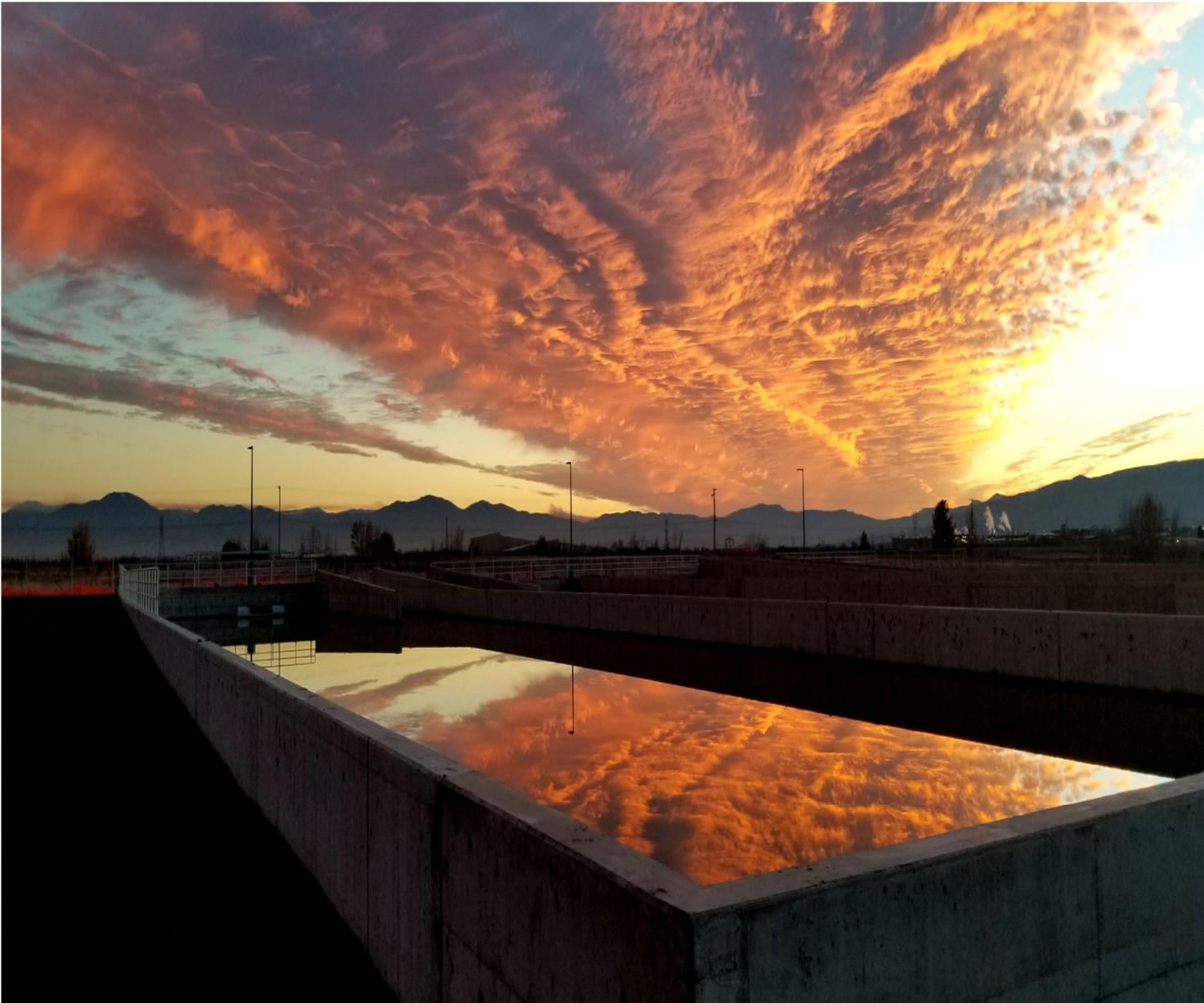




**MEDFORD
WATER**



**2021
2022**

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

**For Fiscal Year Ended June 30, 2022
Medford Water Commission
A component unit of the City of Medford, Oregon**



MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford, Oregon)

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year
July 1, 2021 - June 30, 2022

**Prepared by Finance Department
December 2022**

**Medford Water Commission
For Year ended June 30, 2022
Table of Contents**

| | <u>Page</u> |
|---|-------------|
| Introductory Section | |
| Letter of Transmittal | i - vii |
| GFOA Certificate of Achievement for Excellence in Financial Reporting | viii |
| Mission Statement, Board of Commissioners and Manager | ix |
| Organizational Chart | x |
| Milestones | xi - xii |
| Financial Section | |
| Independent Auditor's Report | 1 - 3 |
| Management's Discussion and Analysis | 4 - 6 |
| Basic Financial Statements: | |
| Statement of Net Position | 7 |
| Statement of Revenues, Expenses, and Changes in Net Position | 8 |
| Statement of Cash Flows | 9 - 10 |
| Notes to the Financial Statements | 11 - 25 |
| Required Supplementary Information: | |
| Schedule of the Proportionate Share of the Net Pension Liability | 26 |
| Schedule of the Pension Contributions | 26 |
| Note to Required Supplementary Information | 27 |
| Supplementary Information: | |
| Schedules of Budgeted and Actual Resources and Requirements | |
| Water Fund (Budgetary Basis) | 28 |
| Construction & Infrastructure Replacement Fund (Budgetary Basis) | 29 |
| Reconciliation of Budget Basis Fund Balance to Net Position | 30 |
| Statistical Section | |
| Schedule 1 - Net Position by Component | 31 |
| Schedule 2 - Unappropriated Ending Fund Balances | 32 |
| Schedule 3 - Statements of Revenues, Expenses and Changes in Net Position | 33-34 |
| Schedule 4 - Water Produced and Sold | 35 |
| Schedule 5 - Total Number of Water Services by Type | 36 |
| Schedule 6 - Inside Customer Water Rates | 37-38 |
| Schedule 7 - Outside Customer Water Rates | 39-40 |
| Schedule 8 - Consumption by Customer Groups and Class | 41 |
| Schedule 9 - Wholesale Consumers | 42 |
| Schedule 10 - Capital Assets | 43-44 |

**Medford Water Commission
For Year ended June 30, 2022
Table of Contents**

| | <u>Page</u> |
|--|-------------|
| Statistical Section, continued | |
| Schedule 11 - Annual Pipeline Summary | 45 |
| Schedule 12 - Number of Full Time Employees | 46 |
| Schedule 13 - Population Estimates & Income in Jackson County | 47 |
| | |
| Comments and Disclosures of Independent Auditor Required by State Statute | |
| Independent Auditors' Report Required by Oregon State Regulations | 48-49 |

INTRODUCTORY SECTION



December 21, 2022

The Board of Water Commissioners, City of Medford, Oregon:

It is our pleasure to present the Medford Water Commission (MW) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This report is prepared by MW staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB). Information to help readers gain an understanding of Medford Water's financial position and activities will be found in the report.

Isler CPA, an independent certified public accounting firm, has conducted the audit of Medford Water's financial statements for the year ending June 30, 2022, as required annually by Oregon State Law. Their unmodified ("clean") Independent Auditor's Report appears in the Financial Section, followed by the Management's Discussion and Analysis (MD&A) and financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that they have established for this purpose. Medford Water is ultimately responsible for the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects.

Medford Water Profile

Medford Water operates and maintains the water system that delivers high-quality drinking water to approximately 150,000 Rogue Valley residents. The Utility is an autonomous agency of the City of Medford, Oregon, established through a change in the City's Charter on November 7, 1922. Medford Water is a water utility governed by a Board of Water Commissioners appointed by the Mayor. The board appoints the General Manager, who is authorized to direct the operations of the utility.

Medford Water directly serves customers in the City of Medford and the unincorporated community of White City. The cities of Central Point, Eagle Point, Jacksonville, Phoenix, Talent and Ashland are served on a surplus, wholesale basis. Additionally, two domestic water districts, Charlotte Ann and Elk City, purchase water from Medford Water. All water services are metered except for fire hydrants.

FACILITIES



Medford Water's mission is to safeguard public health by providing a reliable, high quality water supply at the best value. MW has two sources of water: Big Butte Springs and the Rogue River. Water is produced at an average of 17 million gallons of water per day (MGD) during the winter and 47 MGD during the summer, with occasional summer peak days exceeding 60 MGD.

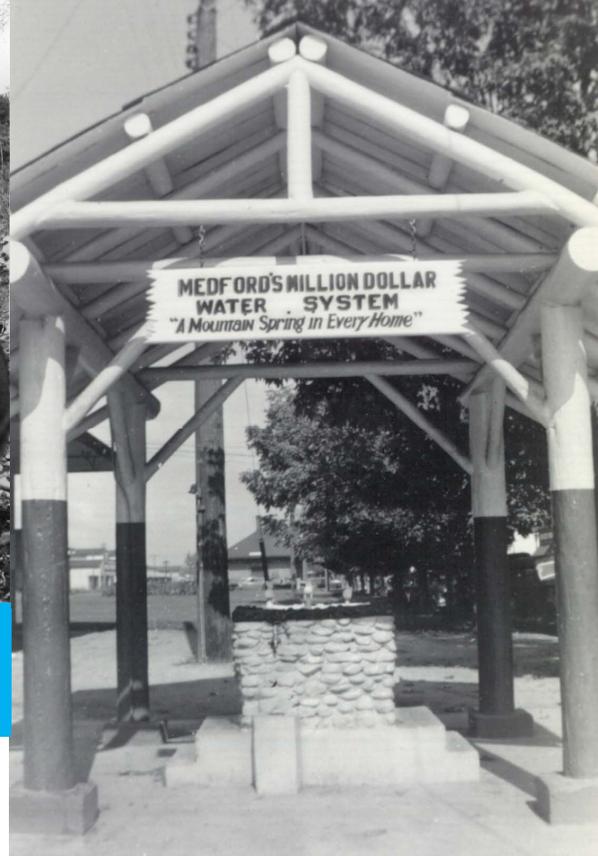
The **Big Butte Springs** (BBS) near Butte Falls have been Medford Water's primary source of drinking water since 1927. With a capacity of approximately 26.4 MGD, the springs are one of the City of Medford's most valuable and significant resources.

The exceptional quality of the springs consists of cold and clear water with natural chemical and physical characteristics, which place this source in a "pristine" classification. No unnatural contaminants have ever been detected in the springs' water. The water is low in turbidity and has an average temperature of 43 degrees F. It requires no filtration or treatment other than disinfection, which is accomplished with on-site chlorination for all springs except Rancheria Springs, which uses Ultraviolet (UV) disinfection. Spring flows

are collected underground and never see the light of day until emerging from customers' taps.

During the peak-use summer months, water from the Rogue River is used to supplement the springs supply. The river water is also of high quality, but additional treatment performed at the **Robert A. Duff Water Treatment Plant** (Duff WTP) is required to meet drinking water standards. Treatment of this surface water supply consists of coagulation, settling and filtration, followed by disinfection. High-rate multimedia filters and chlorine are used as primary disinfectants, though ozone is used as well, which provides a dramatic reduction in unpleasant taste and odors occasionally found in the river water. The plant currently can purify up to 45 MGD. The Duff WTP intake facility is located on the Rogue River and consists of a concrete structure on the edge of the river that houses leading-edge fish screens and pumping equipment.

When both sources are used during the cooler months, the water is blended within the distribution system, although some areas receive more water from one source or the other. The finished water from both supplies is very similar, with temperature being the most detectable difference. The blend can vary continuously depending on the demand for treated water from the Duff WTP. Regardless of source, the water provided by Medford Water Commission is known for its exceptional award-winning quality and taste. In addition to the above treatment facilities, Medford Water Commission has 15 reservoirs, 9 pump stations, 3 pressure control stations, and over 513 miles of transmission and distribution pipelines. The main office is located at the Lausmann Annex at 200 South Ivy Street, Room 177 in Medford, Oregon.



HISTORY

Medford's first water system was installed around 1888, diverting water from **Bear Creek** in Medford, conveying it in an open ditch to a well and from there pumped into large redwood tanks. Unfortunately, the quality of the water was diminished by the livestock it passed, so the open ditch was later replaced with a pumping plant on the creek near Eighth Street in downtown Medford. From there it was piped up the street to the existing tanks.

While the piped system proved superior to the open ditch, water from the creek still lacked the quality desired for drinking water and soon was insufficient in quantity as well. After considering several different options, the City of Medford entered into a contract with the Fish Lake Water Company in 1908 to supply the city with water from **Little Butte Creek** eleven miles below Fish Lake. From there the water was transported to town via a banded wood stave pipeline, 16 inches in diameter and 21.6 miles in length. The first of the Capital Hill Reservoirs was also constructed to provide storage for this water.

A few years after completion of the Fish Lake supply system, an irrigation storage dam was constructed at Fish Lake. In doing so, the land in the reservoir was not cleared of brush and trees, and the quality of the water soon suffered. Not only did it begin to exhibit a pungent taste and odor, but also tadpoles and other aquatic life that would occasionally emerge from faucets were

less than popular with local citizens. Also, growth in the City of Medford surpassed expectations and resulted in severe water restrictions.

The widespread demand for improved water service led to an election in 1922, amending the city charter and creating Medford Water Commission to take over the operation of the municipal water system. In 1923, Medford Water took its first major step toward securing a high quality and reliable water supply by filing for water rights on Big Butte Creek. Additional rights were obtained by Medford Water a few years later, as plans for development of **Big Butte Springs** proceeded. In 1925, Medford citizens voted overwhelmingly to approve the sale of \$975,000 in bonds to finance construction of this project. With a population of only around 10,000 residents, such a debt represented a tremendous commitment.

The construction itself was also quite an undertaking, especially given the relatively remote location of the springs, the terrain to be crossed and the construction methods then available. A large concrete collection gallery and 300-foot-long tunnel was constructed in conjunction with the Big Butte Springs intakes. The pipeline to town was constructed of 30-foot sections of arc-welded steel, which averaged 24

inches in diameter. Underground for its entire 30.5-mile length, the pipeline crossed nearly 75 different mountain summits. With the pipeline's completion in 1927, Medford residents finally had a high-quality water supply in a quantity which seemed would be adequate far into the future. Citizens achieved their dream of "a mountain spring in every home," which was Medford Water's slogan for many years.

Development of additional springs and construction of a second pipeline were completed in 1951, doubling the capacity of the Big Butte Springs system. **Willow Creek Dam** was also constructed, forming Willow Lake. This impoundment supplies water to the Eagle Point Irrigation District, and thereby enables Medford Water to utilize the high-quality springs water more fully.

By the mid-1950s, Medford Water recognized that future water needs could not be met by the Big Butte Springs alone. Therefore, in 1954, rights were filed by Medford Water for water from the **Rogue River**. The supply intake and Robert A. Duff Water Treatment Plant (Duff WTP) were constructed in 1967-68. Initial capacity of the plant was 15 MGD with the subsequent construction projects at the plant increasing treatment capacity to its current 45 MGD.

The drinking water that Medford residents and those of the surrounding community enjoy is a tribute to those former Medford residents who faced huge challenges to ensure that this community's citizens would continue to have a reliable and high-quality water supply.

Robert A. Duff Water Treatment Plant



LOCAL ECONOMY

Medford Water serves the City of Medford and a large portion of the unincorporated areas within the Rogue Valley. The Rogue Valley is a popular southwestern Oregon region that is centrally located along Interstate 5 between Portland, Oregon and San Francisco, California that offers beautiful scenery, outdoor adventures, mild climate, and exceptional quality of life. The economy revolves around timber, agriculture, manufacturing, and tourism.

LONG TERM FINANCIAL PLANNING



Big Butte Springs Chlorine Monitoring Station



Duff Water Treatment Plant Backup Generator

Medford Water strives to improve its current infrastructure through the many projects it completes each year. The largest project in the 2021-22 fiscal year included the continuation of the expansion of treatment facilities at the Robert A. Duff Water Treatment Plant. This expansion project will bring the capacity of the Robert A. Duff Water Treatment Plant from 45 MGD to 65 MGD.

In addition, other water system projects within Medford Water include upgrading of Rancheria Springs Intake with UV disinfection at Big Butte Springs, designing the Corrosion Control System to apply to both water sources, Duff Transmission Mains, new Meters, and new Distribution Mains.

Historically, Medford Water has conducted cost-of-service studies each year, generally favoring small annual rate increases over infrequent larger increases. In March 2021, water rates were increased an average of 6% as well as in March 2022 with an average of 6% increase. This was due primarily to the construction of much needed capital improvement projects. Rate funding in combination with Water Infrastructure and Improvement Act (WIFIA) loan funding allows Medford Water to complete such capital improvements.

Planning for future capital improvements is a matter of careful financial management as well as sound development practice. The 10-Year Capital Improvement Plan is updated annually and is a dynamic, evolving plan used to assist Medford Water in estimating capital requirements, planning, scheduling, and implementation of projects throughout the next 10 years. In addition to the 10-Year Capital Improvement Plan, Medford Water is working towards updating the 10-Year Financial Plan and a Comprehensive Financial Management Policy. The 10-Year Financial Plan provides Commission Board and Staff with clear direction on revenues and expenditures. The Comprehensive Financial Management Policy serves as a guideline for both the internal financial and management planning of the utility.

