

MEDFORD WATER COMMISSION'S

annual report



Comprehensive Annual Financial Report

For the years ended June 30, 2020 and 2019



A Component Unit of the
City of Medford, Oregon



MEDFORD WATER COMMISSION

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2020

Prepared by Finance Department

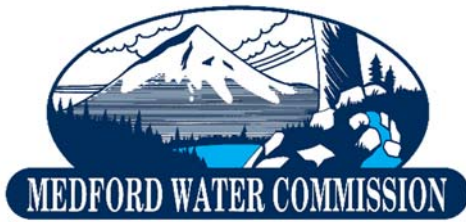
Medford Water Commission
For Year ended June 30, 2020
Table of Contents

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i - viii
GFOA Certificate of Achievement for Excellence in Financial Reporting	ix
Mission Statement, Board of Commissioners and Manager	x
Organizational Chart	xi
Financial Section	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows	8 - 9
Notes to the Financial Statement	10 - 22
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	23
Schedule of the Pension Contributions	23
Notes to Required Supplementary Information	24
Supplementary Information:	
Schedules of Budgeted and Actual Resources and Requirements	25
Water Fund (Budgetary Basis)	26
Water System Construction Fund (Budgetary Basis)	27
Future Main Replacement Fund (Budgetary Basis)	28
Future Water Rights Development Fund (Budgetary Basis)	29
Vernal Pool Management Fund (Budgetary Basis)	30
Reconciliation of Budget Basis Fund Balance to Net Position	31
Statistical Section	
Schedule 1 - Total Net Assets by Component	32-33
Schedule 2 - Unappropriated Ending Fund Balances	34-35
Schedule 3 -Statements of Revenues, Expenses and Changes in Net Position	36-37
Schedule 4 - Water Produced and Sold	38-39
Schedule 5 - Total Number of Water Services by Type	40-41
Schedule 6 - Inside Customer Water Rates	42-45
Schedule 7 - Outside Customer Water Rates	46-49
Schedule 8 - Top 10 Retail Consumers	50
Schedule 9 - Wholesale Consumers	51-52

**Medford Water Commission
For Year ended June 30, 2020
Table of Contents**

	<u>Page</u>
Statistical Section, continued	
Schedule 10 - Capital Assets	53-54
Schedule 11 - Annual Pipeline Summary	55-56
Schedule 12 - Number of Full Time Employees (Budgeted)	57-58
Schedule 13 - Population Estimates	59-60
 Report by Independent Certified Public Accounts.	
Supplemental Communication on the Commission's Compliance and Internal Controls as Required by Oregon Statutes	61-62

INTRODUCTORY SECTION



January 6, 2021

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

It is our pleasure to present the Medford Water Commission (Commission) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. This report is prepared by Commission staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB). Information to help readers gain an understanding of the Commission's financial position and activities will be found in the report.

Isler CPA, an independent certified public accounting firm, has conducted the audit of the Commission's financial statements for the year ending June 30, 2020, 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. The Commission 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.

Commission Profile

Medford Water Commission operates and maintains the water system that delivers high-quality drinking water to approximately 138,000 Rogue Valley residents. The Commission 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 Commission 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.

The Commission 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 the Commission. All water services are metered except for fire hydrants.

Facilities

Medford Water Commission's mission is to safeguard public health by providing a reliable, high quality water supply at the best value. The Commission has two sources of water: Big Butte Springs and the Rogue River.

The Commission produces 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 the Commission's primary source of drinking water since 1927. With a capacity of approximately 26 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 14 reservoirs, 9 pump stations, 3 pressure control stations, and over 470 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, the Commission 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 the Commission 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 the Commission'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 the Commission to utilize the high-quality springs water more fully.

By the mid-1950s, the Commission recognized that future water needs could not be met by the Big Butte Springs alone. Therefore, in 1954, rights were filed by the Commission 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.

Local Economy

Medford Water Commission 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.

Major Initiatives

Medford Water Commission strives to improve its current infrastructure through the many projects it completes each year. The largest project in the 2019-20 fiscal year included the continuation of construction of Flocculation and Sedimentation Basins at the Robert A. Duff Water Treatment Plant. These basins will assist in bringing the capacity of the Robert A. Duff Water Treatment Plant from 45 MGD to 65 MGD.

Other water system projects within the Commission transmission and distribution system include a maintenance building at the Robert A. Duff Water Treatment Plant, New Meters, Access Road Rebuilds, and Computer Network Upgrade.

In addition to the major capital improvements, the Commission is upgrading of Rancheria Springs Intake with UV disinfection at the Big Butte Springs and designing the Corrosion Control System to apply to both water sources.

Long-Term Financial Planning

Historically, Medford Water Commission has conducted cost-of-service studies each year, generally favoring small annual rate increases over infrequent larger increases. In March 2019, water rates were increased an average of 8% and again in March 2020 with an average of 8% increase. This was due primarily to the construction of the Engineered Lagoons Project at the Duff Water Treatment Plant and other much needed capital improvement projects. Medford Water Commission has no debt and currently functions as a "pay as you go" organization.








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 the Commission in estimating capital requirements, planning, scheduling, and implementation of projects throughout the next 10 years. In addition to the 10-Year Capital Improvement Plan, the Commission is working towards updating the Ten-Year Financial Plan and a Comprehensive Financial Management Policy. The Ten-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.

The Commission created a Construction and Infrastructure Replacement Fund. This new 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 will be 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

	6/30/2020	Status	Target (Typical)
Current Ratio	7.78		> 1.0
Age of System	32%		<50%
Water Fund Cash on Hand (in days) (Including CIP Expenditures)	135		90 - 180 days
Water Construction Fund Balance	\$ 5.3M		= \$7.4M
Days' Sales Outstanding	35		< 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 (CAFR) for the fiscal year ended June 30, 2019. This was the ninth 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 CAFR. 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 CAFR 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 the could not have been accomplished without the dedicated effort of the Finance Department's entire staff, and the cooperation of all Commission'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



Tessa DeLine
Finance and Administration Services Director

MILESTONES IN MEDFORD

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.

1925

\$975,000 bond passed replacing Fish Lake supply.

1927

A 30 mile path of steel pipeline built over 75 summits, bringing Big Butte Springs water supply to town.

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.



PAST

2019

Treatment Plant floc-sed basins Expansion

Corrosion Study

2020

Revised Vision, Mission & Values

Treatment Plant Lagoons Expansion

COVID-19

2014

Ashland receives surplus water from the Commission.

2016

Water flume excavation

2017

Prescribed burn at Vernal Pool Mitigation Preserve

2003

Southwest Reservoir

2006

Rancheria and Lone Pine Pump Stations.

2011

Treatment Plant intake fish screens

2013

Martin Control Station & Ave G Transmission Main

1997

Cherry Lane Reservoir

1998

Talent receives surplus water from the Commission.

2000

Treatment Plant expansion (45 mgd)

2002

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

1993

Big Butte Springs disinfection facility

Phase II 36" West Side Transmission Main.

1994

Rossanley Pressure Control Station

1995

Phase III West Side Transmission Main



PRESENT

WATER COMMISSION HISTORY

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.

1953

Jacksonville receives surplus water from the Commission.

1954

Permits for water diversion from Rogue River.

1955

White City receives water from the Commission.

1957

Construction of trunk water main loop encircling city.

1957 - 1959

Big Butte Springs transmission line II extended to south-east side of city.

1959

Capital Hill Reservoir I and II covered.

1962

Chlorine added to Medford water supply full time.

1965

10,000 gallon Bullis Reservoir constructed.

1966

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



1982

Phoenix receives surplus water from the Commission.

1983

Southeast Reservoir

1989

Treatment plant Contact Basin expansion & new Telemetry Control System.

1978

Rancheria Pump Station

1980

Archer Pump Station

1981

Second Rogue supply 36" transmission main

1975

McAndrews Road Service Center and Crater Lake Hwy

Vilas Road Transmission line

1977

3 mg addition to Treatment Plant reservoir.

1969

Martin Pressure Control Station

1970

Brookdale Pump Station

1971

Stanford Reservoir

1967

Conrad Pressure Control Station

1968

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





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Medford Water Commission
Oregon**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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

June 30, 2020

BOARD OF COMMISSIONERS

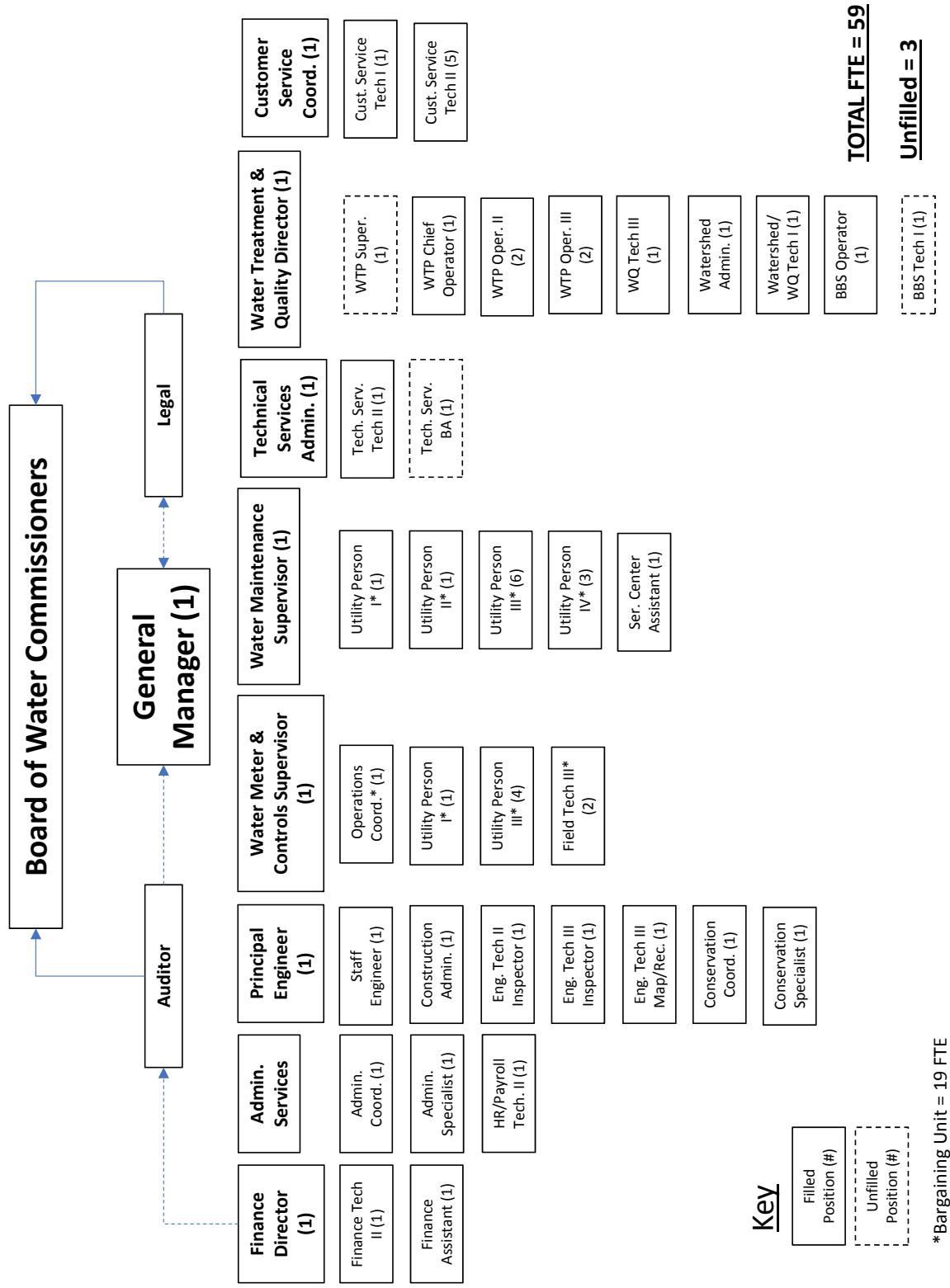
Chair	Daniel Bunn
Vice Chair	Greg Jones
Member	Rick Whitlock
Member	John Dailey
Member	Jason Anderson

MANAGEMENT

General Manager	Brad Taylor
Principal Engineer	Eric C. Johnson
Finance and Administration Director	Tessa DeLine
Water Meter and Controls Supervisor	Kenneth A. Johnson
Water Maintenance Supervisor	Brian Davidson
Human Resources and Payroll	Tanya Haakinson
Information Technology	Kris Stitt
Water Treatment and Quality Director	Ben Klayman

COMMISSION ADDRESS

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



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

Report on the Financial Statements

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedules of budgeted and actual resources and requirements, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of budgeted and actual resources and requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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 31, 2020 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.



