards is a supplementary schedule to Josephine County, Oregon's (the "County") basic financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the County, it does not present the financial position, changes in financial position, or the cash flow of the County.
2. Pass-through entity identifying numbers are presented where available

B. Summary of Significant Accounting Policies

Reporting Entity

The reporting entity is fully described in Note 1.A. to the County's basic financial statements. The schedule includes all federal programs administered by the County for the fiscal year ended June 30, 2017.

Basis of Presentation

The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Federal Financial Assistance

Pursuant to Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and is reported on the schedule (if applicable). Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the County and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Uniform Guidance establishes criteria to be used in defining major programs. Major programs are those programs selected for testing using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

Receipts and expenditures are accounted for using the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recorded when a liability is incurred.

C. Insurance Coverage

For the year ending June 30, 2017, the County had insurance in effect as recommended by their agent of record, which was comparable in coverage to other counties of similar size and circumstance.

D. Non-cash Assistance

A total of \$0. was received in non-cash assistance and is included in the federal awards expended.

E. Indirect Rate

In accordance with the Uniform Guidance section 200.414, the County has elected to use the de minimus indirect rate of 10 percent.