Medford Water's Construction and Infrastructure Replacement Fund consolidated the former Water Construction Fund, Future Main Replacement Fund, Future Water Rights Development Fund, Future Water Supply and Treatment Fund, and the Vernal Pool Mitigation Fund. Each of the former funds has been accounted for separately as line items within the Construction and Infrastructure Replacement Fund.

Finally, Medford Water Commission maintains its focus on the continued upkeep of buildings, facilities, and pipeline infrastructure to avoid increased costs resulting from deferred maintenance, and continued investment in technology to facilitate a higher production and quality customer service.



YEAR END FINANCIAL METRICS

| Status (6/30/22) | Metric | Target (Typical) |
|------------------|-------------------------|------------------|
| 11.81 | Current Ratio | > 1.0 |
| 28% | Age of System | < 50% |
| 103 | Water Fund Cash on Hand | 90 – 180 days |
| 34 | Days' Sales Outstanding | < 30 days |

Awards and Acknowledgements



This report has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards Certificates of Achievement for Excellence in Financial Reporting to those governments whose annual financial reports are judged to conform substantially to high standards of public financial reporting, including generally accepted accounting principles promulgated by the Government Accounting Standards Board.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Medford Water Commission for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. This was the eleventh consecutive year that Medford Water Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate. The preparation of this report could not have been accomplished without the dedicated effort of the Finance Department's entire staff, and the cooperation of all Medford Water's departments. Credit must also be given to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Medford Water Commission's finances.

Respectfully submitted,

Brad Taylor
General Manager

Anna Roeder
Finance Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Medford Water Commission
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

June 30, 2022

MISSION STATEMENT

To safeguard public health by providing a reliable, high-quality water supply at the best value.

BOARD OF COMMISSIONERS

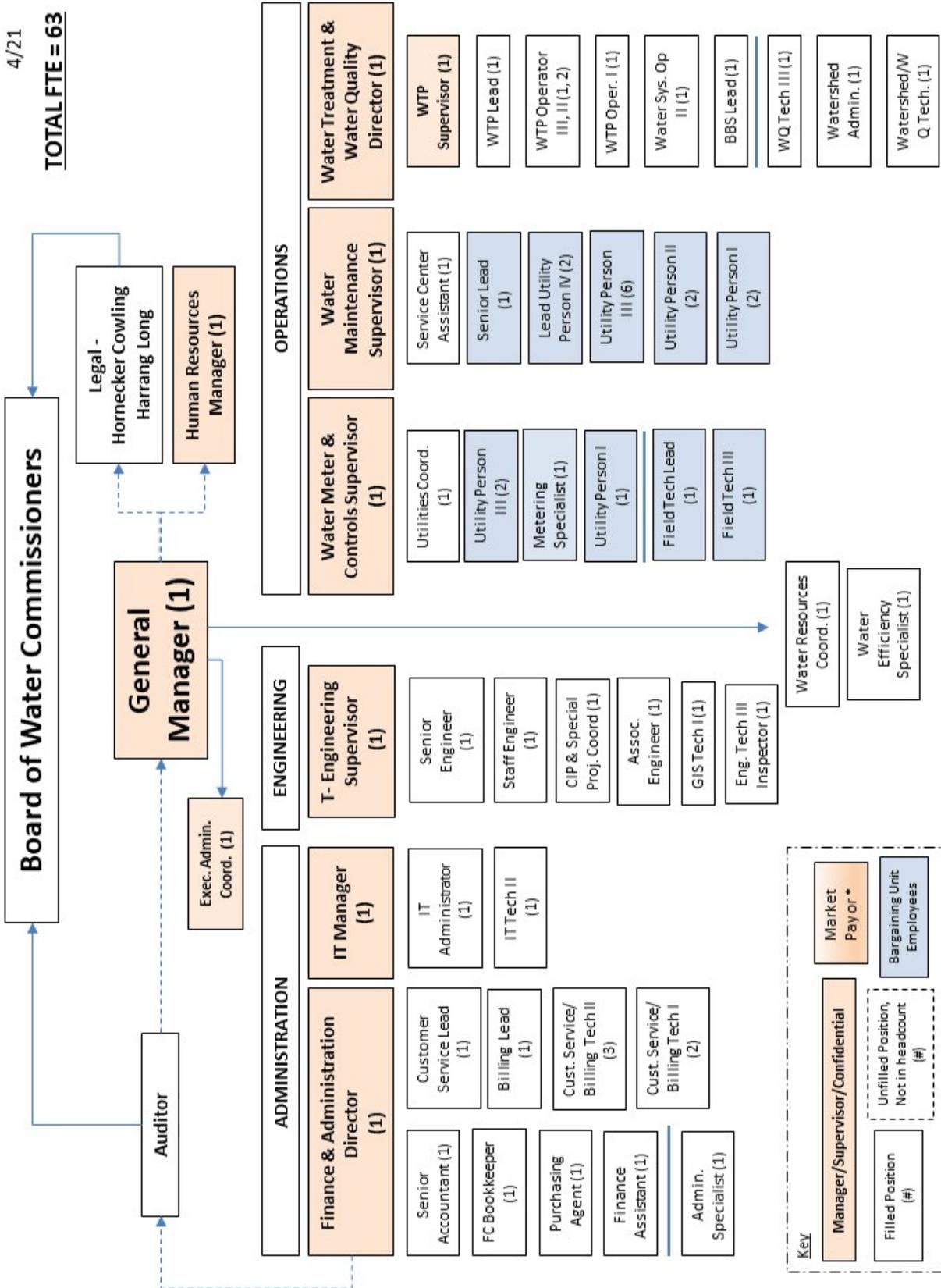
| | |
|------------|----------------|
| Chair | Bob Strosser |
| Vice Chair | Michael Smith |
| Member | Jason Anderson |
| Member | Daniel Bunn |
| Member | John Dailey |

MANAGEMENT

| | |
|-------------------------------------|--------------------|
| General Manager | Brad Taylor |
| Engineering Manager | Brian Runyen |
| Finance Manager | Anna Roeder |
| Water Meter and Controls Manager | Kenneth A. Johnson |
| Water Maintenance Manager | Lester McFall |
| Human Resources Manager | Tanya Haakinson |
| Information Technology Manager | Kris Stitt |
| Water Treatment and Quality Manager | Ben Klayman |
| Water Efficiency & CS Manager | Julie Smitherman |

Medford Water Commission
200 South Ivy Street - Room 177
Medford, Oregon 97501
(541) 774-2440

TOTAL FTE = 63



KEY

- Manager/Supervisor/Confidential
- Market Pay or *
- Bargaining Unit Employees
- Unfilled Position, Not in headcount (#)
- Filled Position (#)

MILESTONES FOR MEDFORD WATER

Nov 7, 1922

Election amending City of Medford Charter to create Board of Water Commissioners separate from city and politics; a self-supporting water system

1923

Medford Water Commission began



1930

Election passed with the support of Mayor Pipes to sell surplus water outside the city.

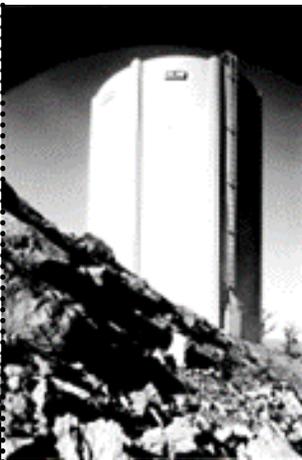


1936

Eagle Point receives surplus water from the Commission.

1938

Pierce Heights Standpipe and Pump Station



1942

World War II Camp White supplied with water from the Commission



1945

Central Point receives surplus water from the Commission.

1946

8 million gallon Capital Hill Reservoir III is constructed



1950

\$2.8 mil bond approved for **Big Butte Springs transmission line II** to bring supply to 26 mgd.

1953

Willow Creek Dam was constructed.

Jacksonville

receives surplus water from the Commission.

1954

Permits for water diversion from Rogue River.

1955

White City receives water from the Commission.



1962

Chlorine added to Medford water supply full time

1965

10,000 gallon Bullis Reservoir constructed

1966

\$2.6 mil bond for **Phase I (15 mgd) of R. A. Duff Water Treatment Plant**



1957

Construction of trunk water main loop encircling city

1957 - 1959

Big Butte Springs transmission line II extended to southeast side of



1959

Capital Hill Reservoir I and II covered

1967

Conrad Pressure Control Station

1968

Water Treatment plant intake, transmission main to town, and Rancheria Springs Developed

1969

Martin Pressure Control Station

1970

Brookdale Pump Station

1971

Stanford Reservoir

1975

McAndrews Service Center

Vilas Road Transmission line



1977

3 mg addition to Treatment Plant reservoir

1978

Rancheria Pump Station

1980

Archer Pump Station



1981

Second Rogue 36" transmission main

1982

Phoenix receives surplus water from the Commission

1983

Southeast Reservoir



1989

Treatment plant Contact Basin expansion & new Telemetry Control System.

1993

Big Butte Springs disinfection facility



Phase II 36" West Side Transmission Main

1994

Rossanley Pressure Control Station

The Mail Tribune, Thursday, Dec. 19, 1996 3A

Talent nears building freeze

Water problems continue to grow

By DANN DODGE of the Mail Tribune
TALENT — Talent council members moved one step closer to declaring a moratorium on building in the city because of a shortage of water. The council Tuesday unanimously set a required public hearing for Feb. 9 that would allow the moratorium to be called.

Legally, the council has to notify state officials and hold the public hearing before it can impose a building moratorium.

And while some builders and developers were opposed to the idea, the moratorium did have the support of a number of Talent residents. About 300 property owners signed a petition asking for a moratorium on water hookups. Others

Council hires administrator, but name held

TALENT — The city council hired a new city administrator Tuesday, but declined to name her until 5 p.m. today.

And although they wouldn't give her name, the council didn't lack enthusiasm for their choice.

After Mayor Frank Faharrell appointed the city administrator, Councilwoman Lisa Shapiro sang out, "Can we all say, 'Hallelujah, Hallelujah, Hallelujah.'"

Councilman Donald Steykal

1995

Phase III West Side Transmission Main

1997

Cherry Lane Reservoir

1998

Talent receives surplus water from the Commission



2002

TAP (Talent, Ashland, Phoenix) pipeline and pump station

Disinfection by Ozonation added to Water Treatment process, improving quality and taste

2003

Southwest Reservoir

2006

Rancheria and Lone Pine Pump Stations

2011

Treatment Plant intake fish screens

2013

Martin Control Station & Ave G Transmission Main



2014

Ashland receives surplus water from the Commission

2016

Water flume excavation

2017

Prescribed burn at Vernal Pool Preserve



2019

Treatment Plant flocced basins Expansion
Corrosion Study



2020

Rancheria Springs UV Disinfection Facility

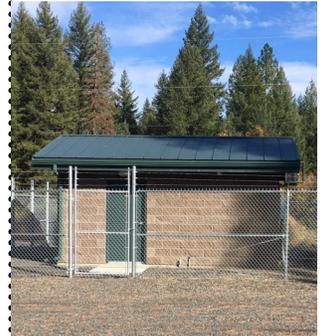
Treatment Plant Lagoons Expansion

Automated sampling at BBS Point of Entry

2021

Backup Power at Treatment Plant

Utility Fiber to BBS



2022

Treatment Plant Engineered Lagoons 5-8

BBS Chlorine Monitoring Station

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Medford Water Commission
Medford, Oregon

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

Opinions

We have audited the accompanying financial statements of the Medford Water Commission ("Commission"), a component unit of the City of Medford, Oregon, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedules of budgeted and actual resources and requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 our opinion, the schedules of budgeted and actual resources and requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 21, 2022 on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a long, sweeping tail on the letter "n".

By Paul R. Nielson, member of the firm
for Isler CPA
December 21, 2022

Medford Water Commission
(A Component Unit of the City of Medford)
Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of financial performance and activities of the Medford Water Commission (Commission) provides an introduction to the financial statements of the Commission for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars (\$1,000).

Financial Highlights

- At the close of the fiscal year the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources leave a total net position of \$184,365. Of this amount, \$34,055 (unrestricted net position) may be used to meet our ongoing obligations of providing retail and wholesale water services.
- Capital assets, net of accumulated depreciation account for the remaining \$149,094 in net position.
- Total liabilities increased by 52.2% in FYE 2022, and increased by 11.9% in FYE 2021.
- The change in net position was \$9,617 in FYE 2022. Several factors contributed to the change.

USING THIS FINANCIAL REPORT

This annual report consists of a series of financial statements. This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. These statements consist of the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows along with the Notes to Basic Financial Statements. Complimenting these statements and notes is Supplementary Information, which provides additional details about the Commission's operation.

The Statement of Net Position presents information on all the Commission's assets, liabilities, and deferred outflows and inflows of resources, with the difference reported as net position. Over time, changes in each of these elements may serve as a useful indicator of whether the Commission's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information related to increases and decreases in total net position. This statement is prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges.

The Statement of Cash Flows is an analysis of the change in the Commission's cash balance during the fiscal year. It is divided into four components: cash flows from operating activities, cash flows from capital and related financing activities, cash flows from non-capital financing activities, and cash flows from investing activities.

Medford Water Commission's Statement of Net Position
(amounts in thousands)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2021-22 Change</u> | <u>%</u> |
|-------------------------------|-------------------|-------------------|-------------------|---------------------------|----------|
| Assets | | | | | |
| Current assets | \$ 41,967 | \$ 34,180 | \$ 31,442 | \$ 7,787 | 22.8 |
| Capital assets | 158,621 | 146,895 | 141,035 | 11,726 | 8.0 |
| Other noncurrent assets | 2,024 | 2,171 | 2,297 | (147) | (6.8) |
| Total assets | <u>202,612</u> | <u>183,246</u> | <u>174,774</u> | <u>19,366</u> | 10.6 |
| Deferred outflow of resources | <u>2,350</u> | <u>2,537</u> | <u>1,950</u> | <u>(187)</u> | (7.4) |
| Liabilities | | | | | |
| Current liabilities | 3,660 | 3,353 | 4,104 | 307 | 9.2 |
| Long-term liabilities | 14,148 | 8,350 | 6,350 | 5,798 | 69.4 |
| Total liabilities | <u>17,808</u> | <u>11,703</u> | <u>10,454</u> | <u>6,105</u> | 52.2 |
| Deferred inflow of resources | <u>3,789</u> | <u>333</u> | <u>397</u> | <u>3,456</u> | 1,037.8 |
| Net position: | | | | | |
| Invested in capital assets | 149,094 | 146,895 | 141,035 | 2,199 | 1.5 |
| Restricted | 216 | 216 | 192 | - | - |
| Unrestricted | 34,055 | 26,636 | 24,646 | 7,419 | 27.9 |
| Total net position | <u>\$ 183,365</u> | <u>\$ 173,747</u> | <u>\$ 165,873</u> | <u>\$ 9,618</u> | 5.5 |

CAPITAL ASSETS

Capital assets increased by \$11,726 compared to an increase of \$5,860 in FYE 2021. Major capital additions included backup power at the Robert A. Duff Water Treatment Plant, Rancheria UV Disinfection, and distribution mains. In addition, capital contributions from developers were \$4,264 in FYE 2022 and \$2,963 in FYE 2021. For more detailed information on the Commission's capital asset activity please refer to note 4 of the financial statements.

LIABILITIES

The Medford Water Commission's three long-term liabilities are accrued vacation, net pension liability, and long-term debt. Please refer to the notes of the financial statements for more information.

ECONOMIC FACTORS

The communities we serve continue to see steady economic growth. The number of water services increased over the previous year by 4,410 accounts. We expect this growth trend to continue, and additional system capacity will be needed to keep up with demands. This expansion is included in the Commission's capital and financial plans.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Medford Water Commission's finances for all those with interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, 200 South Ivy Street, Room 177, Medford Oregon 97501.

FINANCIAL ANALYSIS

The financial operations of the Commission are primarily related to the retail and wholesale distribution of water in and around the City of Medford. Below is summarized information from the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position.

Medford Water Commission's Changes in Net Position (amounts in thousands)

| | 2022 | 2021 | 2020 | 2021-22 Change | % |
|---|------------|------------|------------|-------------------|--------|
| Operating revenues: | | | | | |
| Water sales and customer services | \$ 21,503 | \$ 21,760 | \$ 18,555 | \$ (257) | (1.2) |
| Nonoperating revenues: | | | | | |
| Investment Income | 124 | 258 | 715 | (134) | (51.9) |
| Other | 851 | 357 | 1,008 | 494 | 138.4 |
| Total nonoperating revenues | 975 | 615 | 1,723 | 360 | 58.5 |
| Total revenues | 22,478 | 22,375 | 20,278 | 103 | 0.5 |
| Depreciation | 3,899 | 3,916 | 3,830 | (17) | (0.4) |
| Other operating expenses | 13,226 | 13,548 | 12,821 | (322) | (2.4) |
| Total operating expenses | 17,125 | 17,464 | 16,651 | (339) | (1.9) |
| Increase (decrease) in net position before contributions | 5,353 | 4,911 | 3,627 | 442 | 9.0 |
| Capital contributions | 4,264 | 2,963 | 2,074 | 1,301 | 43.9 |
| Increase in net position | 9,617 | 7,874 | 5,701 | 1,743 | 22.1 |
| Beginning net position | 173,747 | 165,873 | 160,172 | 7,874 | 4.7 |
| Ending net position | \$ 183,364 | \$ 173,747 | \$ 165,873 | \$ 9,617 | 5.5 |

Total operating revenues decreased by \$257, as compared to an increase of \$3,205 in FYE 2021. The Commission increased water rates approximately 6% effective March 1, 2021, and an 6% additional in March 2022.