By Paul R. Nielson, member of the firm
for Isler CPA
December 31, 2020

**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, 2020. 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

- Assets exceeded liabilities at the close of the fiscal year by \$165,873. Of this amount, \$24,838 (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 \$141,035 in net position.
- Total liabilities increased by 45.1% in FYE 2020 and increased by 2.7% in FYE 2019.
- The change in net position was \$5,701 in FYE 2020. Several factors are attributed 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.

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 Net Position (amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2019-20 Change</u>	<u>%</u>
Assets					
Current assets	\$ 31,442	\$ 26,516	\$ 21,403	\$ 4,926	18.6
Capital assets	141,035	136,948	131,300	4,087	3.0
Other noncurrent assets	<u>2,297</u>	<u>2,563</u>	<u>2,786</u>	<u>(266)</u>	(10.4)
Total assets	<u>174,774</u>	<u>166,027</u>	<u>155,490</u>	<u>8,747</u>	5.3
Deferred outflow of resources	<u>1,950</u>	<u>1,758</u>	<u>1,524</u>	<u>192</u>	10.9
Liabilities					
Current liabilities	4,104	2,121	2,334	1,983	93.5
Long-term liabilities	<u>6,350</u>	<u>5,083</u>	<u>4,678</u>	<u>1,267</u>	24.9
Total liabilities	<u>10,454</u>	<u>7,204</u>	<u>7,012</u>	<u>3,250</u>	45.1
Deferred inflow of resources	<u>397</u>	<u>409</u>	<u>139</u>	<u>(12)</u>	(2.9)
Net position:					
Invested in capital assets	141,035	136,948	131,301	4,087	3.0
Restricted	-	348	961	(348)	-
Unrestricted	<u>24,838</u>	<u>22,876</u>	<u>17,601</u>	<u>1,962</u>	8.6
Total net position	<u>\$ 165,873</u>	<u>\$ 160,172</u>	<u>\$ 149,863</u>	<u>\$ 5,701</u>	3.6

Total operating revenues decreased by \$93, as compared to an increase of \$2,476 in FYE 2019. The Commission increased water rates approximately 8% effective March 1, 2020 and 8% in March 2019.

Operating expenses increased by \$1,632, compared to an increase of \$1,114 in FYE 2019. FYE 2020 operating expenses increased primarily due to the adjustment for the GASB 68, accounting for PERS pension liability. That adjustment was significantly less than FYE 2019.

Capital contributions in FYE 2020 decreased by \$3,191 compared to an increase of \$2,610 in FYE 2019.

Medford Water Commission's Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2019-20 Change</u>	<u>%</u>
Operating revenues:					
Water sales and customer services	<u>\$ 18,555</u>	<u>\$ 18,648</u>	<u>\$ 16,172</u>	<u>\$ (93)</u>	(0.5)
Nonoperating revenues:					
Investment income	715	610	242	105	17.2
Gain on sale or disposition of assets	-	-	-	-	
Other	<u>1,008</u>	<u>805</u>	<u>217</u>	<u>203</u>	25.2
Total nonoperating revenues	<u>1,723</u>	<u>1,415</u>	<u>459</u>	<u>308</u>	21.8
Total revenues	<u>20,278</u>	<u>20,063</u>	<u>16,631</u>	<u>215</u>	1.1
Depreciation	3,830	3,736	3,543	94	2.5
Other operating expenses	<u>12,821</u>	<u>11,283</u>	<u>10,362</u>	<u>1,538</u>	13.6
Total operating expenses	<u>16,651</u>	<u>15,019</u>	<u>13,905</u>	<u>1,632</u>	10.9
Increase (decrease) in net position before contributions	3,627	5,044	2,726	(1,417)	(28.1)
Capital contributions	<u>2,074</u>	<u>5,265</u>	<u>2,655</u>	<u>(3,191)</u>	(60.6)
Increase in net position	5,701	10,309	5,381	(4,608)	(44.7)
Beginning net position	<u>160,172</u>	<u>149,863</u>	<u>144,482</u>	<u>10,309</u>	6.9
Ending net position	<u>\$165,873</u>	<u>\$160,172</u>	<u>\$149,863</u>	<u>\$ 5,701</u>	3.6

CAPITAL ASSETS

The net investment in capital assets increased by \$4,087 compared to an increase of \$5,647 in FYE 2019. Major capital additions for both years included production facilities at the Robert A. Duff Water Treatment Plant and distribution mains. In addition, capital contributions from developers were \$2,074 in FYE 2020 and \$5,265 in FYE 2019. 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 two long-term liabilities are accrued vacation and net pension liability. Please refer to the notes of the financial statements.

ECONOMIC FACTORS

The communities we serve continue to see steady economic growth. The number of water services increased over the previous year by 3,298 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 and Administration Director, 200 South Ivy Street, Room 177, Medford Oregon 97501.

BASIC FINANCIAL STATEMENTS

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,271,772	\$ 12,397,797
Short-term investments	7,345,927	9,988,964
Accounts receivable	1,964,519	2,134,447
Accounts receivable - miscellaneous	346,430	426,613
Cafeteria plan receivable	12,546	17,505
Inventory	1,025,905	1,102,793
Work in progress	127,939	109,870
Current portion of notes receivable	127,852	124,538
Prepaid expenses	218,079	208,236
Other current assets	<u>1,390</u>	<u>5,222</u>
Total current assets	<u>31,442,359</u>	<u>26,515,985</u>
Noncurrent assets:		
Restricted cash and cash equivalents	192,167	324,607
Notes receivable	2,105,031	2,239,231
Land, improvements, and construction in progress	12,144,908	6,775,314
Other capital assets, net of accumulated depreciation	<u>128,889,947</u>	<u>130,172,503</u>
Total non-current assets	<u>143,332,053</u>	<u>139,511,655</u>
Total assets	<u>174,774,412</u>	<u>166,027,640</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>1,949,540</u>	<u>1,758,263</u>
LIABILITIES		
Current liabilities:		
Accounts payable and payroll payable	2,724,368	980,867
Retainage payable	152,842	-
Customer deposits	98,679	105,849
Construction deposits	317,894	305,503
Due to other water districts for amounts billed	45,286	43,410
Miscellaneous payable	301,620	291,719
Cafeteria plan payable	13,765	15,667
Current portion of vacation accrual	<u>449,734</u>	<u>378,400</u>
Total current liabilities	4,104,188	2,121,415
Noncurrent liabilities:		
Noncurrent portion of vacation accrual	112,433	93,616
Net pension liability	<u>6,237,493</u>	<u>4,989,283</u>
Total liabilities	<u>10,454,114</u>	<u>7,204,314</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts relating to pensions	<u>396,616</u>	<u>409,330</u>
NET POSITION		
Invested in capital assets	141,034,855	136,947,817
Restricted for Duff expansion	-	347,939
Unrestricted	<u>24,838,367</u>	<u>22,876,503</u>
Total net position	<u>\$ 165,873,222</u>	<u>\$ 160,172,259</u>

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, 2020 and 2019

	2020	2019
Operating revenues:		
Residential sales inside gallonage	\$ 4,514,880	\$ 4,280,635
Commercial sales inside gallonage	1,599,458	1,544,658
Industrial sales inside gallonage	181,208	213,913
Base charges inside	5,049,403	4,786,949
High elevation charges	373,902	381,631
Fire services inside	270,005	250,693
Residential sales outside gallonage	768,467	760,632
Commercial sales outside gallonage	319,755	317,318
Industrial sales outside gallonage	935,453	1,024,282
Base charges outside	1,089,645	1,025,464
Fire services outside	78,019	71,947
Sales to other utilities	2,286,742	2,646,870
Miscellaneous collections	399,306	489,090
Customer service connections revenue	453,354	339,451
Servicing of customer installations	235,611	514,472
Total operating revenues	<u>18,555,208</u>	<u>18,648,005</u>
Operating expenses:		
Source of supply	1,232,315	1,064,068
Supply pumping	541,434	525,007
Purification	1,856,691	1,772,491
Transmission	266,194	207,502
Distribution pumping	365,774	296,229
Distribution	2,628,013	2,286,748
Customer accounts & collection	2,070,458	2,041,807
Administration & general	2,236,485	1,958,748
Change in components of net pension liability	1,044,219	437,717
Depreciation and amortization	3,829,677	3,735,733
Connections/Installations	579,580	693,141
Total operating expenses	<u>16,650,840</u>	<u>15,019,191</u>
Operating income (loss)	<u>1,904,368</u>	<u>3,628,814</u>
Nonoperating revenues		
Investment income	714,816	609,549
Grant revenue	28,765	12,943
Income from forest products	873,050	683,598
Miscellaneous income	106,164	109,061
Total nonoperating revenues	<u>1,722,795</u>	<u>1,415,151</u>
Income (loss) before capital contributions	<u>3,627,163</u>	<u>5,043,965</u>
Capital contributions:		
Developer donations	889,661	3,994,345
System development charges	1,184,139	1,270,940
Total capital contributions	<u>2,073,800</u>	<u>5,265,285</u>
Change in net position	<u>5,700,963</u>	<u>10,309,250</u>
Net position - beginning	<u>160,172,259</u>	<u>149,863,009</u>
Total net position - ending	<u>\$ 165,873,222</u>	<u>\$ 160,172,259</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Received from customers	\$ 18,946,819	\$ 17,973,215
Paid to suppliers for goods and services	(3,049,690)	(4,554,218)
Paid for employee wages, taxes and benefits	<u>(6,861,257)</u>	<u>(6,474,190)</u>
Net cash provided by operating activities	<u>9,035,872</u>	<u>6,944,807</u>
Cash flows provided by noncapital financing activities:		
Grant revenue	28,765	12,943
Proceeds from sale of timber	<u>873,050</u>	<u>683,598</u>
Net cash provided by noncapital financing activities	<u>901,815</u>	<u>696,541</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	5,707	28,507
Cash paid to acquire and construct capital assets	(6,904,417)	(5,612,254)
System development fees received	<u>1,184,139</u>	<u>1,270,940</u>
Net cash used by capital and related financing activities	<u>(5,714,571)</u>	<u>(4,312,807)</u>
Cash flows from investing activities:		
Investment income	458,800	316,285
Proceeds from sale of investments	3,099,053	2,133,750
Investments purchased	(200,000)	-
Principal received on notes	<u>160,566</u>	<u>250,594</u>
Net cash provided (used) by investing activities	<u>3,518,419</u>	<u>2,700,629</u>
Net increase (decrease) in cash and cash equivalents	7,741,535	6,029,170
Cash and cash equivalents at beginning of year	<u>12,722,404</u>	<u>6,693,234</u>
Cash and cash equivalents at end of year	<u>\$ 20,463,939</u>	<u>\$ 12,722,404</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,904,368	\$ 3,628,814
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	3,829,677	3,735,733
Miscellaneous income and charges in lieu of assessments	164,083	-
Changes in:		
Customer accounts receivable	169,928	(554,367)
Change in lieu of assessments	-	82,252
Accounts receivable - miscellaneous	80,183	(206,916)
Cafeteria plan receivable	4,959	(9,302)
Inventory	76,888	(121,514)
Work in progress	(18,069)	89,301
Net pension liability - PERS	1,044,219	437,717
Prepaid expenses	(9,843)	(124,038)
Other current assets	3,832	(4,639)
Nonconstruction accounts payable	1,719,981	61,227
Customer deposits	(7,170)	(8,356)
Temporary line deposits	-	(20,189)
Construction deposits	12,391	58,132
Due to other water districts for amounts billed	1,876	(3,250)
Payroll related liabilities	-	(113,715)
Lozier note	(29,680)	(22,096)
Vacation accrual	90,151	29,901
Cafeteria plan payable	<u>(1,902)</u>	<u>10,112</u>
Net cash provided (used) by operating activities	<u>\$ 9,035,872</u>	<u>\$ 6,944,807</u>
Schedule of noncash capital and related financing activities		
Contributed capital assets	<u>\$ 889,661</u>	<u>\$ 3,994,345</u>
Accrued construction costs	<u>\$ -</u>	<u>\$ 221,784</u>