Operating expenses decreased by \$339, compared to an increase of \$813 in FYE 2021. FYE 2022 operating expenses decreased primarily due to the adjustment related to GASB 68, accounting for PERS pension liability. That adjustment was significantly higher in FYE 2021.

Capital contributions in FYE 2022 increased by \$1,301 compared to an increase of \$889 in FYE 2021.

BASIC FINANCIAL STATEMENTS

MEDFORD WATER COMMISSION
(A Component Unit of the City of Medford)

Statements of Net Position
June 30, 2022 and 2021

| | 2022 | 2021 |
|---|----------------|----------------|
| ASSETS | | |
| Current assets: | | |
| Cash and Cash Equivalents | \$ 32,860,758 | \$ 21,977,666 |
| Investments - Short-term | 4,104,610 | 7,270,826 |
| Accounts Receivable, net | 1,812,103 | 2,487,601 |
| Other Receivables | 1,008,577 | 600,179 |
| Inventory | 1,528,247 | 1,134,755 |
| Work in Process | 259,341 | 304,775 |
| Loans and Notes Receivable, Current | 146,524 | 141,022 |
| Prepaid Expenses | 247,236 | 261,550 |
| Other Current Assets | 90 | 1,254 |
| Total current assets | 41,967,486 | 34,179,628 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 215,865 | 215,795 |
| Loans and Notes Receivable, Long-term | 1,807,914 | 1,955,868 |
| Land, improvements, and construction in progress | 20,620,906 | 13,805,794 |
| Other Capital Assets, Net of Accumulated Depreciation | 138,000,043 | 133,089,258 |
| Total non-current assets | 160,644,728 | 149,066,715 |
| Total assets | 202,612,214 | 183,246,343 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | 2,349,722 | 2,536,718 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts Payable and Payroll Payable | 2,174,914 | 2,043,886 |
| Customer Deposits | 84,774 | 82,557 |
| Construction Deposits | 534,680 | 363,250 |
| Due to other Water Districts for Amounts Billed | 55,648 | 36,799 |
| Miscellaneous Payables | 281,720 | 277,292 |
| Current Portion of Vacation Accrual | 528,524 | 548,980 |
| Total current liabilities | 3,660,260 | 3,352,764 |
| Noncurrent liabilities: | | |
| Noncurrent Portion of Vacation Accrual | 132,131 | 137,243 |
| Noncurrent Portion of Long Term Debt | 9,526,561 | - |
| Net Pension Liability | 4,489,331 | 8,212,471 |
| Total noncurrent liabilities | 14,148,023 | 8,349,714 |
| Total liabilities | 17,808,283 | 11,702,478 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Amounts Relating to Pensions | 3,788,962 | 333,286 |
| NET POSITION | | |
| Invested in Capital Assets | 149,094,388 | 146,895,052 |
| Restricted for Lozier Lane | 215,865 | 215,795 |
| Unrestricted | 34,054,438 | 26,636,450 |
| Total net position | \$ 183,364,691 | \$ 173,747,297 |

See accompanying notes to financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|----------------|----------------|
| Operating revenues: | | |
| Residential Sales Inside Gallonage | \$ 4,867,751 | \$ 5,708,762 |
| Residential Sales Outside Gallonage | 815,591 | 988,460 |
| Commercial Sales Inside Gallonage | 1,830,918 | 1,969,515 |
| Commercial Sales Outside Gallonage | 477,918 | 471,194 |
| Industrial Sales Inside Gallonage | 167,412 | 200,062 |
| Industrial Sales Outside Gallonage | 1,269,272 | 1,263,273 |
| High Elevation Charges | 385,176 | 401,912 |
| Fire Services Inside | 323,141 | 306,133 |
| Fire Services Outside | 92,326 | 87,552 |
| Base Charges Inside | 5,942,149 | 5,683,239 |
| Base Charges Outside | 1,279,337 | 1,232,146 |
| Miscellaneous Collections | 400,621 | 285,461 |
| Sales to Other Utilities | 2,386,465 | 2,406,487 |
| Customer Service Connections Revenue | 897,854 | 471,379 |
| Servicing of Customer Installations | 366,838 | 284,097 |
| Total operating revenues | 21,502,769 | 21,759,672 |
| Operating expenses: | | |
| Connections/Installations | 1,078,643 | 740,424 |
| Source of Supply | 1,149,276 | 799,403 |
| Supply Pumping | 578,599 | 743,738 |
| Purification | 2,224,105 | 2,260,423 |
| Transmission | 262,354 | 273,448 |
| Distribution Pumping | 377,794 | 387,248 |
| Distribution | 3,111,521 | 2,865,060 |
| Customer Accounts & Collections | 2,280,115 | 2,317,685 |
| Administration & General | 2,243,847 | 1,835,323 |
| Change in Components of Net Pension Liability | (80,468) | 1,324,470 |
| Depreciation & Amortization | 3,899,340 | 3,916,304 |
| Total operating expenses | 17,125,126 | 17,463,526 |
| Operating income (loss) | 4,377,643 | 4,296,146 |
| Nonoperating revenues | | |
| Investment Earnings | 123,623 | 257,864 |
| Grant revenues | 75,300 | - |
| Income from Forest Products | 636,682 | - |
| Miscellaneous income | 139,860 | 356,952 |
| Total nonoperating revenues | 975,465 | 614,816 |
| Income (loss) before capital contributions | 5,353,108 | 4,910,962 |
| Capital contributions: | | |
| Developer Donations | 2,155,809 | 1,618,649 |
| System Development Charges | 2,108,477 | 1,344,464 |
| Total capital contributions | 4,264,286 | 2,963,113 |
| Change in net position | 9,617,394 | 7,874,075 |
| Net position - beginning | 173,747,297 | 165,873,222 |
| Total net position - ending | \$ 183,364,691 | \$ 173,747,297 |

See accompanying notes to financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Statements of Cash Flows
Years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Received from customers | \$ 22,071,036 | \$ 21,253,407 |
| Paid to suppliers for goods and services | (5,503,500) | (6,038,911) |
| Paid for employee wages, taxes and benefits | <u>(8,025,446)</u> | <u>(7,260,223)</u> |
| Net cash provided by operating activities | <u>8,542,090</u> | <u>7,954,273</u> |
| Cash flows provided by noncapital financing activities: | | |
| Grant revenue | 75,300 | - |
| Proceeds from sale of timber | <u>636,682</u> | <u>-</u> |
| Net cash provided by noncapital financing activities | <u>711,982</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | |
| Proceeds from sale of capital assets | 29,696 | 139,029 |
| Cash paid to acquire and construct capital assets | (13,499,124) | (8,208,391) |
| System development fees received | 2,108,477 | 1,344,464 |
| Proceeds from issuance of debt | <u>9,526,561</u> | <u>-</u> |
| Net cash used by capital and related financing activities | <u>(1,834,390)</u> | <u>(6,724,898)</u> |
| Cash flows from investing activities: | | |
| Investment amounts deposited into cash | 3,289,839 | 332,965 |
| Principal received on notes | <u>173,641</u> | <u>167,182</u> |
| Net cash provided (used) by investing activities | <u>3,463,480</u> | <u>500,147</u> |
| Net increase (decrease) in cash and cash equivalents | 10,883,162 | 1,729,522 |
| Cash and cash equivalents at beginning of year | <u>22,193,461</u> | <u>20,463,939</u> |
| Cash and cash equivalents at end of year | <u>\$ 33,076,623</u> | <u>\$ 22,193,461</u> |
| Cash and cash equivalents at end of year are reported as follows: | | |
| Cash and cash equivalents | \$ 32,860,758 | \$ 21,977,666 |
| Restricted cash and cash equivalents | <u>215,865</u> | <u>215,795</u> |
| Cash and cash equivalents at end of year | <u>\$ 33,076,623</u> | <u>\$ 22,193,461</u> |

(Continued on next page)
See accompanying notes to financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Statements of Cash Flows, Continued

Years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 4,377,643 | \$ 4,296,146 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation | 3,899,340 | 3,916,304 |
| Miscellaneous income and charges in lieu of assessments | 139,860 | 268,462 |
| Changes in: | | |
| Trade Accounts Receivable | 675,498 | (523,082) |
| Other Receivables | (408,398) | (241,204) |
| Inventory | (393,492) | (108,850) |
| Work in Process | 45,434 | (176,836) |
| Net pension liability - PERS | (80,468) | 1,324,470 |
| Prepaid expenses | 14,314 | (43,471) |
| Other Current Assets | 1,164 | 136 |
| Accounts payable | 131,028 | (847,092) |
| Deposits Received | 2,217 | (16,122) |
| Construction Deposits | 171,430 | 45,356 |
| Due to Others, Current | 18,849 | (8,487) |
| Lozier note | (31,189) | (31,189) |
| Vacation accrual | (25,568) | 124,056 |
| Miscellaneous payables | <u>4,428</u> | <u>(24,324)</u> |
| Net cash provided (used) by operating activities | <u>\$ 8,542,090</u> | <u>\$ 7,954,273</u> |
| Schedule of noncash capital and related financing activities | | |
| Contributed capital assets | <u>\$ 2,155,809</u> | <u>\$ 1,618,649</u> |

See accompanying notes to financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 - Summary of significant accounting policies

a. Reporting entity.

The Medford Water Commission ("Commission") is governed by a Board, appointed by the City of Medford's Mayor, and confirmed by the City Council. The Commission is responsible for ownership, maintenance, and operation of the water system that delivers high-quality drinking water to about 136,000 Rogue Valley, Oregon residents. Accordingly, the Commission has the authority to set rates and charges for services provided. As required by accounting principles generally accepted in the United States of America, these financial statements present the Commission as a single enterprise fund comprised of two Sub-funds. Additionally, the Commission is presented as a discretely presented component unit of the City of Medford (the "City") in the City's basic financial statements. The Commission has no component units.

The consolidated enterprise includes the following two sub-funds as described below:

The "Water Fund" is the general fund of the Commission. Except for investment revenue on investment balances in the other sub-fund, all income and expenses are reported by the Water Fund.

The "Construction and Infrastructure Replacement Fund" is a sinking fund used to accumulate funds for capital improvement projects. When funds are required for capital improvement projects, monies are transferred from the Construction Fund to the Water Fund.

Revenue derived from the sale of water and from water service charges is used to fund costs of operating and maintaining the water system, and a portion of the cost of improvements and additions to the system. In addition to directly serving water customers within the City, the Commission treats, transports, and sells surplus water to water districts and other cities in the Rogue Valley area.

b. Basis of presentation and accounting.

The Commission's financial statements are maintained on a flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred.

c. Operating and nonoperating revenues and expenses.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations, primarily the sale of water and water service charges. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Revenues and expenses related to financing and construction of systems development are reflected as nonoperating.

d. Use of estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows of resources, deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Cash and cash equivalents.

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and amounts invested with the State of Oregon Treasurer's Local Government Investment Pool (LGIP).

f. Restricted cash.

Cash has been deposited to a separate account with the Local Government Investment Pool, as required under an agreement with ODOT for certain road improvements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 - Summary of significant accounting policies (continued)

g. Investments.

Investments are reported at fair value based on a hierarchy of inputs used to measure the fair value of the asset. Within that hierarchy, Level 1 inputs are quoted prices in active markets for identical assets. All of the Commission's investments in notes and bonds are valued using quoted market prices (Level 1 inputs). There have been no changes to the methodologies used at June 30, 2022 and 2021.

h. Receivables.

Accounts receivables are for residential, commercial, and industrial sales. The credit practices of the Commission require an evaluation of each new customer's credit worthiness on a case-by-case basis. At the discretion of management, a deposit may be obtained from the customer. Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Commission's customer base. Credit losses have been within management's expectations. Billings to customers are prepared on a cycle basis due to the large volume of customers the Commission services. Services may be terminated for customers more than 52 days delinquent who have not responded to reminder and shut off notices. The allowance for uncollectible accounts is based on an analysis of historical bad debt experience and current receivables aging.

i. Inventory.

Inventory of materials and supplies is stated at average cost and is charged to operations, billable workorders, and construction in progress as used.

j. Capital assets.

Capital assets are stated at cost. The cost of internally constructed capital assets includes material, labor, indirect costs, overhead, and contracted services. The Commission capitalizes assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Maintenance, repairs, and routine replacements are expensed as incurred. Replacements which improve or extend the lives of the assets are capitalized. Upon the sale or disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in operations. Contributed capital assets, comprised primarily of contributions from developers and customers for additions to mains, hydrants, and services, are recorded at the actual cost incurred by the property owner. Depreciation is computed on the capital assets placed in service using the straight-line method over their estimated useful lives as follows: Buildings, supply and distribution system (20 to 75 years); equipment and software (4 to 10 years). Land, water rights, and right of ways, which have indefinite lives, are not depreciated.

k. Compensated absences.

Earned but unpaid vacation and holiday pay is accrued and charged to operating expense. Earned but unpaid sick leave does not vest and is therefore not recorded in the accompanying financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 1 - Summary of significant accounting policies (continued)

l. Budget.

Under ORS 294.316, municipal public utilities operating under separate commissions authorized under ORS 225 and city charters, and which have no ad valorem tax support, are not required to separately prepare and adopt a budget. However, the Commission has prepared and adopted a budget for operational accountability and control purposes. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except: 1) capital acquisitions are reported as capital outlay expenditures. No depreciation expense is recognized on this basis, and 2) the effects of GASB 68 are not recognized.

m. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Commission has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the periods when the Commission recognizes pension expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category; deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the Commission recognizes pension income.

A detailed description of these accounts and how they are calculated is discussed in Note 9.

n. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

m. Net position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

A. Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

B. Restricted net position – net position is considered restricted if asset use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

C. Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Commission.

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Commission's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expense.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 2 - Cash and investments

Cash, cash equivalents, and investments are comprised of the following at June 30:

| | <u>2022</u> | <u>2021</u> | <u>S&P rating</u> | <u>Maturity</u> |
|---|----------------------|----------------------|---------------------------|-----------------|
| Cash and cash equivalents: | | | | |
| Cash on hand | \$ 2,940 | \$ 2,940 | N/A | N/A |
| Checking accounts | 4,538,803 | 2,542,607 | N/A | N/A |
| Deposit with LGIP - unrestricted | <u>28,319,015</u> | <u>19,432,119</u> | Not rated | N/A |
| Total unrestricted cash and cash equivalents | 32,860,758 | 21,977,666 | | |
| Restricted deposit with LGIP | <u>215,865</u> | <u>215,795</u> | Not rated | N/A |
| Total cash and cash equivalents | <u>\$ 33,076,623</u> | <u>\$ 22,193,461</u> | | |
| Investment in notes and bonds: | | | | |
| Federal Home Loan Bank | 2,007,927 | 4,092,795 | AA+ | 1-5 years |
| Federal Farm Credit Bank | - | 1,002,707 | AA+ | 1-5 years |
| Federal Home Loan Mortgage Corp. | 245,218 | 250,770 | AA+ | 1-5 years |
| US Treasuries | 1,663,541 | 1,722,914 | N/A | 1-5 years |
| Municipal Bonds | <u>187,924</u> | <u>201,640</u> | AA+ | 1-5 years |
| Total | <u>\$ 4,104,610</u> | <u>\$ 7,270,826</u> | | |

Oregon Revised Statutes, Chapter 294, authorizes the Commission to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, and various interest bearing bonds of Oregon municipalities. The Commission is also authorized to invest in the State of Oregon Local Government Investment Pool ("LGIP"), an external investment pool, within prescribed limits.

The LGIP is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore, the preservation of principal is not assured. The LGIP is not rated by a national rating service. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The weighted maturity average in LGIP is less than one year. Additional information about the OSTF can be obtained at www.ost.state.or.us and www.oregon.gov/treasury.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 2 - Cash and investments (continued)

Fair value hierarchy

Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets or liabilities.

Level 2 - other observable inputs (including, but limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the Commission's investments are classified as Level 1. The Commission has recorded its investments at fair value, and primarily uses the market approach to valuing each security.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. At June 30, 2022, the Commission's deposits with various financial institutions had a bank balance of \$4,698,534. All deposits not covered by FDIC are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 3 - Notes receivable

City of Ashland

Under an agreement effective December 3, 2014, the City of Ashland, Oregon (Ashland) agreed to pay system development fees of \$2,620,084 for the expansion of the Duff Water Treatment Plant. In return, the Commission will allow Ashland to receive surplus water during the months of October through April, and surplus facilities for treatment and transport of Ashland water from the plant during the months of May through September.

The agreement may be terminated by either party at any time. Depending on an unlikely future date of an Ashland SDC termination request, the calculations (of the prorated share of the unexpended balance of the SDC's fund and the prorated share of the depreciated plant value of the specific installed Commission facilities funded by the SDC's fund) for refund could exceed the actual note receivable, at the time, for SDC's from Ashland.

Management has the impression that Ashland's current commitment under their "Wholesale Other City Customer Surplus Water Service Agreement" and their "Agreement To Pay Systems Development Charges" as well as the City of Ashland owned and recently installed facilities to serve the water supplied by these agreements are solid and would not be terminated in the future.