See accompanying notes to financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

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 six 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 six 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-funds, all income and expenses are reported by the Water Fund.

The "Water System Construction 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.

The "Future Main Replacement Fund" is a sinking fund used to accumulate funds for major replacement of aging and deteriorating underground main lines and appurtenances in the distribution system. When funds are required for use, monies would be transferred from the Main Replacement Fund to the Water Fund.

The "Future Water Supply and Treatment Plant Fund" is a sinking fund used to accumulate funds for expansion of new water treatment facilities to serve future demand in the system. When funds are required for use, monies would be transferred to the Water Fund.

The "Future Water Right Development Fund" is a sinking fund used to accumulate funds for major expenditure items related to water rights development for water districts and outside of the city limits customers.

The "Vernal Pool Management Fund" is a sinking fund used to accumulate funds earmarked for management and maintenance of the mitigated vernal pools area as required by the Division of State Lands and the Army Corp of Engineering in the permitting process for the off-site mitigation of a portion of the Duff II vernal pools area.

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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Summary of significant accounting policies (continued)

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.

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, 2020 and 2019.

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, 2020 and 2019

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 8.

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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 2 - Cash and investments

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

	<u>2020</u>	<u>2019</u>	<u>S&P rating</u>	<u>Maturity</u>
Cash and cash equivalents:				
Checking accounts	\$ 1,413,976	\$ 2,429,951	N/A	N/A
Deposit with LGIP - unrestricted	<u>18,857,796</u>	<u>9,967,876</u>	Not rated	N/A
Total unrestricted cash and cash equivalents	20,271,772	12,397,827		
Restricted deposit with LGIP	<u>192,167</u>	<u>324,607</u>	Not rated	N/A
Total cash and cash equivalents	<u>\$ 20,463,939</u>	<u>\$ 12,722,404</u>		
Investment in notes and bonds:				
Federal Home Loan Bank	7,345,927	9,988,964	AA+	1-5 years
Total	<u>\$ 7,345,927</u>	<u>\$ 9,988,964</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 1 day. Additional information about the OSTF can be obtained at www.ost.state.or.us and www.oregon.gov/treasury.

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, 2020, the Commission's deposits with various financial institutions had a bank balance of \$7,345,927. 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, 2020 and 2019

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 MWC 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, 2020 are as follows:

	Beginning Balance	Receipt of Principal	Ending Balance	Due in one year	Long-term balance
City of Ashland	\$ 1,957,456	\$ (97,639)	\$ 1,859,817	\$ 101,006	\$ 1,758,811
Coker Butte Water District	76,330	(3,567)	72,763	3,746	69,017
Lozier Lane note	329,983	(29,680)	300,303	23,100	277,203
Totals	<u>\$ 2,363,769</u>	<u>\$ (130,886)</u>	<u>\$ 2,232,883</u>	<u>\$ 127,852</u>	<u>\$ 2,105,031</u>

Balances and activity for the year ended June 30, 2019 are as follows:

	Beginning Balance	Receipt of Principal	Ending Balance	Due in one year	Long-term balance
City of Ashland	\$ 2,051,838	\$ (94,382)	\$ 1,957,456	\$ 97,638	\$ 1,859,818
Coker Butte Water District	79,728	(3,398)	76,330	3,800	72,530
Lozier Lane note	460,701	(130,718)	329,983	23,100	306,883
Totals	<u>\$ 2,592,267</u>	<u>\$ (228,498)</u>	<u>\$ 2,363,769</u>	<u>\$ 124,538</u>	<u>\$ 2,239,231</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 4 - Capital assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	2019	Additions	Transfers and Retirements	2020
Capital assets, not being depreciated:				
Land and right of way	\$ 5,056,375	\$ -	\$ -	\$ 5,056,375
Construction in progress	1,718,939	7,010,138	(1,640,544)	7,088,533
Total capital assets, not being depreciated	6,775,314	7,010,138	(1,640,544)	12,144,908
Capital assets, being depreciated:				
Buildings, supply, and distribution system	182,303,912	2,252,497	(824,929)	183,731,480
Equipment and software	8,402,770	358,221	(63,487)	8,697,504
Total capital assets being depreciated	190,706,682	2,610,718	(888,416)	192,428,984
Less accumulated depreciation for:				
Buildings, supply, and distribution system	(54,942,746)	(3,236,390)	772,827	(57,406,309)
Equipment and software	(5,591,433)	(593,258)	51,963	(6,132,728)
Total accumulated depreciation	(60,534,179)	(3,829,648)	824,790	(63,539,037)
Total capital assets, being depreciated, net	130,172,503	(1,218,930)	(63,626)	128,889,947
Total capital assets, net	<u>\$136,947,817</u>	<u>\$ 5,791,208</u>	<u>\$ (1,704,170)</u>	<u>\$ 141,034,855</u>

Capital asset activity for the year ended July 01, 2019 was as follows:

	2018	Additions	Transfers and Retirements	2019
Capital assets, not being depreciated:				
Land and right of way	\$ 4,925,439	\$ 130,936	\$ -	\$ 5,056,375
Construction in progress	2,555,349	1,718,939	(2,555,349)	1,718,939
Total capital assets, not being depreciated	7,480,788	1,849,875	(2,555,349)	6,775,314
Capital assets, being depreciated:				
Buildings, supply, and distribution system	172,911,089	9,392,888	(65)	182,303,912
Equipment and software	7,847,672	697,402	(142,304)	8,402,770
Total capital assets being depreciated	180,758,761	10,090,290	(142,369)	190,706,682
Less accumulated depreciation for:				
Buildings, supply, and distribution system	(51,794,673)	(3,152,240)	4,167	(54,942,746)
Equipment and software	(5,144,443)	(583,493)	136,503	(5,591,433)
Total accumulated depreciation	(56,939,116)	(3,735,733)	140,670	(60,534,179)
Total capital assets, being depreciated, net	123,819,645	6,354,557	(1,699)	130,172,503
Total capital assets, net	<u>\$131,300,433</u>	<u>\$ 8,204,432</u>	<u>\$ (2,557,048)</u>	<u>\$136,947,817</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 5 - Accrued vacation

Accrued vacation balances were \$562,167 and \$472,016 for the years ended June 30, 2020 and 2019 respectively. The change in accrued vacation for the year ended June 30, 2020 consists of decreases of \$53,869 and increases of \$144,020.

Note 6 - Related party transactions

The Commission pays the City of Medford for services, materials/supplies, building permits and utilities. During the year ended June 30, 2020, the Commission paid the City of Medford a franchise tax amounting to \$281,104 in the fiscal year ended June 30, 2020 and garage charges of \$340,074. Water sales to the City were \$311,086 during the year ended June 30, 2020.

Note 7 - 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.

Note 8 - 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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Pension plan (continued)

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.

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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Pension plan (continued)

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.

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, 2017 actuarial valuation which became effective July 1, 2018. Employer contributions for the year ended June 30, 2020 were \$672,907. The rates in effect for the fiscal year ended June 30, 2020 were 22.52 percent for Tier One/Tier Two General Service Member, 12.80 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Pension plan (continued)

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

At June 30, 2020, the Commission reported a liability of \$6,237,493 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2020, the Commission's proportion was 0.036 percent, which was an increase from its proportion of 0.033 percent at June 30, 2019.

For the year ended June 30, 2020, the Commission recognized pension expense of \$1,552,924. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 343,979	\$ -
Change in assumptions	846,187	-
Net difference between projected and actual earnings on investments	-	176,827
Change in proportionate share	181,233	115,914
Differences between Commission contributions and proportionate share of contributions	<u>6,013</u>	<u>103,875</u>
Total (prior to post-MD contributions)	1,377,412	396,616
Commission contributions subsequent to the measurement date	<u>572,128</u>	<u>-</u>
Total	<u>\$ 1,949,540</u>	<u>\$ 396,616</u>

Deferred outflows of resources related to pensions of \$572,128 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, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 569,935
2021	46,692
2022	181,698
2023	167,164
2024	<u>15,307</u>
Total	<u>\$ 980,796</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Pension plan (continued)

Actuarial Assumptions:

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Reported	2016, published July 26, 2017
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.50 %
Long-Term Expected Rate of Return	7.20 %
Discount Rate	7.20 %
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and Graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.. Disabled retirees: RP-2014 Disabled retirees, sex distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

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/2019-CAFR.pdf>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Pension plan (continued)

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 7.20 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.

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 of 7.20 percent, 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of net pension liability	\$ 9,988,691	\$ 6,237,430	\$ 3,098,142

Pension Plan Fiduciary Net Position

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

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Pension plan (continued)

Changes in Assumptions and Other Inputs

Changes in actuarial methods and assumptions implemented since the December 31, 2017 valuation are described in the 2016 Experience Study (Study), published July 2017.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at:

<http://www.oregon.gov/PERS/Documents/2016-Exp-Study.pdf>

Note 9 - 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 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 SUPPLEMENTARY INFORMATION

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Required Supplementary Information

Year Ended June 30, 2020

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.036060 %	0.032940 %	0.034038 %	0.034703 %	0.038844 %	0.037437 %
Proportionate share of the net pension liability (asset)	\$ 6,237,430	\$ 4,989,283	\$ 4,588,312	\$ 5,209,797	\$ 2,230,197	\$ (848,585)
Covered payroll	\$ 4,427,194	\$ 3,967,303	\$ 3,965,781	\$ 3,967,303	\$ 3,973,377	\$ 3,749,828
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	140.89 %	125.76 %	115.70 %	131.32 %	56.13 %	(22.63)%
Plan net position as a percentage of the total pension liability	80.20 %	82.10 %	83.10 %	80.53 %	91.90 %	103.59 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 672,907	\$ 503,163	\$ 491,051	\$ 349,966	\$ 377,060	\$ 355,534
Contributions in relation to the contractually required contribution	<u>672,907</u>	<u>503,163</u>	<u>491,051</u>	<u>349,966</u>	<u>377,060</u>	<u>355,534</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,427,194	\$ 3,967,303	\$ 3,965,781	\$ 3,967,303	\$ 3,973,377	\$ 3,749,828
Contributions as a percentage of covered employee payroll	15.20 %	12.68 %	12.38 %	8.82 %	9.49 %	9.48 %

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Note to Required Supplementary Information

Year Ended June 30, 2020

Note I - Measurement Period

Amounts presented are for the measurement period, which for FY 2020 is July 1, 2018 - June 30, 2019.

Note II - Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the year ending June 30, 2015.

Note III - Changes in Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012, 2014, and 2016 Experience Studies. These reports can be found at:

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

Note IV - Ten Year Trend Information

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

SUPPLEMENTAL 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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Resources:				
Water revenue	\$ 17,500,000	\$ 17,500,000	\$ 17,866,243	\$ 366,243
Customer service connections revenue	675,000	675,000	718,644	43,644
Investment income	76,000	76,000	240,288	164,288
System development charges	750,000	750,000	1,184,139	434,139
Grants	-	-	28,765	28,765
Income from forest products	750,000	750,000	873,050	123,050
Miscellaneous income	85,000	85,000	106,163	21,163
Total resources from operations	19,836,000	19,836,000	21,017,292	1,181,292
Beginning fund balance available for appropriation	7,534,903	7,534,903	10,106,646	2,571,743
Total resources	<u>\$ 27,370,903</u>	<u>\$ 27,370,903</u>	<u>\$ 31,123,938</u>	<u>\$ 3,753,035</u>
Requirements:				
Operating requirements:				
Source of supply	\$ 1,267,191	\$ 1,267,191	\$ 1,232,315	\$ 34,876
Supply pumping	614,740	614,740	541,434	73,306
Purification	1,657,012	1,657,012	1,856,691	(199,679)
Transmission	316,159	316,159	266,194	49,965
Distribution pumping	368,738	368,738	365,774	2,964
Distribution	3,302,790	3,302,790	2,628,013	674,777
Customer accounts & collection	2,237,600	2,237,600	2,070,458	167,142
Administrative & general, and franchise taxes	1,493,785	1,493,785	2,278,223	(784,438)
Connections/Installations	650,000	650,000	579,580	70,420
Total operating requirements	11,908,015	11,908,015	11,818,682	89,333
Nonoperating requirements:				
Capital outlay	7,279,000	7,279,000	7,090,651	188,349
Operating contingencies	250,000	250,000	-	250,000
Transfer to FMR, WTP, WRD, VPM Funds	2,275,000	2,275,000	2,176,236	98,764
Total nonoperating requirements	9,804,000	9,804,000	9,266,887	537,113
Unappropriated ending fund balance	5,658,888	5,658,888	10,038,369	(4,379,481)
Total requirements	<u>\$ 27,370,903</u>	<u>\$ 27,370,903</u>	<u>\$ 31,123,938</u>	<u>\$ (3,753,035)</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

WATER SYSTEM CONSTRUCTION FUND

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

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Investment income	\$ 105,000	\$ 105,000	\$ 107,216	\$ 2,216
Transfer from Water Fund	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Beginning fund balance available for appropriation	<u>4,151,030</u>	<u>4,151,030</u>	<u>4,168,102</u>	<u>17,072</u>
Total resources	<u>\$ 5,256,030</u>	<u>\$ 5,256,030</u>	<u>\$ 5,275,318</u>	<u>\$ 19,288</u>
Requirements:				
Unappropriated ending fund balance	<u>5,256,030</u>	<u>5,256,030</u>	<u>5,275,318</u>	<u>(19,288)</u>
Total requirements	<u>\$ 5,256,030</u>	<u>\$ 5,256,030</u>	<u>\$ 5,275,318</u>	<u>\$ (19,288)</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

FUTURE MAIN REPLACEMENT FUND

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

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Investment income	\$ 95,000	\$ 95,000	\$ 99,539	\$ 4,539
Transfer from Water Fund	275,000	275,000	275,000	-
Beginning fund balance available for appropriation	<u>3,850,000</u>	<u>3,850,000</u>	<u>3,869,635</u>	<u>19,635</u>
Total resources	<u>\$ 4,220,000</u>	<u>\$ 4,220,000</u>	<u>\$ 4,244,174</u>	<u>\$ 24,174</u>
Requirements:				
Unappropriated ending fund balance	<u>4,220,000</u>	<u>4,220,000</u>	<u>4,244,174</u>	<u>(24,174)</u>
Total requirements	<u>\$ 4,220,000</u>	<u>\$ 4,220,000</u>	<u>\$ 4,244,174</u>	<u>\$ (24,174)</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

FUTURE WATER SUPPLY AND TREATMENT PLANT FUND

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

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Interest income	\$ 140,000	\$ 140,000	\$ 150,174	\$ 10,174
Transfer from Water Fund	600,000	600,000	562,423	(37,577)
Beginning fund balance available for appropriation	<u>5,507,315</u>	<u>5,507,315</u>	<u>5,506,283</u>	<u>(1,032)</u>
Total resources	<u>\$ 6,247,315</u>	<u>\$ 6,247,315</u>	<u>\$ 6,218,880</u>	<u>\$ (28,435)</u>
Requirements:				
Unappropriated ending fund balance	<u>6,247,315</u>	<u>6,247,315</u>	<u>6,218,880</u>	<u>28,435</u>
Total requirements	<u>\$ 6,247,315</u>	<u>\$ 6,247,315</u>	<u>\$ 6,218,880</u>	<u>\$ 28,435</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

FUTURE WATER RIGHT DEVELOPMENT FUND

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

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Interest income	\$ 110,000	\$ 110,000	\$ 114,192	\$ 4,192
Transfer from Water Fund	400,000	400,000	338,813	(61,187)
Beginning fund balance available for appropriation	<u>4,266,060</u>	<u>4,266,060</u>	<u>4,271,984</u>	<u>5,924</u>
Total resources	<u>\$ 4,776,060</u>	<u>\$ 4,776,060</u>	<u>\$ 4,724,989</u>	<u>\$ (51,071)</u>
Requirements:				
Unappropriated ending fund balance	<u>4,776,060</u>	<u>4,776,060</u>	<u>4,724,989</u>	<u>51,071</u>
Total requirements	<u>\$ 4,776,060</u>	<u>\$ 4,776,060</u>	<u>\$ 4,724,989</u>	<u>\$ 51,071</u>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

VERNAL POOL MANAGEMENT FUND

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

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Interest income	\$ 3,300	\$ 3,300	\$ 3,407	\$ 107
Beginning fund balance available for appropriation	<u>132,535</u>	<u>132,535</u>	<u>132,440</u>	<u>(95)</u>
Total resources	<u>\$ 135,835</u>	<u>\$ 135,835</u>	<u>\$ 135,847</u>	<u>\$ 12</u>
Requirements:				
Unappropriated ending fund balance	<u>135,835</u>	<u>135,835</u>	<u>135,847</u>	<u>(12)</u>
Total requirements	<u>\$ 135,835</u>	<u>\$ 135,835</u>	<u>\$ 135,847</u>	<u>\$ (12)</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, 2020

	<u>2020</u>
Fund balances, budget basis:	
Water Fund	\$ 10,038,369
Water System Construction Fund	5,275,318
Future Main Replacement Fund	4,244,174
Future Water Treatment Plant Fund	6,218,880
Future Water Right Development Fund	4,724,989
Vernal Pool Management Fund	<u>135,847</u>
Total, budget basis	30,637,577
Net pension liability and deferred inflows/outflows	(4,684,569)
Deferred inflow Jacksonville Highway Water District / Lozier Lane note	300,303
Eliminate prepaid pension	(1,414,943)
Net investment in capital assets	<u>141,034,855</u>
Net position	<u><u>\$ 165,873,223</u></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.

<u>Contents</u>	<u>Page</u>
------------------------	--------------------

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	32-33
Schedule 2 - Unappropriated Ending Fund Balances Last 10 years	34-35
Schedule 3 - Statement of Revenues, Expenses & Changes in Net Position (10 years)	36-37

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	38-39
Schedule 5 - Total Number of Water Services by Type	40-41
Schedule 6 - Inside Residential Customer Water Rates	42-45
Schedule 7 - Outside Customer Water Rates	46-49
Schedule 8 - Consumption by Customer Groups and Class	50
Schedule 9 - Wholesale Customers	51-52

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	53-54
Schedule 11 - Annual New Pipeline Summary	55-56
Schedule 12 - Number of Full Time Employees Last Ten Years	57-58

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	59
---	----

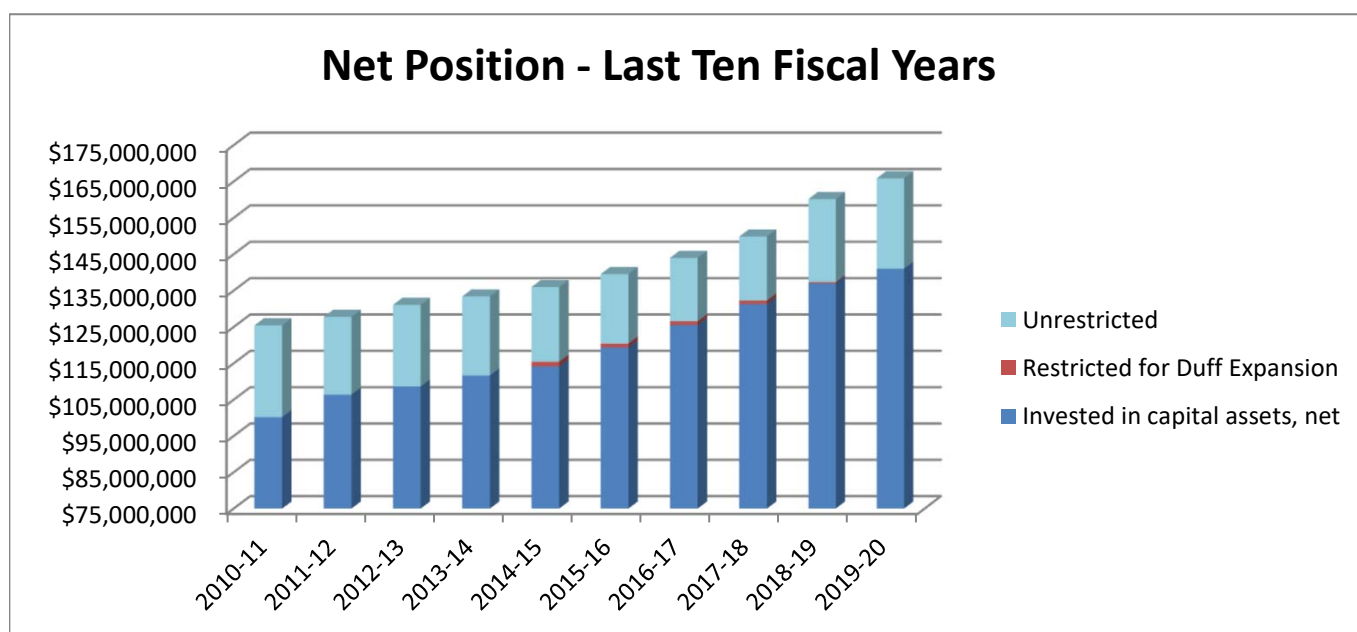
Sources

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Invested in capital assets, net	\$ 100,196,663	\$ 106,393,179	\$ 108,659,059	\$ 111,685,166	\$ 114,182,987
Restricted for Duff Expansion	-	-	-	-	1,236,543.00
Unrestricted	25,241,873	21,377,276	22,418,534	21,715,047	20,560,518
Total	<u>\$ 125,438,536</u>	<u>\$ 127,770,455</u>	<u>\$ 131,077,593</u>	<u>\$ 133,400,213</u>	<u>\$ 135,980,048</u>