An initial payment of \$262,008 was made December 5, 2014, with the remaining principal due in 40 semi-annual installments of \$81,878 including interest at 3.42%.

Coker Butte Water District

In 2003, the Commission approved a loan to the Coker Butte Water District for construction of water system improvements in the amount of \$150,000. Coker Butte Water Association dissolved effective June 7, 2004, and its assets were contributed to the Commission. The note was assigned to the patrons of Coker Butte, as individual notes due from each patron. The patrons had the option of making a one time payment, or pay the balance over a 30 year period at an interest rate of 5%.

Jacksonville Highway Water District / Lozier Lane

In August of 2016 the Commission approved a note receivable with the former members of the Jacksonville Highway Water District (JHWD) to pay for improvements made by the Commission to upgrade the water system of JHWD. The note was in the amount of \$500,000 is payable over a 10 year period, at an interest rate of 5%. The note is being repaid by an additional \$11.50 charge per month to the former members of JHWD.

Balances and activity for the year ended June 30, 2022 are as follows:

| | <u>Beginning Balance</u> | <u>Receipt of Principal</u> | <u>Ending Balance</u> | <u>Due in one year</u> | <u>Long-term balance</u> |
|----------------------------|------------------------------|---------------------------------|---------------------------|----------------------------|------------------------------|
| City of Ashland | \$ 1,758,811 | \$ (104,490) | \$ 1,654,321 | \$ 108,094 | \$ 1,546,227 |
| Coker Butte Water District | 68,965 | (5,130) | 63,835 | 4,244 | 59,591 |
| Lozier Lane note | 269,114 | (32,832) | 236,282 | 34,186 | 202,096 |
| Totals | <u>\$ 2,096,890</u> | <u>\$ (142,452)</u> | <u>\$ 1,954,438</u> | <u>\$ 146,524</u> | <u>\$ 1,807,914</u> |

Balances and activity for the year ended June 30, 2021 are as follows:

| | <u>Beginning Balance</u> | <u>Receipt of Principal</u> | <u>Ending Balance</u> | <u>Due in one year</u> | <u>Long-term balance</u> |
|----------------------------|------------------------------|---------------------------------|---------------------------|----------------------------|------------------------------|
| City of Ashland | \$ 1,859,817 | \$ (101,006) | \$ 1,758,811 | \$ 104,490 | \$ 1,654,321 |
| Coker Butte Water District | 72,763 | (3,798) | 68,965 | 3,988 | 64,977 |
| Lozier Lane note | 300,303 | (31,189) | 269,114 | 32,544 | 236,570 |
| Totals | <u>\$ 2,232,883</u> | <u>\$ (135,993)</u> | <u>\$ 2,096,890</u> | <u>\$ 141,022</u> | <u>\$ 1,955,868</u> |

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 4 - Capital assets

Capital asset activity for the year ended June 30, 2022 was as follows:

| | <u>2021</u> | <u>Additions</u> | <u>Transfers and Retirements</u> | <u>2022</u> |
|--|----------------------|----------------------|--------------------------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land and right of way | \$ 5,056,375 | \$ - | \$ - | \$ 5,056,375 |
| Construction in progress | 8,749,419 | 8,577,163 | (1,762,051) | 15,564,531 |
| Total capital assets, not being depreciated | <u>13,805,794</u> | <u>8,577,163</u> | <u>(1,762,051)</u> | <u>20,620,906</u> |
| Capital assets, being depreciated: | | | | |
| Buildings, supply, and distribution system | 190,969,672 | 7,377,903 | (9,763,403) | 188,584,172 |
| Equipment and software | <u>9,352,276</u> | <u>1,461,918</u> | <u>(4,891,035)</u> | <u>5,923,159</u> |
| Total capital assets being depreciated | <u>200,321,948</u> | <u>8,839,821</u> | <u>(14,654,438)</u> | <u>194,507,331</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, supply, and distribution system | (60,617,545) | (3,427,311) | 9,747,303 | (54,297,553) |
| Equipment and software | <u>(6,615,145)</u> | <u>(472,029)</u> | <u>4,877,439</u> | <u>(2,209,735)</u> |
| Total accumulated depreciation | <u>(67,232,690)</u> | <u>(3,899,340)</u> | <u>14,624,742</u> | <u>(56,507,288)</u> |
| Total capital assets, being depreciated, net | <u>133,089,258</u> | <u>4,940,481</u> | <u>(29,696)</u> | <u>138,000,043</u> |
| Total capital assets, net | <u>\$146,895,052</u> | <u>\$ 13,517,644</u> | <u>\$ (1,791,747)</u> | <u>\$ 158,620,949</u> |

Capital asset activity for the year ended June 30, 2021 was as follows:

| | <u>2020</u> | <u>Additions</u> | <u>Transfers and Retirements</u> | <u>2021</u> |
|--|-----------------------|----------------------|--------------------------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land and right of way | \$ 5,056,375 | \$ - | \$ - | \$ 5,056,375 |
| Construction in progress | 7,088,533 | 7,389,861 | (5,728,975) | 8,749,419 |
| Total capital assets, not being depreciated | <u>12,144,908</u> | <u>7,389,861</u> | <u>(5,728,975)</u> | <u>13,805,794</u> |
| Capital assets, being depreciated: | | | | |
| Buildings, supply, and distribution system | 183,731,480 | 7,351,528 | (113,336) | 190,969,672 |
| Equipment and software | <u>8,697,504</u> | <u>814,626</u> | <u>(159,854)</u> | <u>9,352,276</u> |
| Total capital assets being depreciated | <u>192,428,984</u> | <u>8,166,154</u> | <u>(273,190)</u> | <u>200,321,948</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, supply, and distribution system | (57,406,309) | (3,274,033) | 62,797 | (60,617,545) |
| Equipment and software | <u>(6,132,728)</u> | <u>(642,271)</u> | <u>159,854</u> | <u>(6,615,145)</u> |
| Total accumulated depreciation | <u>(63,539,037)</u> | <u>(3,916,304)</u> | <u>222,651</u> | <u>(67,232,690)</u> |
| Total capital assets, being depreciated, net | <u>128,889,947</u> | <u>4,249,850</u> | <u>(50,539)</u> | <u>133,089,258</u> |
| Total capital assets, net | <u>\$ 141,034,855</u> | <u>\$ 11,639,711</u> | <u>\$ (5,779,514)</u> | <u>\$ 146,895,052</u> |

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 5 - Accrued vacation

Accrued vacation balances were \$660,655 and \$686,223 for the years ended June 30, 2022 and 2021 respectively. The change in accrued vacation for the year ended June 30, 2022 consists of decreases of \$449,735 and increases of \$573,791.

Note 6 - Long term debt

On February 4, 2022, the Commission entered into a loan agreement with the United States Environmental Protection Agency under the Water Infrastructure Finance and Innovation Act (WIFIA lender) to fund development of the Duff Water Treatment Plant and to implement the Big Butte Springs Water Quality Improvements Project. The loan bears interest at 2.2% and matures January 15, 2052. A maximum amount of \$27,381,175 of principal is available to the Commission, of which \$9,526,561 had been drawn down as of June 30, 2022. Under the terms of the agreement, interest is capitalized into principal until 7/15/2028, at which time interest on the current balance is paid semiannually thereafter. Principal payments on the loan begin on July 15, 2046. In the event of default the WIFIA Lender can increase the interest rate and institute any actions or proceedings at law or in equity for collection of any sums due and unpaid.

Future maturities of debt at June 30, 2022, are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2023 | \$ - | \$ - | \$ - |
| 2024 | - | - | - |
| 2025 | - | - | - |
| 2026 | - | - | - |
| 2027 | - | - | - |
| 2028-2032 | - | 948,540 | 948,540 |
| 2033-2037 | - | 1,185,675 | 1,185,675 |
| 2038-2042 | - | 1,185,675 | 1,185,675 |
| 2043-2047 | 2,062,483 | 1,174,393 | 3,236,876 |
| 2048-2052 | 7,464,078 | 1,667,713 | 9,131,791 |
| Total | <u>\$ 9,526,561</u> | <u>\$ 6,161,996</u> | <u>\$ 15,688,557</u> |

A summary of the changes in long-term debt for the year ended June 30, 2022 follows:

| | Beginning Balance | Reductions | Principal Borrowed | Ending Balance | Due Within One Year |
|----------------------|----------------------|------------|-----------------------|-------------------|------------------------|
| WIFIA loan agreement | \$ - | \$ - | \$ 9,526,561 | \$ 9,526,561 | \$ - |

Note 7 - Related party transactions

The Commission pays the City of Medford for services, materials/supplies, building permits and utilities. During the year ended June 30, 2022, the Commission paid the City of Medford a franchise tax, utility charges, and other charges amounting to \$743,864 and \$712,974 in the fiscal year ended June 30, 2022 and 2021, respectively. Water sales to the City were \$107,231 and \$397,128 during the year ended June 30, 2022. 2021, respectively.

Note 8 - Risk management

The Commission is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. The Commission does not engage in risk financing activities where the risk is retained (self-insurance). There was no significant reduction in the Commission's major categories of risk insurance coverage, and for the past three years, insurance coverage has been sufficient to cover any losses.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan

Plan Description

Employees of the Commission are provided with pensions, through the City of Medford, in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Risk Pooling

The City of Medford and the Commission have elected to participate in the State and Local Government Rate Pool (SLGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Pool participants share pension assets and future pension liabilities and surpluses. Employers in the pool jointly fund the future pension costs of all of the pooled participants.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit (Chapter 238).

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan (continued)

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan (continued)

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation which became effective July 1, 2020. Employer contributions for the year ended June 30, 2022 and June 30, 2021 were \$818,372 and \$733,283 respectively.. The rates in effect for the fiscal years ended June 30, 2022 and June 30, 2021 were 22.34 and 22.52 percent for Tier One/Tier Two General Service Member, 15.00 and 12.80 percent for OPSRP Pension Program General Service Members, and 6 and 6 percent for OPSRP Individual Account Program respectively.

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

At June 30, 2022, the Commission reported a liability of \$4,489,331 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. Medford Water Commission's proportion of the net pension liability was based on a projection of the Commission's long-term contribution effort as compared to the total projected contribution effort of all employers. At June 30, 2022, the Commission's proportion was 0.037 percent, which was a decrease from its proportion of 0.038 percent at June 30, 2021.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan (continued)

For the year ended June 30, 2022, the Commission recognized pension expense of \$2,203,432. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 420,231 | \$ - |
| Change in assumptions | 1,123,815 | 11,815 |
| Net difference between projected and actual earnings on investments | - | 3,323,417 |
| Change in proportionate share | 101,607 | 237,869 |
| Differences between Commission contributions and proportionate share of contributions | <u>2,440</u> | <u>215,861</u> |
| Total (prior to post-MD contributions) | 1,648,093 | 3,788,962 |
| Commission contributions subsequent to the measurement date | <u>701,630</u> | <u>-</u> |
| Total | <u>\$ 2,349,723</u> | <u>\$ 3,788,962</u> |

Deferred outflows of resources related to pensions of \$701,630 resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended <u>June 30:</u> | |
|----------------------------------|-----------------------|
| 2022 | \$ (388,346) |
| 2023 | (402,610) |
| 2024 | (561,122) |
| 2025 | (868,853) |
| 2026 | <u>80,062</u> |
| Total | <u>\$ (2,140,869)</u> |

At June 30, 2021, the Commission reported a liability of \$8,212,471 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. Medford Water Commission's proportion of the net pension liability was based on a projection of the Commission's long-term contribution effort as compared to the total projected contribution effort of all employers. At June 30, 2021, the Commission's proportion was 0.038 percent, which was an increase from its proportion of 0.036 percent at June 30, 2020.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan (continued)

For the year ended June 30, 2022, the Commission recognized pension expense of \$2,203,432. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 420,231 | \$ - |
| Change in assumptions | 1,123,815 | 11,815 |
| Net difference between projected and actual earnings on investments | - | 3,323,417 |
| Change in proportionate share | 101,607 | 237,869 |
| Differences between Commission contributions and proportionate share of contributions | <u>2,440</u> | <u>215,861</u> |
| Total (prior to post-MD contributions) | 1,648,093 | 3,788,962 |
| Commission contributions subsequent to the measurement date | <u>701,630</u> | <u>-</u> |
| Total | <u>\$ 2,349,723</u> | <u>\$ 3,788,962</u> |

Deferred outflows of resources related to pensions of \$701,630 resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended <u>June 30:</u> | |
|----------------------------------|-----------------------|
| 2022 | \$ (388,346) |
| 2023 | (402,610) |
| 2024 | (561,122) |
| 2025 | (868,853) |
| 2026 | <u>80,062</u> |
| Total | <u>\$ (2,140,869)</u> |

At June 30, 2021, the Commission reported a liability of \$8,212,471 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. Medford Water Commission's proportion of the net pension liability was based on a projection of the Commission's long-term contribution effort as compared to the total projected contribution effort of all employers. At June 30, 2021, the Commission's proportion was 0.038 percent, which was an increase from its proportion of 0.036 percent at June 30, 2020.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan (continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Pension plan (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Commission's proportionate share of the net pension liability (asset) calculated using the discount rate, as well as what the Commission'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 (5.90%) | Discount Rate (6.90%) | 1% Increase (7.90%) |
|--|------------------------|--------------------------|------------------------|
| Year ended June 30, 2022 | | | |
| Proportionate share of net pension liability | \$ 8,815,971 | \$ 4,489,331 | \$ 869,503 |

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|--|------------------------|--------------------------|------------------------|
| Year ended June 30, 2021 | | | |
| Proportionate share of net pension liability | \$ 12,194,842 | \$ 8,212,471 | \$ 4,873,069 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Note 10 - Deferred compensation plan

The Commission offers its employees two deferred compensation plans (the "Plans") created in accordance with Internal Revenue Code Section 457, as amended. Employees have the opportunity to choose various types of investments in their 457 plans. The Plans are available to most employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or certain unforeseeable emergency.

The Plans' assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the Commission's creditors, nor can they be used by the Commission for any purpose other than the payment of benefits to the Plans' participants. Accordingly, these assets and related liabilities are not recorded on the accompanying Statement of Net Position.

Note 11 - Commitments for construction

The Commission is involved in ongoing construction projects designed to maintain and upgrade the water system. Contracts related to future construction entered into by the Commission were \$23,855,925 at June 30, 2022.

Note 10- Contingencies

From time to time, the Commission is subject to legal proceedings and claims which arise in the ordinary course of its operations. In the opinion of management, the total amount of liability, if any, which may arise from such legal proceedings or claims beyond which is recovered by insurance would not materially affect the Commission's financial condition.

REQUIRED SUPPLEMENTAL INFORMATION

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Required Supplementary Information

Year Ended June 30, 2022

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability (asset) | 0.037515 % | 0.037631 % | 0.036060 % | 0.032940 % | 0.034038 % | 0.034703 % | 0.038844 % | 0.037437 % | 0.037437 % |
| Proportionate share of the net pension liability (asset) | \$ 4,489,331 | \$ 8,212,471 | \$ 6,237,430 | \$ 4,989,283 | \$ 4,588,312 | \$ 5,209,797 | \$ 2,230,197 | \$ (848,585) | \$ 1,910,455 |
| Covered payroll | \$ 4,806,424 | \$ 4,427,194 | \$ 3,967,303 | \$ 3,965,781 | \$ 3,967,303 | \$ 3,973,377 | \$ 3,749,828 | \$ 3,756,849 | \$ 3,644,184 |
| Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll | 93.40 % | 185.50 % | 140.89 % | 125.76 % | 115.70 % | 131.32 % | 56.13 % | (22.59)% | 52.42 % |
| Plan net position as a percentage of the total pension liability | 52.30 % | 75.80 % | 80.20 % | 82.10 % | 83.10 % | 80.53 % | 91.90 % | 103.59 % | 92.00 % |

Schedule of Pension Contributions

Oregon Public Employees Retirement System

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 818,372 | \$ 733,283 | \$ 672,907 | \$ 503,163 | \$ 491,051 | \$ 349,966 | \$ 377,060 | \$ 355,534 | \$ 353,386 |
| Contributions in relation to the contractually required contribution | 818,372 | 733,283 | 672,907 | 503,163 | 491,051 | 349,966 | 377,060 | 355,534 | 353,386 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 4,993,659 | \$ 4,806,424 | \$ 4,427,194 | \$ 3,967,303 | \$ 3,965,781 | \$ 3,967,303 | \$ 3,973,377 | \$ 3,749,828 | \$ 3,756,849 |
| Contributions as a percentage of covered employee payroll | 16.39 % | 15.26 % | 15.20 % | 12.68 % | 12.38 % | 8.82 % | 9.49 % | 9.48 % | 9.41 % |

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Required Supplementary Information

Year Ended June 30, 2022

Note I - Measurement Period

Amounts presented are for the measurement period, which for FY 2022 is July 1, 2020 - June 30, 2021.