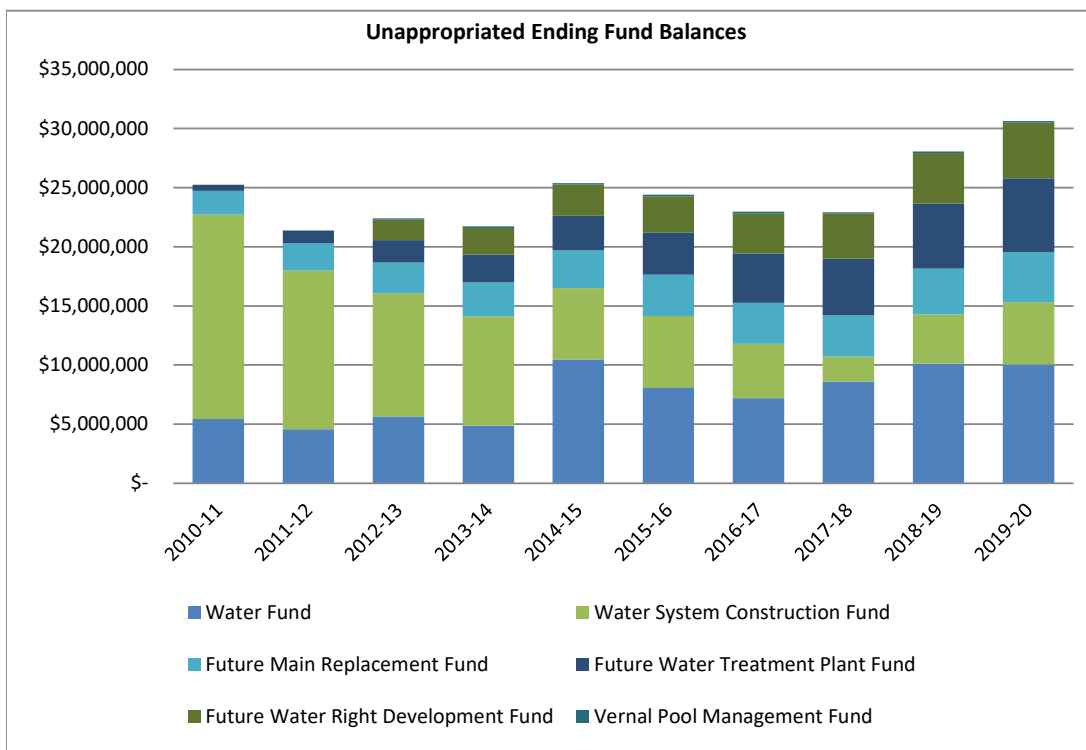


2015-16	2016-17	2017-18	2018-19	2019-20
\$ 119,420,089	\$ 125,579,757	\$ 131,300,433	\$ 136,947,817	\$ 141,034,855
1,011,148.00	982,000	961,226	347,939	-
19,108,037	17,437,503	17,601,350	22,876,503	24,838,367
<u>\$ 139,539,274</u>	<u>\$ 143,999,260</u>	<u>\$ 149,863,009</u>	<u>\$ 160,172,255</u>	<u>\$ 165,873,222</u>

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 2

Unappropriated Ending Fund Balance - Last Ten Fiscal Years

	2010-11	2011-12	2012-13	2013-14
Water Fund	\$ 5,443,902	\$ 4,563,161	\$ 5,654,793	\$ 4,871,890
Water System Construction Fund	17,278,843	13,439,206	10,424,579	9,241,177
Future Main Replacement Fund	2,015,899	2,302,711	2,590,877	2,880,823
Future Water Treatment Plant Fund	503,228	1,072,199	1,902,211	2,363,184
Future Water Right Development Fund	-	-	1,720,640	2,231,815
Vernal Pool Management Fund	-	-	125,434	126,158
Total	\$ 25,241,872	\$ 21,377,277	\$ 22,418,534	\$ 21,715,047



2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$ 10,458,454	\$ 8,051,825	\$ 7,202,158	\$ 8,612,017	\$ 10,106,648	\$ 10,038,369
6,047,418	6,097,423	4,589,958	2,109,100	4,168,102	5,275,318
3,179,579	3,480,870	3,474,188	3,496,807	3,869,635	4,244,174
2,933,676	3,570,931	4,163,777	4,787,315	5,506,283	6,218,880
2,647,365	3,069,032	3,417,650	3,796,059	4,271,984	4,724,989
127,198	128,250	128,002	128,835	132,440	135,847
\$ 25,393,690	\$ 24,398,331	\$ 22,975,733	\$ 22,930,133	\$ 28,055,092	\$ 30,637,577

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 3

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

	2010-11	2011-12	2012-13	2013-14
Operating revenues:				
Residential and commercial water service	\$ 7,206,411	\$ 8,187,116	\$ 8,465,085	\$ 8,975,519
Sales to other utilities	1,794,699	1,897,172	2,284,099	1,748,079
Service center clearing revenue	3,688,547	3,656,625	-	-
Work Order and Fee Revenue	296,757	225,621	455,567	559,433
Total operating revenues	12,986,415	13,966,533	11,204,751	11,283,031
Operating expenses:				
Operating and maintenance	4,454,095	4,679,725	5,174,460	5,618,203
Administrative and general	1,878,168	1,950,356	2,060,765	2,347,023
Depreciation	2,502,792	2,534,491	2,638,923	2,787,874
Change in components of net pension liability	-	-	-	-
Service center clearing expense	3,468,533	3,622,666	-	-
Work Order and Fee Expense	250,662	152,557	457,146	248,822
Total operating expenses	12,554,250	12,939,795	10,331,294	11,001,922
Operating income (loss)	432,165	1,026,738	873,457	281,109
Nonoperating revenues (expenses)				
Charges in lieu of assessments	-	-	3,477	-
City of Medford utility collection	592,000	442,308	455,652	-
Investment Income	151,267	131,928	127,037	173,792
Income from forest products	-	-	-	-
Miscellaneous income	66,436	63,314	184,144	112,364
Gain (loss) on sale of assets	-	-	-	-
Total nonoperating revenues (expenses)	809,703	637,550	770,310	286,156
Income before capital contributions	1,241,868	1,664,289	1,643,767	567,265
Capital contributions				
Developer donations (capitalized)	468,019	289,981	890,913	1,082,658
System development charges	324,209	377,649	772,458	672,697
Total capital contributions	792,228	667,630	1,663,371	1,755,355
Change in net position	2,034,096	2,331,919	3,307,138	2,322,620
Total net position - beginning of year	123,404,440	125,438,536	127,770,455	131,077,593
Restatement of net position				
Total net position - end of year	\$ 125,438,536	\$ 127,770,455	\$ 131,077,593	\$ 133,400,213

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

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$	9,398,186	\$ 10,490,631	\$ 11,741,119	\$ 13,638,287	\$ 15,147,212	\$ 15,549,822
	1,922,434	2,149,518	1,964,918	1,821,633	2,646,870	2,286,742
	-	-	-	-	-	-
	521,196	754,891	1,009,379	734,350	853,923	718,644
	11,841,816	13,395,040	14,715,416	16,194,271	18,648,005	18,555,208
	5,926,413	7,033,438	6,310,326	7,464,053	8,193,851	8,960,879
	1,113,424	2,938,979	1,324,648	1,782,502	1,958,748	2,236,485
	3,109,984	3,176,900	3,278,607	3,543,423	3,735,733	3,829,677
	-	-	382,423	588,047	437,717	1,044,219
	-	-	-	-	-	-
	366,524	655,863	429,163	700,472	693,141	579,580
	10,516,345	13,805,180	11,725,167	14,078,497	15,019,189	16,650,840
	1,325,471	(410,140)	2,990,249	2,115,774	3,628,814	1,904,368
	-	-	5,319	-	-	-
	-	-	-	-	-	-
	220,789	228,612	173,296	242,037	609,549	714,816
	12,131	36,394	-	-	683,598	873,050
	138,172	73,383	379,858	217,271	122,004	134,929
	6,121	11,350	6,622	-	-	-
	377,213	349,739	565,096	459,308	1,415,151	1,722,795
	1,702,684	(60,401)	3,555,345	2,575,082	5,043,965	3,627,163
	856,759	1,819,728	1,213,438	1,663,325	3,994,345	889,661
	3,617,019	1,617,576	1,295,820	991,154	1,270,940	1,184,139
	4,473,778	3,437,304	2,509,258	2,654,479	5,265,285	2,073,800
	6,176,462	3,376,903	6,064,603	5,229,561	10,309,250	5,700,963
	133,400,213	135,980,048	139,539,274	145,603,877	150,833,438	160,172,259
	(3,596,627)	182,323				
\$	135,980,048	\$ 139,539,274	\$ 145,603,877	\$ 150,833,438	\$ 160,172,259	\$ 165,873,222

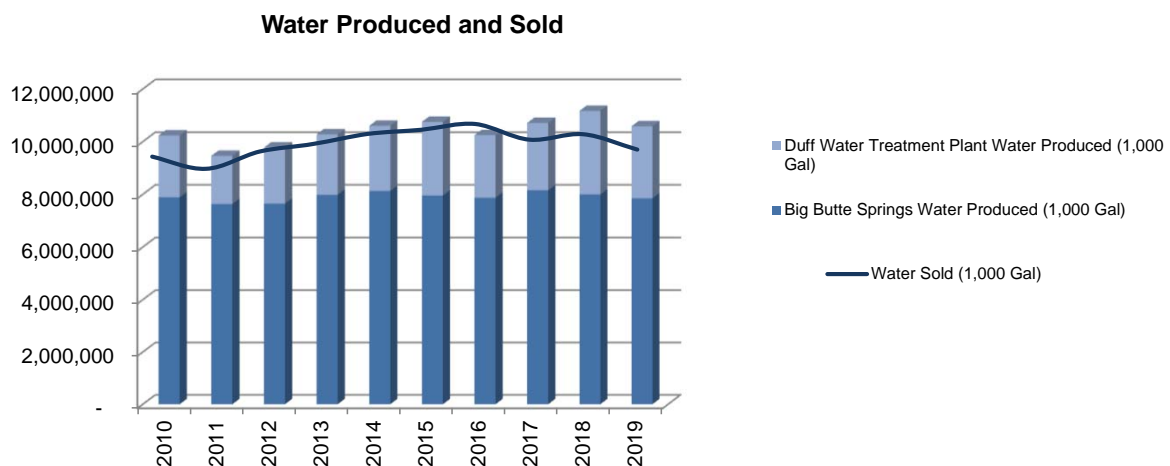
MEDFORD WATER COMMISSION - UNAUDITED
Schedule 4

Water Produced and Sold - Last Ten Calendar Years

	2010	2011	2012
Big Butte Springs Water Produced (1,000 Gal)	7,886,352	7,634,820	7,645,207
Duff Water Treatment Plant Water Produced (1,000 Gal)	2,350,670	1,825,655	2,129,700
Total Production	10,237,022	9,460,475	9,774,907

	2010	2011	2012
Water Sold (1,000 Gal)	8,790,744	8,474,960	8,923,581
Nonrevenue Water (1,000 Gal)	1,446,278	985,515	851,326
Total Production	10,237,022	9,460,475	9,774,907

	2010	2011	2012
Big Butte Springs Rainfall (inches)	35.85	30.47	45.63
City of Medford Rainfall (inches) - USW00024225	21.34	16.46	26.92
City of Medford Avg Daily Maximum Temperature (Fahrenheit)	67.3	66.1	68.2

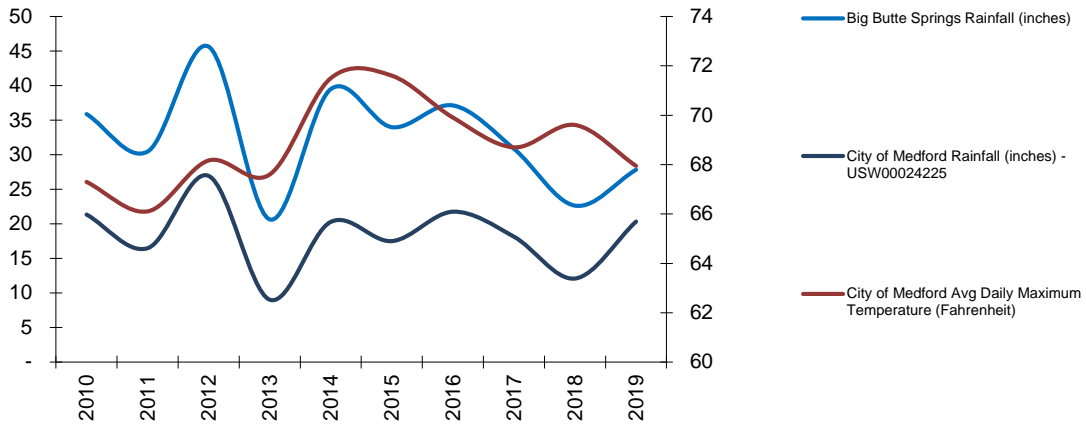


2013	2014	2015	2016	2017	2018	2019
7,982,750	8,127,920	7,958,203	7,875,995	8,151,604	7,997,320	7,847,560
2,293,130	2,472,110	2,793,000	2,371,990	2,557,530	3,170,320	2,736,530
10,275,880	10,600,030	10,751,203	10,247,985	10,709,134	11,167,640	10,584,090

2013	2014	2015	2016	2017	2018	2019
9,121,029	9,377,069	9,491,979	9,634,859	9,230,370	9,373,089	8,976,332
1,154,851	1,222,961	1,259,224	613,126	1,478,764	1,794,551	1,607,758
10,275,880	10,600,030	10,751,203	10,247,985	10,709,134	11,167,640	10,584,090

2013	2014	2015	2016	2017	2018	2019
20.62	39.48	33.98	37.13	30.87	22.61	27.82
9.02	20.29	17.50	21.73	18.16	12.10	20.33
67.6	71.5	71.6	69.9	68.7	69.6	68.0

Rainfall and Average Temperature



MEDFORD WATER COMMISSION - UNAUDITED
Schedule 5

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

	2010-11	2011-12	2012-13	2013-2014	2014-2015
Inside City					
Residential					
Single Family	19,597	19,686	19,857	20,580	21,245
Multi-Family	2,253	2,278	2,286	2,356	2,351
Commercial	2,351	2,376	2,386	2,550	2,576
Industrial	44	43	43	44	44
Fire Services	372	381	387	392	403
Municipal	95	103	101	-	-
Subtotal	24,712	24,867	25,060	25,922	26,619
Outside City					
Residential					
Single Family	2,211	2,229	2,270	2,393	2,442
Multi-Family	37	36	35	58	58
Commercial	198	207	210	204	209
Industrial	73	72	73	75	75
Utilities	8	8	8	8	8
Fire Services	64	67	68	49	70
Subtotal	2,591	2,619	2,664	2,787	2,862
Water Districts					
Charlotte Ann	239	239	189	195	196
Elk City	99	102	101	101	102
Jacksonville Highway	344	344	344	336	336
Kings Highway	-	-	-	-	-
Subtotal	682	685	634	632	634
Total Inside/Outside/Water Districts	27,985	28,171	28,358	29,341	29,031
Self Operating Areas (Cities)					
Central Point, Eagle Point, Talent					
Phoenix, Ashland & Jacksonville	13,638	13,705	14,078	14,188	14,297
Total Water Services	41,623	41,876	42,436	43,529	43,328

2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
21,170	21,564	21,360	22,012	24,026
2,370	2,421	2,434	2,442	2,681
2,624	2,661	2,646	2,711	2,950
45	44	45	46	51
405	435	448	459	508
-	-	-	-	-
26,614	27,125	26,933	27,670	30,216
2,514	2,833	2,879	2,938	3,197
59	73	73	74	82
220	224	223	225	245
77	75	81	87	99
7	7	7	7	7
72	70	72	72	82
2,949	3,282	3,335	3,403	3,712
201	200	200	200	200
102	102	103	103	103
-	-	-	-	-
-	-	-	-	-
303	302	303	303	303
29,185	29,317	30,571	31,376	34,231
14,433	14,608	14,738	14,915	15,358
43,618	43,925	45,309	46,291	49,589

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 6

Inside Residential Customer Water Rates - Last Ten Effective Years

Effective Date	3/1/2011	3/1/2012	3/1/2013	3/1/2014
Inside Residential				
Base Rates (per month)				
5/8 x 3/4"	7.55	7.62	7.62	7.62
1"	11.61	11.94	11.94	11.94
1 1/2"	23.33	24.46	24.46	24.46
2"	34.55	36.51	36.51	36.51
Backflow Fee	0.75	0.75	0.75	0.75
Gallonge Charge (per 1,000 GAL)				
below 15,000 GAL (2011 - below 5,000 GAL)				
Gravity (below 1499 ft)	N/A	N/A	N/A	N/A
EL. 1 (1500 - 1649 ft)	N/A	N/A	N/A	N/A
EL. 2 (1650 - 1799 ft)	N/A	N/A	N/A	N/A
EL. 3 (1800 - 1949 ft)	N/A	N/A	N/A	N/A
EL. 4 (1950 - 2099 ft)	N/A	N/A	N/A	N/A
EL. 5 (above 2100 ft)	N/A	N/A	N/A	N/A
over 15,000 GAL (2011 - 5,000 to 25,000 GAL)				
Gravity (below 1499 ft)	N/A	N/A	N/A	N/A
EL. 1 (1500 - 1649 ft)	N/A	N/A	N/A	N/A
EL. 2 (1650 - 1799 ft)	N/A	N/A	N/A	N/A
EL. 3 (1800 - 1949 ft)	N/A	N/A	N/A	N/A
EL. 4 (1950 - 2099 ft)	N/A	N/A	N/A	N/A
EL. 5 (above 2100 ft)	N/A	N/A	N/A	N/A
below 5,000 GAL				
Gravity (below 1499 ft)	0.41	0.44	0.44	0.44
EL. 1 (1500 - 1649 ft)	0.46	0.49	0.49	0.49
EL. 2 (1650 - 1799 ft)	0.51	0.54	0.54	0.54
EL. 3 (1800 - 1949 ft)	0.56	0.59	0.59	0.59
EL. 4 (1950 - 2099 ft)	0.61	0.64	0.64	0.64
EL. 5 (above 2100 ft)	0.66	0.69	0.69	0.69
5,000 to 25,000 GAL				
Gravity (below 1499 ft)	0.74	0.79	0.79	0.79
EL. 1 (1500 - 1649 ft)	0.79	0.84	0.84	0.84
EL. 2 (1650 - 1799 ft)	0.84	0.89	0.89	0.89
EL. 3 (1800 - 1949 ft)	0.89	0.94	0.94	0.94
EL. 4 (1950 - 2099 ft)	0.94	0.99	0.99	0.99
EL. 5 (above 2100 ft)	0.99	1.04	1.04	1.04
over 25,000 GAL				
Gravity (below 1499 ft)	1.07	1.14	1.14	1.14
EL. 1 (1500 - 1649 ft)	1.12	1.19	1.19	1.19
EL. 2 (1650 - 1799 ft)	1.17	1.24	1.24	1.24
EL. 3 (1800 - 1949 ft)	1.22	1.29	1.29	1.29
EL. 4 (1950 - 2099 ft)	1.27	1.34	1.34	1.34
EL. 5 (above 2100 ft)	1.32	1.39	1.39	1.39

3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020
8	9.06	10.62	11.62	12.56	13.65
12.54	14.2	16.65	18.22	19.69	21.40
25.68	29.08	34.09	37.3	40.32	43.82
38.34	43.42	50.9	55.69	60.20	65.42
0.75	0.75	0.94	1.06	0.95	0.90
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
0.46	0.52	0.61	0.67	0.72	0.78
0.51	0.58	0.67	0.73	0.78	0.84
0.56	0.64	0.73	0.79	0.84	0.90
0.61	0.7	0.79	0.85	0.90	0.96
0.66	0.76	0.85	0.91	0.96	1.02
0.71	0.82	0.91	0.97	1.02	1.08
0.83	0.94	1.10	1.21	1.30	1.38
0.88	1	1.16	1.27	1.36	1.44
0.93	1.06	1.22	1.33	1.42	1.50
0.98	1.12	1.28	1.39	1.48	1.56
1.03	1.18	1.34	1.45	1.54	1.62
1.08	1.24	1.40	1.51	1.60	1.68
1.2	1.36	1.60	1.76	1.89	1.95
1.25	1.42	1.66	1.82	1.95	2.01
1.3	1.48	1.72	1.88	2.01	2.07
1.35	1.54	1.78	1.94	2.07	2.13
1.4	1.60	1.84	2.00	2.13	2.19
1.45	1.66	1.90	2.06	2.19	2.25

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 6 - continued

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

Effective Date	3/1/2012	3/1/2013	3/1/2014	3/1/2015
Inside Non-Residential & Multi-Family				
Base Rates (per month)				
5/8 x 3/4"	7.62	7.62	7.62	8.00
1"	11.94	11.94	11.94	12.54
1 1/2"	24.46	24.46	24.46	25.68
2"	36.51	36.51	36.51	38.34
3"	72.49	72.49	72.49	76.11
4"	113.38	113.38	113.38	119.05
6"	217.20	217.20	217.20	228.06
8"	333.85	333.85	333.85	350.54
10"	509.21	509.21	509.21	534.67
Gallorage Charge (per 1,000 GAL)				
Winter	0.57	0.57	0.57	0.60
Summer	0.77	0.77	0.77	0.81

- (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.