Note II - Changes in Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2019 total pension liability. The changes included lowering the long-term expected rate of return to 6.90 percent and lowering of the assumed inflation to 2.40 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

Note III - Ten Year Trend Information

10-year trend information required by GASB Statement 68 will be presented prospectively

SUPPLEMENTARY INFORMATION

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

WATER FUND

Schedule of Budgeted and Actual Resources and Requirements (Budgetary Basis)

Year Ended June 30, 2022

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|---------------|---------------|---|
| Resources: | | | | |
| Water Revenue | \$ 20,000,000 | \$ 20,000,000 | \$ 20,238,076 | \$ 238,076 |
| Work Order and Fee Revenue | 700,000 | 700,000 | 1,297,525 | 597,525 |
| Investment Earnings | 75,000 | 75,000 | 95,745 | 20,745 |
| System development charges | 1,000,000 | 1,000,000 | 2,108,477 | 1,108,477 |
| Grants | - | - | 75,300 | 75,300 |
| Forest Product Revenue | 700,000 | 700,000 | 636,682 | (63,318) |
| Miscellaneous income | 85,000 | 85,000 | 139,860 | 54,860 |
| Debt Proceeds | 12,000,000 | 12,000,000 | 11,918,354 | (81,646) |
| Total resources from operations | 34,560,000 | 34,560,000 | 36,510,019 | 1,950,019 |
| Beginning fund balance available for appropriation | 8,816,681 | 8,816,681 | 9,035,047 | 218,366 |
| Total resources | \$ 43,376,681 | \$ 43,376,681 | \$ 45,545,066 | \$ 2,168,385 |
| Requirements: | | | | |
| Operating requirements: | | | | |
| Source of Supply | \$ 1,317,291 | \$ 1,317,291 | \$ 1,149,276 | \$ 168,015 |
| Supply Pumping | 660,890 | 660,890 | 578,599 | 82,291 |
| Purification | 2,340,048 | 2,340,048 | 2,224,105 | 115,943 |
| Transmission | 241,833 | 241,833 | 262,354 | (20,521) |
| Distribution Pumping | 442,106 | 442,106 | 377,794 | 64,312 |
| Distribution | 3,551,365 | 3,551,365 | 3,111,521 | 439,844 |
| Customer Accounts & Collections | 2,415,001 | 2,415,001 | 2,280,115 | 134,886 |
| Administrative & General, and franchise taxes | 1,798,314 | 1,798,314 | 2,319,490 | (521,176) |
| Work order and Fee Expense | 600,000 | 600,000 | 1,078,643 | (478,643) |
| Total operating requirements | 13,366,848 | 13,366,848 | 13,381,897 | (15,049) |
| Nonoperating requirements: | | | | |
| Capital outlay | 18,193,000 | 18,193,000 | 13,499,124 | 4,693,876 |
| Operating contingencies | 250,000 | 250,000 | - | 250,000 |
| Transfer to FMR, WTP, WRD, VPM Funds | 5,000,000 | 5,000,000 | 3,172,205 | 1,827,795 |
| Total nonoperating requirements | 23,443,000 | 23,443,000 | 16,671,329 | 6,771,671 |
| Unappropriated ending fund balance | 6,566,833 | 6,566,833 | 15,491,840 | (8,925,007) |
| Total requirements | \$ 43,376,681 | \$ 43,376,681 | \$ 45,545,066 | \$ (2,168,385) |

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

CONSTRUCTION AND INFRASTRUCTURE REPLACEMENT FUND

Schedule of Budgeted and Actual Resources and Requirements (Budgetary Basis)

Year Ended June 30, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|----------------------|----------------------|---|
| Resources: | | | | |
| Investment Earnings | \$ 250,000 | \$ 250,000 | \$ - | \$ (250,000) |
| Transfer from Water Fund | <u>5,000,000</u> | <u>5,000,000</u> | <u>3,172,205</u> | <u>(1,827,795)</u> |
| Subtotal | 5,250,000 | 5,250,000 | 3,172,205 | (2,077,795) |
| Beginning fund balance available for appropriation | <u>24,464,731</u> | <u>24,464,731</u> | <u>24,866,726</u> | <u>401,995</u> |
| Total resources | <u>\$ 29,714,731</u> | <u>\$ 29,714,731</u> | <u>\$ 28,038,931</u> | <u>\$ (1,675,800)</u> |
| Requirements: | | | | |
| Unappropriated ending fund balance | <u>29,714,731</u> | <u>29,714,731</u> | <u>28,038,931</u> | <u>1,675,800</u> |
| Total requirements | <u>\$ 29,714,731</u> | <u>\$ 29,714,731</u> | <u>\$ 28,038,931</u> | <u>\$ 1,675,800</u> |

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Reconciliation of Budget Basis Fund Balance to Net Position

Year Ended June 30, 2022

| | <u>2022</u> |
|--|-----------------------|
| Fund balances, budget basis: | |
| Water Fund | \$ 15,491,840 |
| Construction and Infrastructure Replacement Fund | <u>28,038,931</u> |
| Total, budget basis | 43,530,771 |
| Prepaid pension | (1,204,263) |
| Deferred outflows related to pensions | 2,349,722 |
| Net pension liability | (4,489,331) |
| Deferred inflows related to pensions | (3,788,962) |
| Proceeds form long-term debt | (11,918,354) |
| Deferred inflow Jacksonville Highway Water District /Lozier Lane note | 236,282 |
| Capital assets net of accumulated depreciation | <u>158,620,949</u> |
| Net position | <u>\$ 183,336,814</u> |

STATISTICAL SECTION

Medford Water Commission (Unaudited)

Introduction to the Statistical Section

This section provides financial statement users with additional historic perspective, context and detail to assist the information in the financial statements, note disclosures and required supplemental information to understand and assess the Commission's economic condition.

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being has changed over time.

| | |
|--|---------|
| Schedule 1 - Total Net Assets by Component Last 10 years | 31 |
| Schedule 2 - Unappropriated Ending Fund Balances Last 10 years | 32 |
| Schedule 3 - Statement of Revenues, Expenses & Changes in Net Position | 33 - 34 |

Revenue Capacity

These schedules contain trend information to help the reader assess the Commission's most significant local revenue source, the Commission's water rates.

| | |
|---|---------|
| Schedule 4 - Water Produced and Sold | 35 |
| Schedule 5 - Total Number of Water Services by Type | 36 |
| Schedule 6 - Inside Residential Customer Water Rates | 37 - 38 |
| Schedule 7 - Outside Customer Water Rates | 39 - 40 |
| Schedule 8 - Consumption by Customer Groups and Class | 41 |
| Schedule 9 - Wholesale Customers | 42 |

Operating Information

These schedules contain information about the Commission's operations and resources to help the reader understand how the Commission's financial information relates to the services the Commission provides.

| | |
|--|---------|
| Schedule 10 - Capital Assets | 43 - 44 |
| Schedule 11 - Annual New Pipeline Summary | 45 |
| Schedule 12 - Number of Full Time Employees Last Ten Years | 46 |

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place and to help make comparisons over time.

| | |
|---|----|
| Schedule 13 - Population & Income Estimates | 47 |
|---|----|

Sources

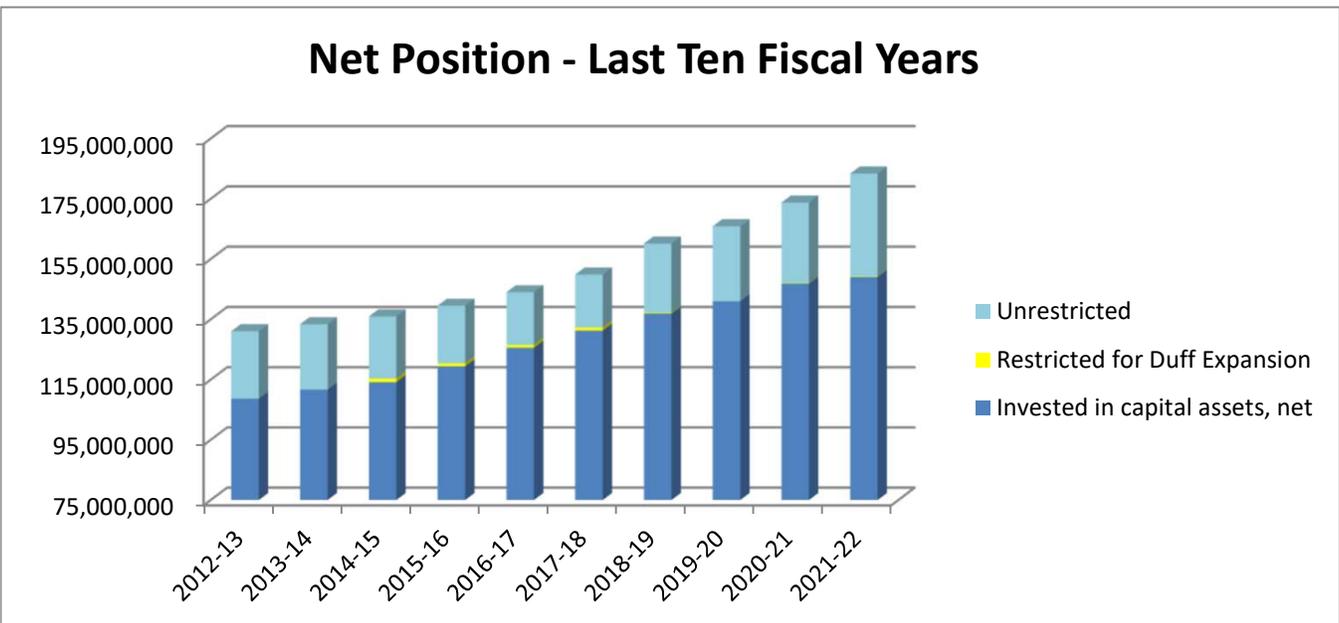
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the current year and audited financial statements for previous years.

**MEDFORD WATER COMMISSION - UNAUDITED
Schedule 1**

Net Position - Last Ten Fiscal Years

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Invested in capital assets, net | 108,659,059 | 111,685,166 | 114,182,987 | 119,420,089 | 125,579,757 |
| Restricted for Duff Expansion | - | - | 1,236,543.00 | 1,011,148.00 | 982,000.00 |
| Unrestricted | 22,418,534 | 21,715,047 | 20,560,518 | 19,108,037 | 17,437,503 |
| Total | \$ 131,077,593 | \$ 133,400,213 | \$ 135,980,048 | \$ 139,539,274 | \$ 143,999,260 |

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Invested in capital assets, net | 131,300,433 | 136,947,817 | 141,034,855 | 146,895,052 | 149,094,388 |
| Restricted for Duff Expansion | 961,226 | 347,939 | - | | |
| Restricted for Lozier Lane | | | | 215,795 | 215,865 |
| Unrestricted | 17,601,350 | 22,876,503 | 24,838,367 | 26,636,450 | 34,054,438 |
| Total | \$ 149,863,009 | \$ 160,172,255 | \$ 165,873,222 | \$ 173,747,297 | \$ 183,364,691 |

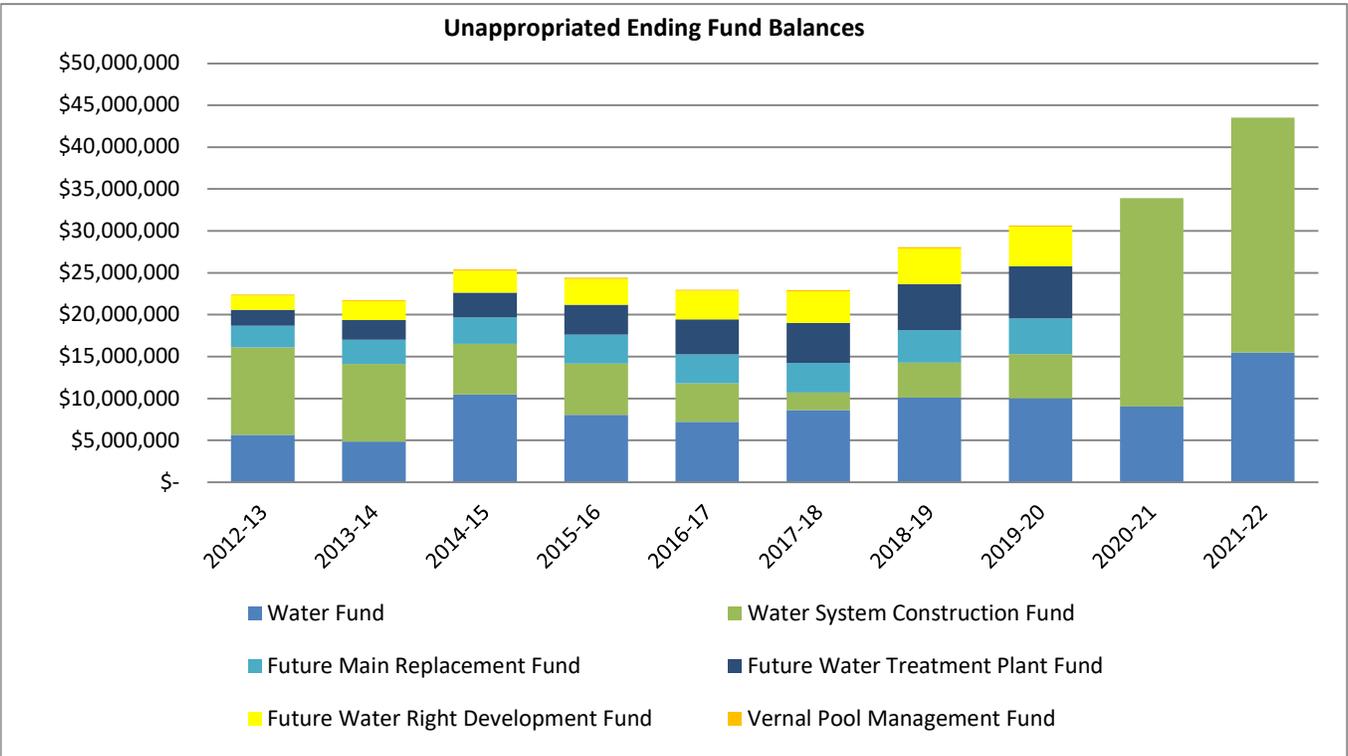


**MEDFORD WATER COMMISSION - UNAUDITED
Schedule 2**

Unappropriated Ending Fund Balance - Last Ten Fiscal Years

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Water Fund | \$ 5,654,793 | \$ 4,871,890 | \$ 10,458,454 | \$ 8,051,825 | \$ 7,202,158 |
| Water System Construction Fund | 10,424,579 | 9,241,177 | 6,047,418 | 6,097,423 | 4,589,958 |
| Future Main Replacement Fund | 2,590,877 | 2,880,823 | 3,179,579 | 3,480,870 | 3,474,188 |
| Future Water Treatment Plant Fund | 1,902,211 | 2,363,184 | 2,933,676 | 3,570,931 | 4,163,777 |
| Future Water Right Development Func | 1,720,640 | 2,231,815 | 2,647,365 | 3,069,032 | 3,417,650 |
| Vernal Pool Management Fund | 125,434 | 126,158 | 127,198 | 128,250 | 128,002 |
| Total | \$22,418,534 | \$21,715,047 | \$25,393,690 | \$24,398,331 | \$22,975,733 |

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Water Fund | \$ 8,612,017 | \$ 10,106,648 | \$ 10,038,369 | \$ 9,035,047 | \$ 15,491,840 |
| Water System Construction Fund | 2,109,100 | 4,168,102 | 5,275,318 | 24,866,726 | 28,038,931 |
| Future Main Replacement Fund | 3,496,807 | 3,869,635 | 4,244,174 | - | - |
| Future Water Treatment Plant Fund | 4,787,315 | 5,506,283 | 6,218,880 | - | - |
| Future Water Right Development Func | 3,796,059 | 4,271,984 | 4,724,989 | - | - |
| Vernal Pool Management Fund | 128,835 | 132,440 | 135,847 | - | - |
| Total | \$22,930,133 | \$28,055,092 | \$30,637,577 | \$33,901,773 | \$43,530,771 |



MEDFORD WATER COMMISSION - UNAUDITED
Schedule 3

Statements of Revenues, Expenses and Changes in Net Position - Last Ten Fiscal Years

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|----------------|----------------|----------------|----------------|----------------|
| Operating revenues: | | | | | |
| Residential and commercial water service | \$ 8,465,085 | \$ 8,975,519 | \$ 9,398,186 | \$ 10,490,631 | \$ 11,741,119 |
| Sales to other utilities | 2,284,099 | 1,748,079 | 1,922,434 | 2,149,518 | 1,964,918 |
| Service center clearing revenue | - | - | - | - | - |
| Work Order and Fee Revenue | 455,567 | 559,433 | 521,196 | 754,891 | 1,009,379 |
| Total operating revenues | 11,204,751 | 11,283,031 | 11,841,816 | 13,395,040 | 14,715,416 |
| Operating expenses: | | | | | |
| Operating and maintenance | 5,174,460 | 5,618,203 | 5,926,413 | 7,033,438 | 6,310,326 |
| Administrative and general | 2,060,765 | 2,347,023 | 1,113,424 | 2,938,979 | 1,324,648 |
| Depreciation | 2,638,923 | 2,787,874 | 3,109,984 | 3,176,900 | 3,278,607 |
| Change in components of net pension liability | - | - | - | - | 382,423 |
| Service center clearing expense | - | - | - | - | - |
| Work Order and Fee Expense | 457,146 | 248,822 | 366,524 | 655,863 | 429,163 |
| Total operating expenses | 10,331,294 | 11,001,922 | 10,516,345 | 13,805,180 | 11,725,167 |
| Operating income (loss) | 873,457 | 281,109 | 1,325,471 | (410,140) | 2,990,249 |
| Nonoperating revenues (expenses) | | | | | |
| Charges in lieu of assessments | 3,477 | - | - | - | 5,319 |
| City of Medford utility collection | 455,652 | - | - | - | - |
| Investment Income | 127,037 | 173,792 | 220,789 | 228,612 | 173,296 |
| Income from forest products | - | - | 12,131 | 36,394 | - |
| Grant Revenue | - | - | - | - | - |
| Miscellaneous income | 184,144 | 112,364 | 138,172 | 73,383 | 379,858 |
| Gain (loss) on sale of assets | - | - | 6,121 | 11,350 | 6,622 |
| Total nonoperating revenues (expenses) | 770,310 | 286,156 | 377,213 | 349,739 | 565,096 |
| Income before capital contributions | 1,643,767 | 567,265 | 1,702,684 | (60,401) | 3,555,345 |
| Capital contributions | | | | | |
| Developer donations (capitalized) | 890,913 | 1,082,658 | 856,759 | 1,819,728 | 1,213,438 |
| System development charges | 772,458 | 672,697 | 3,617,019 | 1,617,576 | 1,295,820 |
| Total capital contributions | 1,663,371 | 1,755,355 | 4,473,778 | 3,437,304 | 2,509,258 |
| Change in net position | 3,307,138 | 2,322,620 | 6,176,462 | 3,376,903 | 6,064,603 |
| Total net position - beginning of year | 127,770,455 | 131,077,593 | 133,400,213 | 135,980,048 | 139,539,274 |
| Restatement of net position | | | (3,596,627) | 182,323 | |
| Total net position - end of year | \$ 131,077,593 | \$ 133,400,213 | \$ 135,980,048 | \$ 139,539,274 | \$ 145,603,877 |

(1) Total net position - beginning of year 2014-15 restated due to GASB 68 Adjustment

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 3

Statements of Revenues, Expenses and Changes in Net Position - Last Ten Fiscal Years (continued)

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|----------------|----------------|----------------|----------------|----------------|
| Operating revenues: | | | | | |
| Residential and commercial water service | \$ 13,638,287 | \$ 15,147,212 | \$ 15,549,822 | \$ 18,597,709 | \$ 17,851,612 |
| Sales to other utilities | 1,821,633 | 2,646,870 | 2,286,742 | 2,406,487 | 2,386,465 |
| Service center clearing revenue | - | - | - | - | - |
| Work Order and Fee Revenue | 734,350 | 853,923 | 718,644 | 755,476 | 1,264,692 |
| Total operating revenues | 16,194,271 | 18,648,005 | 18,555,208 | 21,759,672 | 21,502,769 |
| Operating expenses: | | | | | |
| Operating and maintenance | 7,464,053 | 8,193,851 | 8,960,879 | 9,625,087 | 9,983,764 |
| Administrative and general | 1,782,502 | 1,958,748 | 2,236,485 | 1,857,241 | 2,243,847 |
| Depreciation | 3,543,423 | 3,735,733 | 3,829,677 | 3,916,304 | 3,899,340 |
| Change in components of net pension liability | 588,047 | 437,717 | 1,044,219 | 1,324,470 | (80,468) |
| Service center clearing expense | - | - | - | - | - |
| Work Order and Fee Expense | 700,472 | 693,141 | 579,580 | 740,424 | 1,078,643 |
| Total operating expenses | 14,078,497 | 15,019,189 | 16,650,840 | 17,463,526 | 17,125,126 |
| Operating income (loss) | 2,115,774 | 3,628,814 | 1,904,368 | 4,296,146 | 4,377,643 |
| Nonoperating revenues (expenses) | | | | | |
| Charges in lieu of assessments | - | - | - | - | - |
| City of Medford utility collection | - | - | - | - | - |
| Investment Income | 242,037 | 609,549 | 714,816 | 257,864 | 123,623 |
| Income from forest products | - | 683,598 | 873,050 | - | 636,682 |
| Grant Revenue | - | - | - | - | 75,300 |
| Miscellaneous income | 217,271 | 122,004 | 134,929 | 356,952 | 139,860 |
| Gain (loss) on sale of assets | - | - | - | - | - |
| Total nonoperating revenues (expenses) | 459,308 | 1,415,151 | 1,722,795 | 614,816 | 975,465 |
| Income before capital contributions | 2,575,082 | 5,043,965 | 3,627,163 | 4,910,962 | 5,353,108 |
| Capital contributions | | | | | |
| Developer donations (capitalized) | 1,663,325 | 3,994,345 | 889,661 | 1,618,649 | 2,155,809 |
| System development charges | 991,154 | 1,270,940 | 1,184,139 | 1,344,464 | 2,108,477 |
| Total capital contributions | 2,654,479 | 5,265,285 | 2,073,800 | 2,963,113 | 4,264,286 |
| Change in net position | 5,229,561 | 10,309,250 | 5,700,963 | 7,874,075 | 9,617,394 |
| Total net position - beginning of year | 145,603,877 | 150,833,438 | 160,172,259 | 165,873,222 | 173,747,297 |
| Restatement of net position | | | | | |
| Total net position - end of year | \$ 150,833,438 | \$ 160,172,259 | \$ 165,873,222 | \$ 173,747,297 | \$ 183,364,691 |

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 4

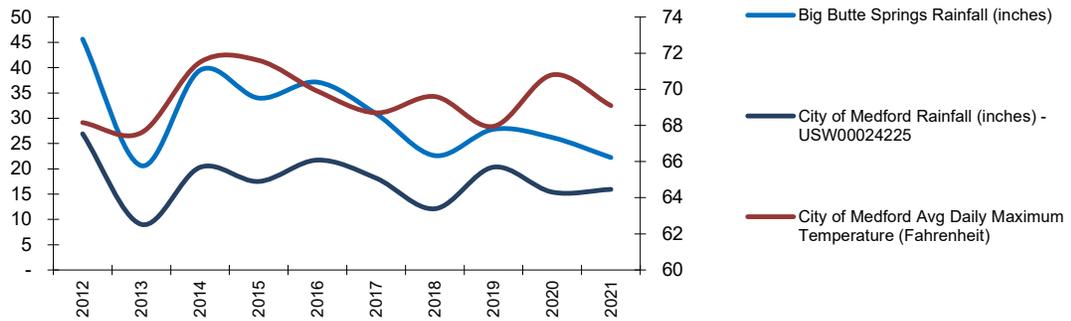
Water Produced and Sold - Last Ten Calendar Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Big Butte Springs Water Produced (1,000 Gal) | 7,645,207 | 7,982,750 | 8,127,920 | 7,958,203 | 7,875,995 | 8,151,604 | 7,997,320 | 7,847,560 | 7,254,810 | 7,291,270 |
| Duff Water Treatment Plant Water Produced (1,000 Gal) | 2,129,700 | 2,293,130 | 2,472,110 | 2,793,000 | 2,371,990 | 2,557,530 | 3,170,320 | 2,736,530 | 4,109,140 | 4,068,450 |
| Total Production | 9,774,907 | 10,275,880 | 10,600,030 | 10,751,203 | 10,247,985 | 10,709,134 | 11,167,640 | 10,584,090 | 11,363,950 | 11,359,720 |

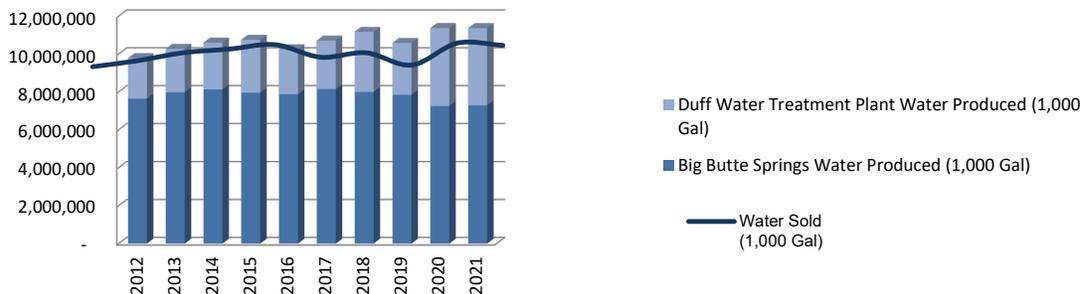
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Water Sold (1,000 Gal) | 8,923,581 | 9,121,029 | 9,377,069 | 9,491,979 | 9,634,859 | 9,230,370 | 9,373,089 | 8,976,332 | 9,684,882 | 9,613,010 |
| Nonrevenue Water (1,000 Gal) | 851,326 | 1,154,851 | 1,222,961 | 1,259,224 | 613,126 | 1,478,764 | 1,794,551 | 1,607,758 | 1,679,068 | 1,746,710 |
| Total Production | 9,774,907 | 10,275,880 | 10,600,030 | 10,751,203 | 10,247,985 | 10,709,134 | 11,167,640 | 10,584,090 | 11,363,950 | 11,359,720 |

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Big Butte Springs Rainfall (inches) | 45.63 | 20.62 | 39.48 | 33.98 | 37.13 | 30.87 | 22.61 | 27.82 | 26.20 | 22.23 |
| City of Medford Rainfall (inches) - USW00024225 | 26.92 | 9.02 | 20.29 | 17.50 | 21.73 | 18.16 | 12.10 | 20.33 | 15.40 | 15.94 |
| City of Medford Avg Daily Maximum Temperature (Fahrenheit) | 68.2 | 67.6 | 71.5 | 71.6 | 69.9 | 68.7 | 69.6 | 68.0 | 70.8 | 69.1 |

Rainfall and Average Temperature



Water Produced and Sold



**MEDFORD WATER COMMISSION - UNAUDITED
Schedule 5**

Total Number of ACTIVE Water Services by Type - Last Ten Fiscal Years

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Inside City | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Single Family | 19,857 | 20,580 | 21,245 | 21,170 | 21,564 | 21,360 | 22,012 | 22,184 | 22,034 | 22,606 |
| Multi-Family | 2,286 | 2,356 | 2,351 | 2,370 | 2,421 | 2,434 | 2,442 | 2,476 | 2,607 | 2,483 |
| Commercial | 2,386 | 2,550 | 2,576 | 2,624 | 2,661 | 2,646 | 2,711 | 2,723 | 2,772 | 2,753 |
| Industrial | 43 | 44 | 44 | 45 | 44 | 45 | 46 | 47 | 47 | 50 |
| Fire Services | 387 | 392 | 403 | 405 | 435 | 448 | 459 | 467 | 480 | 490 |
| Municipal | 101 | - | - | - | - | - | - | - | - | - |
| Subtotal | 25,060 | 25,922 | 26,619 | 26,614 | 27,125 | 26,933 | 27,670 | 27,897 | 27,940 | 28,382 |
| Outside City | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Single Family | 2,270 | 2,393 | 2,442 | 2,514 | 2,833 | 2,879 | 2,938 | 2,955 | 2,973 | 3,054 |
| Multi-Family | 35 | 58 | 58 | 59 | 73 | 73 | 74 | 76 | 72 | 83 |
| Commercial | 210 | 204 | 209 | 220 | 224 | 223 | 225 | 226 | 206 | 230 |
| Industrial | 81 | 83 | 83 | 84 | 82 | 88 | 94 | 92 | 91 | 97 |
| Fire Services | 68 | 49 | 70 | 72 | 70 | 72 | 72 | 76 | 68 | 77 |
| Subtotal | 2,664 | 2,787 | 2,862 | 2,949 | 3,282 | 3,335 | 3,403 | 3,425 | 3,410 | 3,541 |
| Water Districts | | | | | | | | | | |
| Charlotte Ann | 189 | 195 | 196 | 201 | 200 | 200 | 200 | 200 | 197 | 115 |
| Elk City | 101 | 101 | 102 | 102 | 102 | 103 | 103 | 103 | 103 | 105 |
| Jacksonville Highway | 344 | 336 | 336 | - | - | - | - | - | - | - |
| Subtotal | 634 | 632 | 634 | 303 | 302 | 303 | 303 | 303 | 300 | 220 |
| Total Inside/Outside/Water Districts | | | | | | | | | | |
| | 28,358 | 29,341 | 29,031 | 29,185 | 29,317 | 30,571 | 31,376 | 31,625 | 31,650 | 32,143 |
| Self Operating Areas (Cities) | | | | | | | | | | |
| Central Point, Eagle Point, Talent, Phoenix, Ashland & Jacksonville | 14,078 | 14,188 | 14,297 | 14,433 | 14,608 | 14,738 | 14,915 | 15,358 | 15,058 | 15,261 |
| Total Water Services | | | | | | | | | | |
| | 42,436 | 43,529 | 43,328 | 43,618 | 43,925 | 45,309 | 46,291 | 46,983 | 46,708 | 47,404 |

(1) Source: Medford Water Commission

(2) Jacksonville Highway Water District was dissolved and acquired by the Medford Water Commission in 2016.

(3) Years 2013/14 through 2019/20 have been restated.

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 6

Inside Residential Customer Water Rates - Last Ten Effective Years

| Effective Date | 3/1/2013 | 3/1/2014 | 3/1/2015 | 1/1/2016 | 3/1/2017 | 3/1/2018 | 3/1/2019 | 3/1/2020 | 3/1/2021 | 3/1/2022 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Inside Residential | | | | | | | | | | |
| Base Rates (per month) | | | | | | | | | | |
| 5/8 x 3/4" | \$ 7.62 | \$ 7.62 | \$ 8.00 | \$ 9.06 | \$ 10.62 | \$ 11.62 | \$ 12.56 | \$ 13.65 | \$ 14.52 | \$ 15.44 |
| 1" | 11.94 | 11.94 | 12.54 | 14.20 | 16.65 | 18.22 | 19.69 | 21.40 | 22.76 | 24.20 |
| 1 1/2" | 24.46 | 24.46 | 25.68 | 29.08 | 34.09 | 37.30 | 40.32 | 43.82 | 46.61 | 49.56 |
| 2" | 36.51 | 36.51 | 38.34 | 43.42 | 50.90 | 55.69 | 60.20 | 65.42 | 69.59 | 74.00 |
| Backflow Fee | 0.75 | 0.75 | 0.75 | 0.75 | 0.94 | 1.06 | 0.95 | 0.90 | 0.90 | 0.90 |
| Gallonage Charge (per 1,000 GAL) | | | | | | | | | | |
| below 15,000 GAL (2011 - below 5,000 GAL) | | | | | | | | | | |
| Gravity (below 1499 ft) | N/A |
| EL. 1 (1500 - 1649 ft) | N/A |
| EL. 2 (1650 - 1799 ft) | N/A |
| EL. 3 (1800 - 1949 ft) | N/A |
| EL. 4 (1950 - 2099 ft) | N/A |
| EL. 5 (above 2100 ft) | N/A |
| over 15,000 GAL (2011 - 5,000 to 25,000 GAL) | | | | | | | | | | |
| Gravity (below 1499 ft) | N/A |
| EL. 1 (1500 - 1649 ft) | N/A |
| EL. 2 (1650 - 1799 ft) | N/A |
| EL. 3 (1800 - 1949 ft) | N/A |
| EL. 4 (1950 - 2099 ft) | N/A |
| EL. 5 (above 2100 ft) | N/A |
| below 5,000 GAL | | | | | | | | | | |
| Gravity (below 1499 ft) | 0.44 | 0.44 | 0.46 | 0.52 | 0.61 | 0.67 | 0.72 | 0.78 | 0.83 | 0.88 |
| EL. 1 (1500 - 1649 ft) | 0.49 | 0.49 | 0.51 | 0.58 | 0.67 | 0.73 | 0.78 | 0.84 | 0.89 | 0.95 |
| EL. 2 (1650 - 1799 ft) | 0.54 | 0.54 | 0.56 | 0.64 | 0.73 | 0.79 | 0.84 | 0.90 | 0.95 | 1.02 |
| EL. 3 (1800 - 1949 ft) | 0.59 | 0.59 | 0.61 | 0.70 | 0.79 | 0.85 | 0.90 | 0.96 | 1.01 | 1.09 |
| EL. 4 (1950 - 2099 ft) | 0.64 | 0.64 | 0.66 | 0.76 | 0.85 | 0.91 | 0.96 | 1.02 | 1.07 | 1.16 |
| EL. 5 (above 2100 ft) | 0.69 | 0.69 | 0.71 | 0.82 | 0.91 | 0.97 | 1.02 | 1.08 | 1.13 | 1.23 |
| 5,000 to 25,000 GAL | | | | | | | | | | |
| Gravity (below 1499 ft) | 0.79 | 0.79 | 0.83 | 0.94 | 1.10 | 1.21 | 1.30 | 1.41 | 1.50 | 1.59 |
| EL. 1 (1500 - 1649 ft) | 0.84 | 0.84 | 0.88 | 1.00 | 1.16 | 1.27 | 1.36 | 1.47 | 1.56 | 1.66 |
| EL. 2 (1650 - 1799 ft) | 0.89 | 0.89 | 0.93 | 1.06 | 1.22 | 1.33 | 1.42 | 1.53 | 1.62 | 1.73 |
| EL. 3 (1800 - 1949 ft) | 0.94 | 0.94 | 0.98 | 1.12 | 1.28 | 1.39 | 1.48 | 1.59 | 1.68 | 1.80 |
| EL. 4 (1950 - 2099 ft) | 0.99 | 0.99 | 1.03 | 1.18 | 1.34 | 1.45 | 1.54 | 1.65 | 1.74 | 1.87 |
| EL. 5 (above 2100 ft) | 1.04 | 1.04 | 1.08 | 1.24 | 1.40 | 1.51 | 1.60 | 1.71 | 1.80 | 1.94 |
| over 25,000 GAL | | | | | | | | | | |
| Gravity (below 1499 ft) | 1.14 | 1.14 | 1.20 | 1.36 | 1.60 | 1.76 | 1.89 | 2.05 | 2.18 | 2.31 |
| EL. 1 (1500 - 1649 ft) | 1.19 | 1.19 | 1.25 | 1.42 | 1.66 | 1.82 | 1.95 | 2.11 | 2.24 | 2.38 |
| EL. 2 (1650 - 1799 ft) | 1.24 | 1.24 | 1.30 | 1.48 | 1.72 | 1.88 | 2.01 | 2.17 | 2.30 | 2.45 |
| EL. 3 (1800 - 1949 ft) | 1.29 | 1.29 | 1.35 | 1.54 | 1.78 | 1.94 | 2.07 | 2.23 | 2.36 | 2.52 |
| EL. 4 (1950 - 2099 ft) | 1.34 | 1.34 | 1.40 | 1.60 | 1.84 | 2.00 | 2.13 | 2.29 | 2.42 | 2.59 |
| EL. 5 (above 2100 ft) | 1.39 | 1.39 | 1.45 | 1.66 | 1.90 | 2.06 | 2.19 | 2.35 | 2.48 | 2.66 |