1/1/2016	3/1/2017	3/1/2018	3/1/2018	3/1/2019	3/1/2020
9.06	10.62	11.62	11.62	12.56	13.65
14.20	16.65	18.22	18.22	19.69	21.40
29.08	34.09	37.30	37.30	40.32	43.82
43.42	50.90	55.69	55.69	60.20	65.42
86.19	101.03	110.54	110.54	119.48	129.85
134.82	158.03	172.91	172.91	186.90	203.12
258.28	302.75	331.26	331.26	358.06	389.13
396.99	465.35	509.17	509.17	550.36	598.12
605.51	709.77	776.60	776.60	839.42	912.27
0.72	0.88	0.98	0.98	1.08	1.19
0.92	1.08	1.18	1.18	1.28	1.39

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 7

Outside Customer Water Rates - Last Ten Effective Years

Effective Date	3/1/2011	3/1/2012	3/1/2013	3/1/2014
Outside Residential				
Base Rates (per month)				
5/8 x 3/4"	9.22	10.60	10.60	10.60
1"	15.06	17.62	17.62	17.62
1 1/2"	29.53	35.43	35.43	35.43
2"	42.99	52.16	52.16	52.16
3"	91.61	109.61	109.61	109.61
4"	137.60	166.57	166.57	166.57
6"	257.21	313.91	313.91	313.91
8"	383.41	472.15	472.15	472.15
10"	573.56	710.41	710.41	710.41
Backflow Fee	0.75	0.75	0.75	0.75
Gallage Charge (per 1,000 GAL)				
below 15,000 GAL	N/A	N/A	N/A	N/A
over 15,000 GAL	N/A	N/A	N/A	N/A
Gallage Charge (per 1,000 GAL)				
below 5,000 GAL	0.56	0.65	0.65	0.65
5,000 to 25,000 GAL	1.01	1.17	1.17	1.17
over 25,000 GAL	1.46	1.69	1.69	1.69
Outside Commercial				
Base Rates (per month)				
5/8 x 3/4"	9.22	10.60	10.60	10.60
1"	15.06	17.62	17.62	17.62
1 1/2"	29.53	35.43	35.43	35.43
2"	42.99	52.16	52.16	52.16
3"	91.61	109.61	109.61	109.61
4"	137.60	166.57	166.57	166.57
6"	257.21	313.91	313.91	313.91
8"	383.41	472.15	472.15	472.15
10"	573.56	710.41	710.41	710.41
Gallage Charge (per 1,000 GAL)				
Winter	0.75	0.83	0.83	0.83
Summer	0.90	1.03	1.03	1.03

- (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

3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020
11.13	12.60	14.77	16.16	17.47	18.99
18.50	20.95	24.56	26.88	29.05	31.57
37.20	42.13	49.39	54.04	58.42	63.49
54.77	62.03	72.72	79.56	86.00	93.46
115.09	130.29	152.73	167.10	180.65	196.37
174.90	198.00	232.10	253.94	274.53	298.42
329.61	373.14	437.40	478.13	516.89	561.86
495.76	561.24	657.90	719.81	778.16	845.86
745.93	844.45	989.88	1,083.04	1,170.84	1,272.71
0.75	0.75	0.94	1.06	0.95	0.90
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
0.68	0.77	0.90	0.99	1.06	1.12
1.23	1.39	1.63	1.79	1.92	1.98
1.79	2.03	2.39	2.63	2.82	2.88
11.13	12.60	14.77	16.16	17.47	18.99
18.50	20.95	24.56	26.88	29.05	31.57
37.20	42.13	49.39	54.04	58.42	63.49
54.77	62.03	72.72	79.56	86.00	93.46
115.09	130.29	152.73	167.10	180.65	196.37
174.90	198.00	232.10	253.94	274.53	298.42
329.61	373.14	437.40	478.13	516.89	561.86
495.76	561.24	657.90	719.81	778.16	845.86
745.93	844.45	989.88	1,083.04	1,170.84	1,272.71
0.86	1.02	1.23	1.36	1.49	1.64
1.07	1.22	1.43	1.56	1.69	1.84

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 7 continued

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

Effective Date	3/1/2011	3/1/2012	3/1/2013	3/1/2014
Water Districts				
Base Rates (per month)				
5/8 x 3/4"	8.09	9.40	9.40	9.40
1"	12.38	14.81	14.81	14.81
1 1/2"	24.95	30.74	30.74	30.74
2"	37.25	46.40	46.40	46.40
3"	70.63	87.65	87.65	87.65
4"	112.85	141.16	141.16	141.16
6"	217.35	273.67	273.67	273.67
8"	338.03	427.92	427.92	427.92
10"	519.29	659.52	659.52	659.52
Backflow Fee	0.75	0.75	0.75	0.75
Master Meter Charge				
Charlotte Anne	519.29	659.52	659.52	659.52
Gallage Charge (per 1,000 GAL)				
Winter	0.57	0.81	0.81	0.81
Summer	0.72	1.01	1.01	1.01
Partner Cities (Central Point, Eagle Point, Jacksonville, Phoenix, Talent and Ashland)				
Base Rates (per month)				
2"	38.05	46.73	46.73	46.73
3"	77.92	94.81	94.81	94.81
4"	119.69	147.13	147.13	147.13
6"	227.53	281.85	281.85	281.85
8"	345.84	431.64	431.64	431.64
10"	523.85	656.90	656.90	656.90
Gallage Charge (per 1,000 GAL)				
Winter	0.54	0.46	0.46	0.46
Summer	0.60	0.67	0.64	0.64

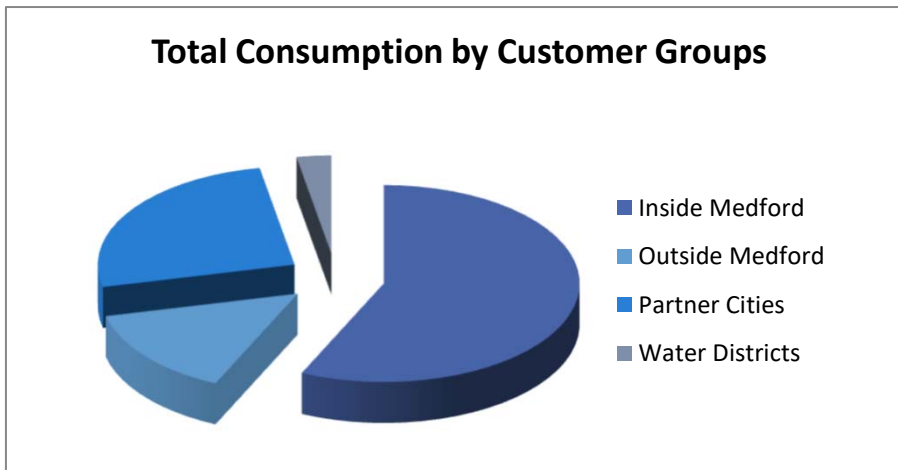
- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
(2) Winter rates are classified as October through April, and Summer rates are May through September.
(3) Each single family residential customer is charged a backflow prevention program fee monthly.
(4) 2011 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

3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020
9.87	8.65	9.80	10.38	10.98	10.96
15.55	13.63	15.44	16.35	17.30	17.27
32.28	28.29	32.05	33.95	35.91	35.84
48.72	42.70	48.38	51.24	54.20	54.10
92.03	80.65	91.37	96.78	102.37	102.18
148.22	129.90	147.17	155.88	164.89	164.59
287.35	251.83	285.31	302.20	319.67	319.09
449.32	393.78	446.13	472.53	499.84	498.93
692.50	606.90	687.59	728.28	770.38	768.98
0.75	0.75	0.94	1.06	0.95	0.90
692.50	606.90	687.59	728.28	770.38	468.98
0.83	0.71	0.83	0.89	0.95	0.95
1.04	0.91	1.03	1.09	1.15	1.15
49.07	55.68	54.06	66.12	71.35	74.59
99.55	112.96	109.67	124.99	134.88	141.00
154.49	175.30	170.20	193.97	209.31	218.82
295.94	335.80	326.03	371.56	400.95	419.16
453.22	514.27	499.31	569.04	614.05	641.93
689.74	782.65	759.88	866.00	934.50	976.93
0.46	0.56	0.54	0.62	0.68	0.72
0.64	0.64	0.76	0.74	0.82	0.92

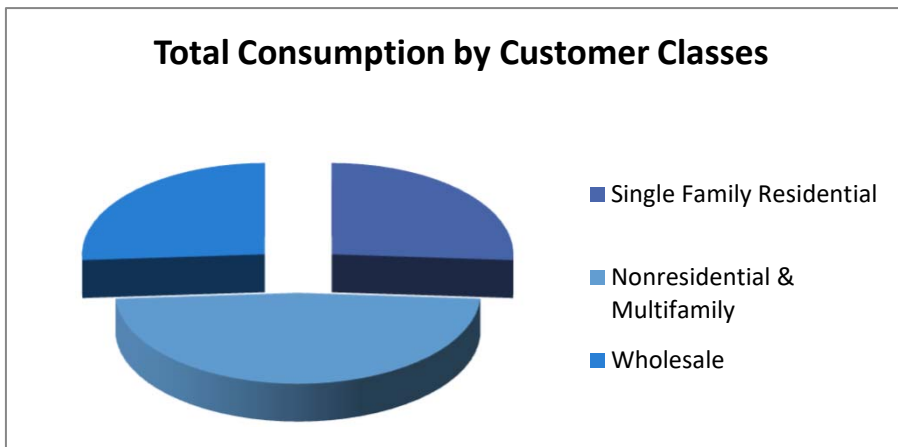
**MEDFORD WATER COMMISSION - UNAUDITED
Schedule 8**

Consumption by Customer Groups and Class

Customer Groups	2019-20	
	Consumption (per 1,000 GAL)	% of Total Consumption
Inside Medford	5,142,976	57.3%
Outside Medford	1,243,299	13.9%
Partner Cities	2,333,415	26.0%
Water Districts Total	250,462	2.8%
		100.0%



Customer Classes	2019-20	
	Consumption (per 1,000 GAL)	% of Total Consumption
Single Family Residential	2,333,415	26.0%
Multi-Family Residential	4,303,322	48.0%
Wholesale	2,583,877	26.0%

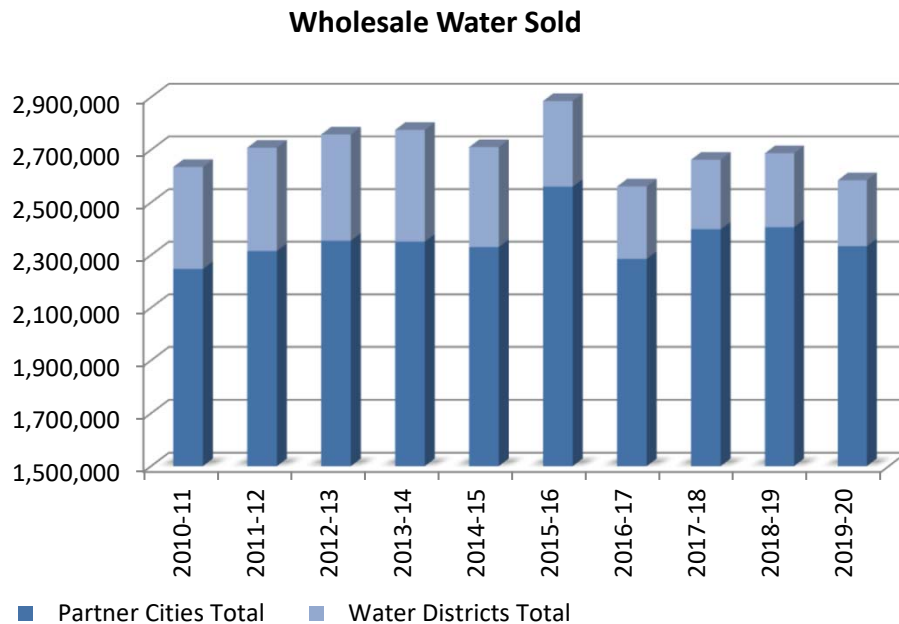


Total consumption for the 2019-20 fiscal year is 10,466,210 Kgals.