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 6 - continued

Inside Non-Residential & Mulit-Family Water Rates - Last Ten Effective Years

| Effective Date | 3/1/2013 | 3/1/2014 | 3/1/2015 | 1/1/2016 | 3/1/2017 | 3/1/2018 | 3/1/2019 | 3/1/2020 | 3/1/2021 | 3/1/2022 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Inside Non-Residential & Mulit-Family | | | | | | | | | | |
| Base Rates (per month) | | | | | | | | | | |
| 5/8 x 3/4" | \$ 7.62 | \$ 8.00 | \$ 9.06 | \$ 10.62 | \$ 11.62 | \$ 11.62 | \$ 12.56 | \$ 13.65 | \$ 14.52 | \$ 15.44 |
| 1" | 11.94 | 12.54 | 14.20 | 16.65 | 18.22 | 18.22 | 19.69 | 21.40 | 22.76 | 24.20 |
| 1 1/2" | 24.46 | 25.68 | 29.08 | 34.09 | 37.30 | 37.30 | 40.32 | 43.82 | 46.61 | 49.56 |
| 2" | 36.51 | 38.34 | 43.42 | 50.90 | 55.69 | 55.69 | 60.20 | 65.42 | 69.59 | 74.00 |
| 3" | 72.49 | 76.11 | 86.19 | 101.03 | 110.54 | 110.54 | 119.48 | 129.85 | 138.13 | 146.88 |
| 4" | 113.38 | 119.05 | 134.82 | 158.03 | 172.91 | 172.91 | 186.90 | 203.12 | 216.07 | 229.76 |
| 6" | 217.20 | 228.06 | 258.28 | 302.75 | 331.26 | 331.26 | 358.06 | 389.13 | 413.93 | 440.16 |
| 8" | 333.85 | 350.54 | 396.99 | 465.35 | 509.17 | 509.17 | 550.36 | 598.12 | 636.24 | 676.55 |
| 10" | 509.21 | 534.67 | 605.51 | 709.77 | 776.60 | 776.60 | 839.42 | 912.27 | 970.41 | 1,031.90 |
| Gallorage Charge (per 1,000 GAL) | | | | | | | | | | |
| Winter | 0.57 | 0.60 | 0.72 | 0.88 | 0.98 | 0.98 | 1.08 | 1.19 | 1.28 | 1.37 |
| Summer | 0.77 | 0.81 | 0.92 | 1.08 | 1.18 | 1.18 | 1.28 | 1.39 | 1.48 | 1.57 |

- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
- (2) Winter rates are classified as October through April, and Summer rates are May through September.
- (3) Each single family residential customer is charged a backflow prevention program fee monthly.
- (4) 2011 was the first year for three tiered inside residential rates. (gallons; 0-5,000/5,000-25,000/Over 25,000).
- (5) Source: Medford Water Commission.

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 7

Outside Customer Water Rates - Last Ten Effective Years

| Effective Date | 3/1/2013 | 3/1/2014 | 3/1/2015 | 1/1/2016 | 3/1/2017 | 3/1/2018 | 3/1/2019 | 3/1/2020 | 3/1/2021 | 3/1/2022 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Outside Residential | | | | | | | | | | |
| Base Rates (per month) | | | | | | | | | | |
| 5/8 x 3/4" | \$ 10.60 | \$ 10.60 | \$ 11.13 | \$ 12.60 | \$ 14.77 | \$ 16.16 | \$ 17.47 | \$ 18.99 | \$ 20.20 | \$ 21.48 |
| 1" | 17.62 | 17.62 | 18.50 | 20.95 | 24.56 | 26.88 | 29.05 | 31.57 | 33.58 | 35.70 |
| 1 1/2" | 35.43 | 35.43 | 37.20 | 42.13 | 49.39 | 54.04 | 58.42 | 63.49 | 67.53 | 71.80 |
| 2" | 52.16 | 52.16 | 54.77 | 62.03 | 72.72 | 79.56 | 86.00 | 93.46 | 99.42 | 105.72 |
| 3" | 109.61 | 109.61 | 115.09 | 130.29 | 152.73 | 167.10 | 180.65 | 196.37 | 208.88 | 222.12 |
| 4" | 166.57 | 166.57 | 174.90 | 198.00 | 232.10 | 253.94 | 274.53 | 298.42 | 317.43 | 337.54 |
| 6" | 313.91 | 313.91 | 329.61 | 373.14 | 437.40 | 478.13 | 516.89 | 561.86 | 597.66 | 635.53 |
| 8" | 472.15 | 472.15 | 495.76 | 561.24 | 657.90 | 719.81 | 778.16 | 845.86 | 899.76 | 956.77 |
| 10" | 710.41 | 710.41 | 745.93 | 844.45 | 989.88 | 1,083.04 | 1,170.84 | 1,272.71 | 1,353.80 | 1,439.59 |
| Backflow Fee | 0.75 | 0.75 | 0.75 | 0.75 | 0.94 | 1.06 | 0.95 | 0.90 | 0.90 | 0.90 |
| Gallonge Charge (per 1,000 GAL) | | | | | | | | | | |
| below 15,000 GAL | N/A |
| over 15,000 GAL | N/A |
| Gallonge Charge (per 1,000 GAL) | | | | | | | | | | |
| below 5,000 GAL | 0.65 | 0.65 | 0.68 | 0.77 | 0.90 | 0.99 | 1.06 | 1.15 | 1.22 | 1.29 |
| 5,000 to 25,000 GAL | 1.17 | 1.17 | 1.23 | 1.39 | 1.63 | 1.79 | 1.92 | 2.08 | 2.21 | 2.34 |
| over 25,000 GAL | 1.69 | 1.69 | 1.79 | 2.03 | 2.39 | 2.63 | 2.82 | 3.06 | 3.25 | 3.44 |
| Outside Commercial | | | | | | | | | | |
| Base Rates (per month) | | | | | | | | | | |
| 5/8 x 3/4" | 10.60 | 10.60 | 11.13 | 12.60 | 14.77 | 16.16 | 17.47 | 18.99 | 20.20 | 21.48 |
| 1" | 17.62 | 17.62 | 18.50 | 20.95 | 24.56 | 26.88 | 29.05 | 31.57 | 33.58 | 35.70 |
| 1 1/2" | 35.43 | 35.43 | 37.20 | 42.13 | 49.39 | 54.04 | 58.42 | 63.49 | 67.53 | 71.80 |
| 2" | 52.16 | 52.16 | 54.77 | 62.03 | 72.72 | 79.56 | 86.00 | 93.46 | 99.42 | 105.72 |
| 3" | 109.61 | 109.61 | 115.09 | 130.29 | 152.73 | 167.10 | 180.65 | 196.37 | 208.88 | 222.12 |
| 4" | 166.57 | 166.57 | 174.90 | 198.00 | 232.10 | 253.94 | 274.53 | 298.42 | 317.43 | 337.54 |
| 6" | 313.91 | 313.91 | 329.61 | 373.14 | 437.40 | 478.13 | 516.89 | 561.86 | 597.66 | 635.53 |
| 8" | 472.15 | 472.15 | 495.76 | 561.24 | 657.90 | 719.81 | 778.16 | 845.86 | 899.76 | 956.77 |
| 10" | 710.41 | 710.41 | 745.93 | 844.45 | 989.88 | 1,083.04 | 1,170.84 | 1,272.71 | 1,353.80 | 1,439.59 |
| Gallonge Charge (per 1,000 GAL) | | | | | | | | | | |
| Winter | 0.83 | 0.83 | 0.86 | 1.02 | 1.23 | 1.36 | 1.49 | 1.64 | 1.64 | 1.88 |
| Summer | 1.03 | 1.03 | 1.07 | 1.22 | 1.43 | 1.56 | 1.69 | 1.84 | 1.84 | 2.08 |

- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
- (2) Winter rates are classified as October through April, and Summer rates are May through September.
- (3) Each single family residential customer is charged a backflow prevention program fee monthly.
- (4) 2011 was the first year for three tiered inside residential rates, (gallons; 0-5,000/5,000-25,000/Over 25,000).
- (5) Source: Medford Water Commission

MEDFORD WATER COMMISSION - UNAUDITED

Schedule 7 continued

Water Districts and Partner Cities Water Rates for the Last Ten Effective Years

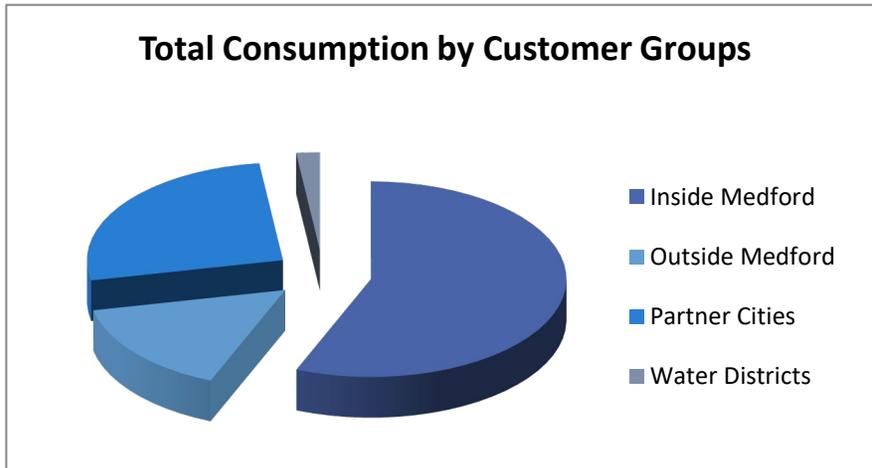
| Effective Date | 3/1/2013 | 3/1/2014 | 3/1/2015 | 1/1/2016 | 3/1/2017 | 3/1/2018 | 3/1/2019 | 3/1/2020 | 3/1/2021 | 3/1/2022 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Water Districts | | | | | | | | | | |
| Base Rates (per month) | | | | | | | | | | |
| 5/8 x 3/4" | \$ 9.40 | \$ 9.40 | \$ 9.87 | \$ 8.65 | \$ 9.80 | \$ 10.38 | \$ 10.98 | \$ 10.96 | \$ 11.19 | \$ 9.90 |
| 1" | 14.81 | 14.81 | 15.55 | 13.63 | 15.44 | 16.35 | 17.30 | 17.27 | 17.63 | 15.60 |
| 1 1/2" | 30.74 | 30.74 | 32.28 | 28.29 | 32.05 | 33.95 | 35.91 | 35.84 | 36.59 | 32.37 |
| 2" | 46.40 | 46.40 | 48.72 | 42.70 | 48.38 | 51.24 | 54.20 | 54.10 | 55.24 | 48.87 |
| 3" | 87.65 | 87.65 | 92.03 | 80.65 | 91.37 | 96.78 | 102.37 | 102.18 | 104.32 | 92.29 |
| 4" | 141.16 | 141.16 | 148.22 | 129.90 | 147.17 | 155.88 | 164.89 | 164.59 | 168.04 | 148.67 |
| 6" | 273.67 | 273.67 | 287.35 | 251.83 | 285.31 | 302.20 | 319.67 | 319.09 | 325.79 | 288.23 |
| 8" | 427.92 | 427.92 | 449.32 | 393.78 | 446.13 | 472.53 | 499.84 | 498.93 | 509.40 | 450.68 |
| 10" | 659.52 | 659.52 | 692.50 | 606.90 | 687.59 | 728.28 | 770.38 | 768.98 | 785.12 | 694.61 |
| Backflow Fee | 0.75 | 0.75 | 0.75 | 0.75 | 0.94 | 1.06 | 0.95 | 0.90 | 0.90 | 0.90 |
| Master Meter Charge | | | | | | | | | | |
| Charlotte Anne | 659.52 | 659.52 | 692.50 | 606.90 | 687.59 | 728.28 | 770.38 | 468.98 | 509.40 | 694.61 |
| Gallonage Charge (per 1,000 GAL) | | | | | | | | | | |
| Winter | 0.81 | 0.81 | 0.83 | 0.71 | 0.83 | 0.89 | 0.95 | 0.95 | 0.95 | 0.60 |
| Summer | 1.01 | 1.01 | 1.04 | 0.91 | 1.03 | 1.09 | 1.15 | 1.15 | 1.15 | 0.80 |
| Partner Cities (Central Point, Eagle Point, Jacksonville, Phoenix, Talent and Ashland) | | | | | | | | | | |
| Base Rates (per month) | | | | | | | | | | |
| 2" | 46.73 | 46.73 | 49.07 | 55.68 | 54.06 | 66.12 | 71.35 | 74.59 | 77.06 | 72.42 |
| 3" | 94.81 | 94.81 | 99.55 | 112.96 | 109.67 | 124.99 | 134.88 | 141.00 | 145.67 | 136.90 |
| 4" | 147.13 | 147.13 | 154.49 | 175.30 | 170.20 | 193.97 | 209.31 | 218.82 | 226.07 | 212.45 |
| 6" | 281.85 | 281.85 | 295.94 | 335.80 | 326.03 | 371.56 | 400.95 | 419.16 | 433.04 | 406.97 |
| 8" | 431.64 | 431.64 | 453.22 | 514.27 | 499.31 | 569.04 | 614.05 | 641.93 | 663.19 | 623.25 |
| 10" | 656.90 | 656.90 | 689.74 | 782.65 | 759.88 | 866.00 | 934.50 | 976.93 | 1,009.28 | 948.51 |
| Gallonage Charge (per 1,000 GAL) | | | | | | | | | | |
| Winter | 0.46 | 0.46 | 0.46 | 0.56 | 0.54 | 0.62 | 0.68 | 0.72 | 0.75 | 0.89 |
| Summer | 0.64 | 0.64 | 0.64 | 0.64 | 0.76 | 0.74 | 0.82 | 0.92 | 0.95 | 0.69 |

- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
- (2) Winter rates are classified as October through April, and Summer rates are May through September.
- (3) Each single family residential customer is charged a backflow prevention program fee monthly.
- (4) 2011 was the first year for three tiered inside residential rates. (gallons; 0-5,000/5,000-25,000/Over 25,000).
- (5) Source: Medford Water Commission

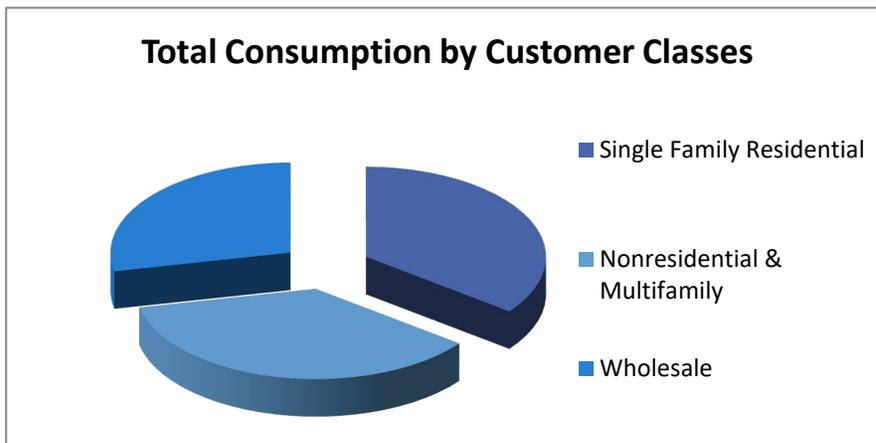
**MEDFORD WATER COMMISSION - UNAUDITED
Schedule 8**

Consumption by Customer Groups and Class

| Customer Groups | 2021-22 | |
|------------------------|--------------------------------|---------------------------|
| | Consumption (per 1,000 GAL) | % of Total Consumption |
| Inside Medford | 4,966,484 | 56.2% |
| Outside Medford | 1,366,809 | 15.5% |
| Partner Cities | 2,330,996 | 26.4% |
| Water Districts Total | 171,562 | 1.9% |



| Customer Classes | 2021-22 | |
|---------------------------|--------------------------------|---------------------------|
| | Consumption (per 1,000 GAL) | % of Total Consumption |
| Single Family Residential | 3,122,979 | 35.3% |
| Multi-Family Residential | 3,210,314 | 36.3% |
| Wholesale | 2,502,558 | 28.3% |



Total consumption for the 2021-22 fiscal year is 8,917,170 Kgals.

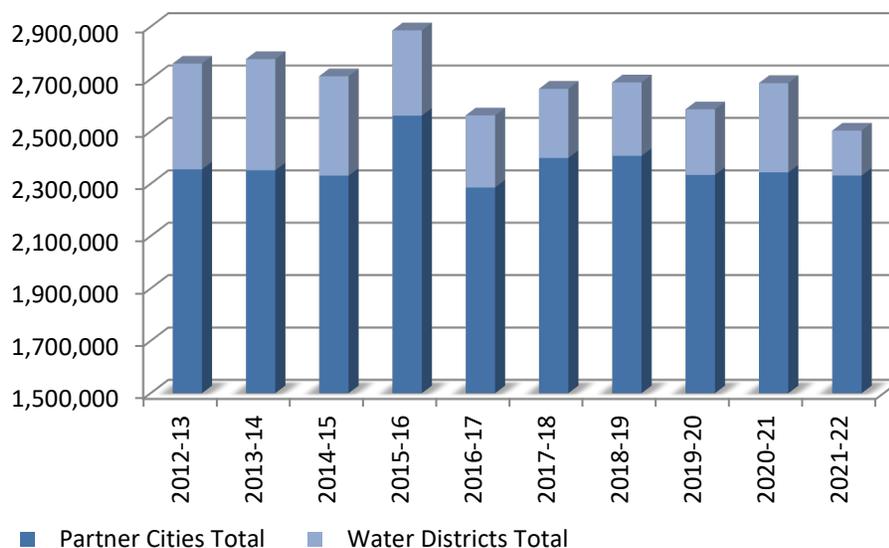
MEDFORD WATER COMMISSION - UNAUDITED
Schedule 9

Wholesale Consumers - Last Ten Fiscal Years (per 1,000 GAL)

| Name | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| City of Central Point | 979,512 | 983,446 | 986,968 | 1,041,757 | 964,116 |
| City of Eagle Point | 568,995 | 547,056 | 544,095 | 615,479 | 548,262 |
| City of Jacksonville | 239,644 | 252,270 | 252,185 | 259,406 | 240,179 |
| City of Phoenix | 236,265 | 234,805 | 149,088 | 109,463 | 87,285 |
| T.A.P. (Samike) | 330,223 | 333,355 | 398,112 | 533,625 | 445,401 |
| Partner Cities Total | 2,354,639 | 2,350,932 | 2,330,448 | 2,559,730 | 2,285,243 |
| Charlotte Ann Water District | 249,198 | 261,843 | 224,534 | 232,332 | 215,974 |
| Elk City Water District | 98,119 | 109,710 | 101,656 | 93,327 | 59,530 |
| Jacksonville Hwy Water District | 56,544 | 53,155 | 53,504 | N/A | N/A |
| Water Districts Total | 403,861 | 424,708 | 379,694 | 325,659 | 275,504 |

| Name | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| City of Central Point | 989,331 | 986,476 | 944,917 | 1,025,040 | 961,247 |
| City of Eagle Point | 587,629 | 575,722 | 570,114 | 536,914 | 554,091 |
| City of Jacksonville | 254,446 | 265,527 | 255,228 | 248,110 | 211,090 |
| City of Phoenix | 104,679 | 97,212 | 86,040 | 79,997 | 84,666 |
| T.A.P. (Samike) | 461,863 | 481,058 | 477,116 | 452,858 | 519,902 |
| Partner Cities Total | 2,397,948 | 2,405,995 | 2,333,415 | 2,342,919 | 2,330,996 |
| Charlotte Ann Water District | 204,077 | 222,265 | 195,361 | 230,863 | 96,724 |
| Elk City Water District | 60,054 | 58,472 | 55,101 | 110,200 | 74,838 |
| Jacksonville Hwy Water District | N/A | N/A | N/A | N/A | N/A |
| Water Districts Total | 264,131 | 280,737 | 250,462 | 341,063 | 171,562 |

Wholesale Water Sold



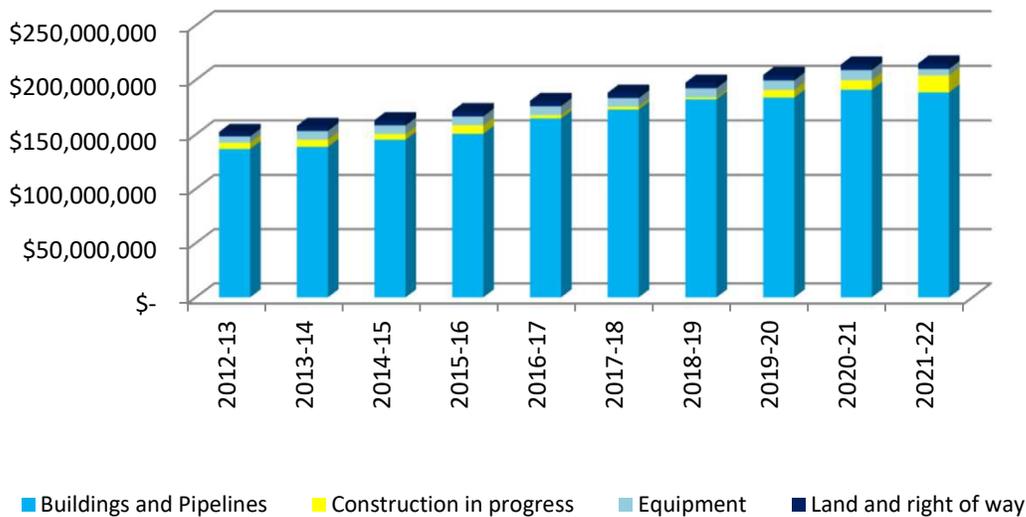
- (1) All numbers reflect per 1,000 GAL
- (2) Wholesale consumers are sold surplus water.
- (3) Source: Medford Water Commission

**MEDFORD WATER COMMISSION - UNAUDITED
Schedule 10**

Capital Assets - Last Ten Fiscal Years

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|----------------|----------------|----------------|----------------|----------------|
| Capital assets, not being depreciated: | | | | | |
| Land and right of way | \$ 4,152,389 | \$ 4,602,383 | \$ 4,877,749 | \$ 4,925,439 | \$ 4,925,439 |
| Construction in progress | 5,821,269 | 6,529,794 | 5,185,940 | 7,721,975 | 2,991,633 |
| Total capital assets, not being depreciated: | 9,973,658 | 11,132,177 | 10,063,689 | 12,647,414 | 7,917,072 |
| Capital assets being depreciated: | | | | | |
| Buildings and Pipelines | 136,740,159 | 138,642,056 | 145,206,888 | 150,626,388 | 164,668,518 |
| Equipment | 5,626,420 | 8,097,672 | 7,895,296 | 8,226,052 | 8,302,608 |
| Total capital assets being depreciated: | 142,366,579 | 146,739,728 | 153,102,184 | 158,852,440 | 172,971,126 |
| Less accumulated depreciation for: | | | | | |
| Buildings and Pipelines | (39,670,162) | (42,024,286) | (44,574,962) | (47,210,514) | (49,926,593) |
| Equipment | (4,011,016) | (4,162,453) | (4,407,924) | (4,869,251) | (5,381,848) |
| Total accumulated depreciation | (43,681,178) | (46,186,739) | (48,982,886) | (52,079,765) | (55,308,441) |
| Total capital assets, being depreciated, net | 98,685,401 | 100,552,989 | 104,119,298 | 106,772,675 | 117,662,685 |
| Total capital assets, net | \$ 108,659,059 | \$ 111,685,166 | \$ 114,182,987 | \$ 119,420,089 | \$ 125,579,757 |

Capital Assets



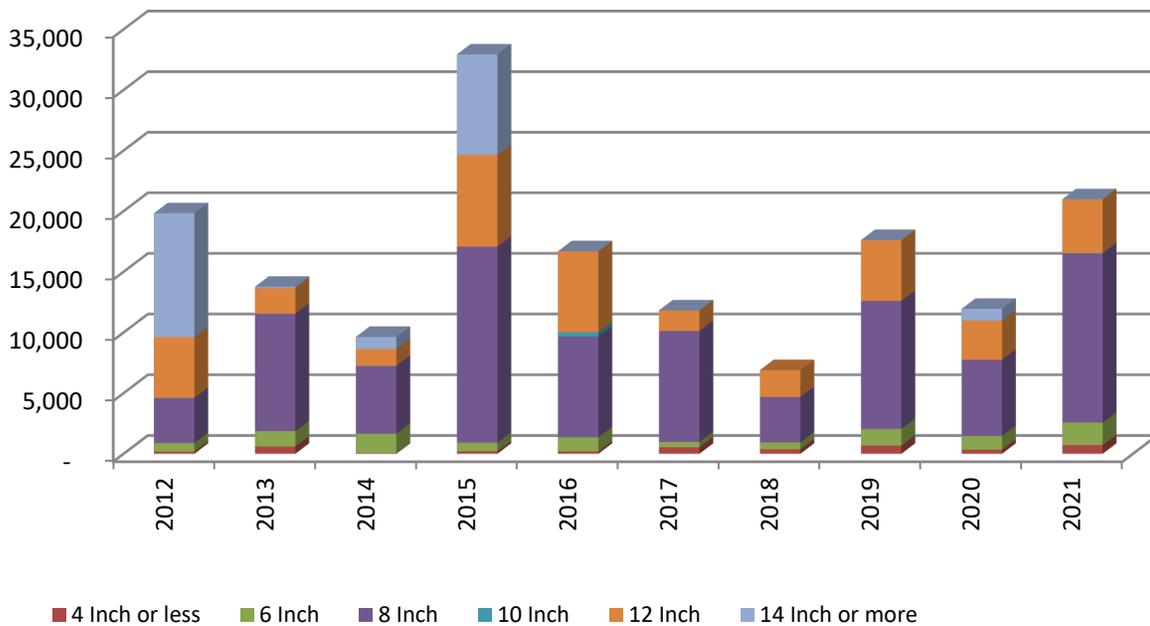
| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|----|----------------|----------------|----------------|----------------|----------------|
| \$ | 4,925,439 | \$ 5,056,375 | \$ 5,056,375 | \$ 5,056,375 | \$ 5,056,375 |
| | 2,555,349 | 1,718,939 | 7,088,533 | 8,749,419 | 15,564,531 |
| | 7,480,788 | 6,775,314 | 12,144,908 | 13,805,794 | 20,620,906 |
| | 172,971,126 | 182,303,912 | 183,731,480 | 190,969,672 | 188,584,172 |
| | 7,847,672 | 8,402,770 | 8,697,504 | 9,352,276 | 5,923,159 |
| | 180,818,798 | 190,706,682 | 192,428,984 | 200,321,948 | 194,507,331 |
| | (51,794,674) | (54,942,746) | (57,406,309) | (60,617,545) | (54,297,553) |
| | (5,144,443) | (5,591,433) | (6,132,728) | (6,615,145) | (2,209,735) |
| | (56,939,116) | (60,534,179) | (63,539,037) | (67,232,690) | (56,507,288) |
| | 123,819,645 | 130,172,503 | 128,889,947 | 133,089,258 | 138,000,043 |
| \$ | 131,300,433 | \$ 136,947,817 | \$ 141,034,855 | \$ 146,895,052 | \$ 158,620,949 |

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 11

Annual New Pipeline Summary - Last Ten Calendar Years

| Pipeline Size (feet) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|
| 4 Inch or less | 178 | 593 | 52 | 203 | 192 | 532 | 366 | 672 | 335 | 708 |
| 6 Inch | 708 | 1,272 | 1,604 | 711 | 1,166 | 437 | 568 | 1,380 | 1,126 | 1,858 |
| 8 Inch | 3,709 | 9,661 | 5,572 | 16,153 | 8,291 | 9,151 | 3,750 | 10,539 | 6,283 | 13,941 |
| 10 Inch | 10 | 14 | 20 | - | 356 | - | - | - | - | 27 |
| 12 Inch | 5,006 | 2,109 | 1,389 | 7,562 | 6,677 | 1,692 | 2,208 | 5,006 | 3,221 | 4,424 |
| 14 Inch or more | 10,205 | 107 | 992 | 8,292 | - | - | - | - | 976 | 20 |
| Total Pipe (feet) | 19,816 | 13,756 | 9,629 | 32,921 | 16,682 | 11,812 | 6,892 | 17,597 | 11,941 | 20,978 |

Pipeline Added



- (1) Note: Fiscal Year Data is not available.
- (2) Pipe Sizes are determined by the diameter of the pipe.
- (3) Source: Medford Water Commission

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 12

Number of Full Time Employees - Last Ten Fiscal Years

| | 2012- 13 | 2013- 14 | 2014- 15 | 2015- 16 | 2016- 17 | 2017- 18 | 2018- 19 | 2019- 20 | 2020- 21 | 2021- 22 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administration | 5 | 3 | 6 | 5 | 5 | 4 | 4 | 4 | 4 | 3 |
| Finance | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 | 5 | 5 |
| Technical Services | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 5 |
| Customer Service | 7 | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 |
| Engineering/Conservation | 6 | 6 | 6 | 7 | 8 | 8 | 8 | 8 | 9 | 9 |
| Water Maintenance | 12 | 15 | 14 | 14 | 14 | 14 | 13 | 13 | 12 | 13 |
| Water Meters / Controls | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 9 |
| Water Treatment / Water Quality | 9 | 9 | 9 | 9 | 9 | 11 | 13 | 12 | 12 | 13 |
| TOTAL | 52 | 52 | 56 | 56 | 57 | 58 | 59 | 61 | 63 | 63 |

By Location

| | | | | | | | | | | |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Lausmann Annex | 22 | 21 | 24 | 24 | 25 | 24 | 24 | 27 | 29 | 28 |
| Robert A. Duff WTP | 9 | 9 | 9 | 9 | 9 | 11 | 12 | 12 | 12 | 13 |
| Service Center | 21 | 22 | 23 | 23 | 23 | 23 | 23 | 22 | 22 | 22 |
| TOTAL | 52 | 52 | 56 | 56 | 57 | 58 | 59 | 61 | 63 | 63 |

(1) These positions reflect total authorized positions.

(2) Source: Medford Water Commission

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 13

Population Estimates & Income in Jackson County - Last Ten Fiscal Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Medford | 75,545 | 75,920 | 76,330 | 77,655 | 78,500 | 79,590 | 80,375 | 81,465 | 85,824 | 87,353 |
| Other Cities | | | | | | | | | | |
| Central Point | 17,275 | 17,315 | 17,455 | 17,485 | 17,585 | 17,700 | 17,895 | 18,365 | 18,997 | 19,702 |
| Eagle Point | 8,550 | 8,575 | 8,666 | 8,695 | 8,765 | 8,930 | 9,105 | 9,260 | 9,686 | 9,854 |
| Jacksonville | 2,815 | 2,840 | 2,979 | 2,880 | 2,920 | 2,950 | 2,980 | 3,015 | 3,020 | 3,080 |
| Phoenix | 4,570 | 4,570 | 4,580 | 4,585 | 4,585 | 4,605 | 4,620 | 4,650 | 4,475 | 4,096 |
| Talent | 6,115 | 6,170 | 6,310 | 6,270 | 6,305 | 6,325 | 6,380 | 6,495 | 6,282 | 5,737 |
| Ashland | N/A | N/A | 20,340 | 20,405 | 20,620 | 20,700 | 20,815 | 20,960 | 21,360 | 21,554 |
| Total Population | 114,870 | 115,390 | 136,660 | 137,975 | 139,280 | 140,800 | 142,170 | 144,210 | 149,644 | 151,376 |
| Personal Income (Millions of Dollars) | \$ 7,417 | \$ 7,544 | \$ 8,188 | \$ 8,765 | \$ 9,216 | \$ 9,647 | \$ 10,232 | \$ 10,670 | \$ 11,497 | \$ 12,717 |
| Per Capita Personal Income (Dollars) | \$ 36,047 | \$ 36,420 | \$ 39,151 | \$ 41,374 | \$ 42,926 | \$ 44,360 | \$ 46,603 | \$ 48,291 | \$ 51,824 | \$ 56,842 |

(1) 2012 - 2021 Population numbers are prepared by Population Research Center (www.pdx.edu), PSU.

(2) 2012 - 2021 Personal Income and Per Capita Personal Income provided by Bureau of Economic Analysis for Jackson County, (www.bea.gov/).

COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE STATUTE



1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Medford Water Commission
Medford, Oregon

We have audited the basic financial statements of the Medford Water Commission ("Commission"), as of and for the year ended June 30, 2022, and have issued our report thereon dated December 21, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320, of the Minimum Standards for Audits of Oregon Municipal Corporations, 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 our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Insurance and fidelity bonds in force or required by law
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.

Paul R. Nielson

By Paul R. Nielson, member of the firm
for Isler CPA
December 21, 2022