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 9

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

Name	2010-11	2011-12	2012-13	2013-14
City of Central Point	890,835	950,935	979,512	983,446
City of Eagle Point	635,526	575,010	568,995	547,056
City of Jacksonville	208,063	228,614	239,644	252,270
City of Phoenix	192,840	207,570	236,265	234,805
T.A.P. (Samike)	319,909	353,432	330,223	333,355
Partner Cities Total	2,247,173	2,315,561	2,354,639	2,350,932
Charlotte Ann Water District	252,139	245,390	249,198	261,843
Elk City Water District	87,082	95,735	98,119	109,710
Jacksonville Hwy Water District	48,422	51,351	56,544	53,155
Water Districts Total	387,643	392,476	403,861	424,708



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

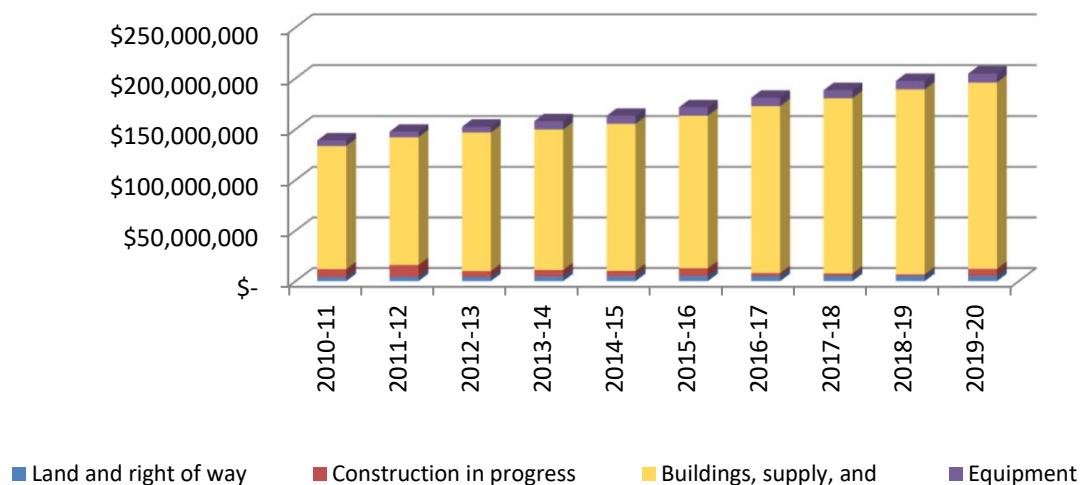
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
986,968	1,041,757	964,116	989,331	986,476	944,917
544,095	615,479	548,262	587,629	575,722	570,114
252,185	259,406	240,179	254,446	265,527	255,228
149,088	109,463	87,285	104,679	97,212	86,040
398,112	533,625	445,401	461,863	481,058	477,116
2,330,448	2,559,730	2,285,243	2,397,948	2,405,995	2,333,415
224,534	232,332	215,974	204,077	222,265	195,361
101,656	93,327	59,530	60,054	58,472	55,101
53,504 N/A		N/A	N/A	N/A	N/A
379,694	325,659	275,504	264,131	280,737	250,462

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 10

Capital Assets - Last Ten Fiscal Years

	2010-11	2011-12	2012-13	2013-14	2014-15
Capital assets, not being depreciated:					
Land and right of way	3,945,063	4,152,391	4,152,389	4,602,383	4,877,749
Construction in progress	7,951,417	11,774,271	5,821,269	6,529,794	5,185,940
Total capital assets, not being depreciated:	11,896,480	15,926,662	9,973,658	11,132,177	10,063,689
Capital assets being depreciated:					
Buildings, supply, and distribution system	121,662,384	126,221,974	136,740,159	138,642,056	145,206,888
Equipment	5,450,236	5,436,293	5,626,420	8,097,672	7,895,296
Total capital assets being depreciated:	127,112,620	131,658,267	142,366,579	146,739,728	153,102,184
Less accumulated depreciation for:					
Buildings, supply, and distribution system	(35,241,748)	(37,415,635)	(39,670,162)	(42,024,286)	(44,574,962)
Equipment	(3,570,689)	(3,776,115)	(4,011,016)	(4,162,453)	(4,407,924)
Total accumulated depreciation	(38,812,437)	(41,191,750)	(43,681,178)	(46,186,739)	(48,982,886)
Total capital assets, being depreciated, net	88,300,183	90,466,517	98,685,401	100,552,989	104,119,298
Total capital assets, net	\$ 100,196,663	\$ 106,393,179	\$ 108,659,059	\$ 111,685,166	\$ 114,182,987

Capital Assets



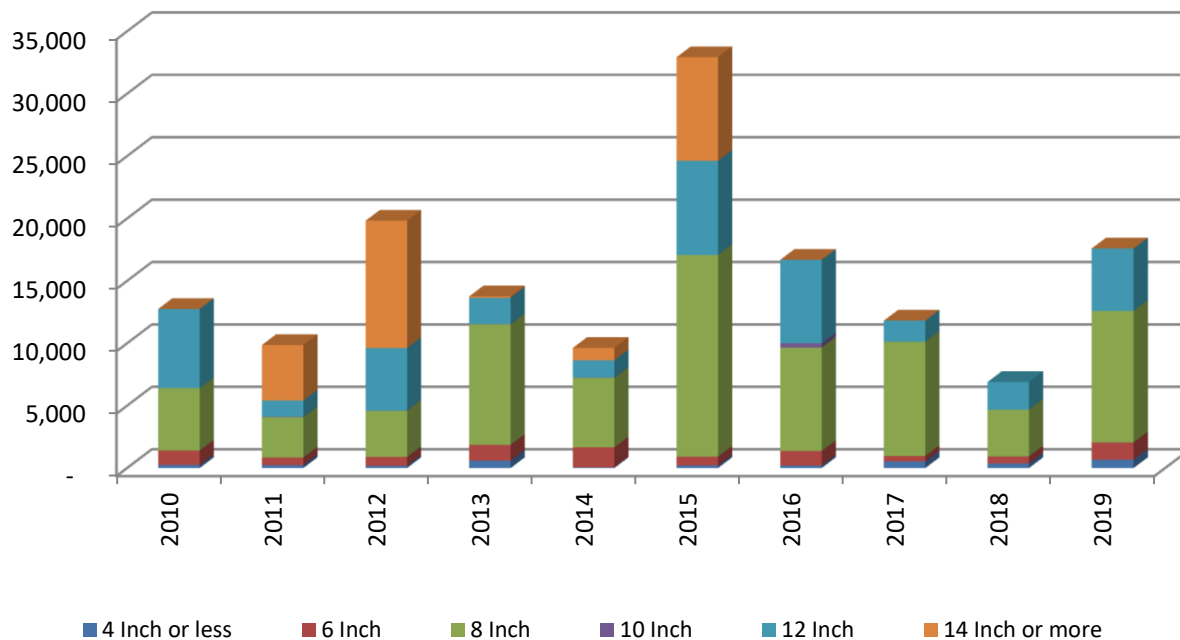
2015-16	2016-17	2017-18	2018-19	2019-20
4,925,439	4,925,439	4,925,439	5,056,375	5,056,375
7,721,975	2,991,633	2,555,349	1,718,939	7,088,533
12,647,414	7,917,072	7,480,788	6,775,314	12,144,908
150,626,388	164,668,518	172,971,126	182,303,912	183,731,480
8,226,052	8,302,608	7,847,672	8,402,770	8,697,504
158,852,440	172,971,126	180,818,798	190,706,682	192,428,984
(47,210,514)	(49,926,593)	(51,794,674)	(54,942,746)	(57,406,309)
(4,869,251)	(5,381,848)	(5,144,443)	(5,591,433)	(6,132,728)
(52,079,765)	(55,308,441)	(56,939,116)	(60,534,179)	(63,539,037)
106,772,675	117,662,685	123,819,645	130,172,503	128,889,947
\$ 119,420,089	\$ 125,579,757	\$ 131,300,433	\$ 136,947,817	\$ 141,034,855

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 11

Annual New Pipeline Summary - Last Ten Calendar Years

	2010	2011	2012	2013
Pipeline Size Summary				
Pipe (feet)				
4 Inch or less	244	222	178	593
6 Inch	1,154	626	708	1,272
8 Inch	5,014	3,237	3,709	9,661
10 Inch	-	24	10	14
12 Inch	6,337	1,300	5,006	2,109
14 Inch or more	-	4,448	10,205	107
Total Pipe (feet)	12,749	9,857	19,816	13,756

Pipeline Added



2014	2015	2016	2017	2018	2019
52	203	192	532	366	672
1,604	711	1,166	437	568	1,380
5,572	16,153	8,291	9,151	3,750	10,539
20	-	356	-	-	-
1,389	7,562	6,677	1,692	2,208	5,006
992	8,292	-	-	-	-
9,629	32,921	16,682	11,812	6,892	17,597

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 12

Number of Full Time Employees - Last Ten Fiscal Years

	2010-11	2011-12	2012-13	2013-2014	2014-2015
Administration	5	5	5	3	6
Finance	3	3	3	3	3
Technical Services	1	1	1	1	2
Customer Service	7	7	7	6	7
Engineering/Conservation	6	6	6	6	6
Water Maintenance	14	14	12	15	14
Water Meters / Controls	9	9	9	9	9
Water Treatment / Water Quality	8	8	9	9	9
TOTAL	53	53	52	52	56

By Location

Lausmann Annex	22	22	22	21	24
Robert A. Duff WTP	8	8	9	9	9
Service Center	23	23	21	22	23
TOTAL	53	53	52	52	56

(1) These positions reflect total authorized positions.

(2) Source: Medford Water Commission

2015-2016	2016-2017	2017-18	2018-19	2019-20
5	5	4	4	4
3	3	3	3	5
2	2	2	2	3
7	7	7	7	7
7	8	8	8	8
14	14	14	13	13
9	9	9	9	9
9	9	11	13	12
56	57	58	59	61

24	25	24	24	27
9	9	11	12	12
23	23	23	23	22
56	57	58	59	61

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 13

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

	2010	2011	2012	2013	2014	2015
Medford	77,485	75,180	75,545	75,920	76,330	77,655
Other Cities						
Central Point	17,205	17,235	17,275	17,315	17,455	17,485
Eagle Point	8,855	8,520	8,550	8,575	8,666	8,695
Jacksonville	2,700	2,800	2,815	2,840	2,979	2,880
Phoenix	4,910	4,550	4,570	4,570	4,580	4,585
Talent	6,670	6,095	6,115	6,170	6,310	6,270
Ashland	N/A	N/A	N/A	N/A	20340	20,405
Total Population	117,825	114,380	114,870	115,390	136,660	137,975
Personal Income (Millions of Dollars)	\$ 6,742	\$ 7,108	\$ 7,417	\$ 7,544	\$ 8,188	\$ 8,765
Per Capita Personal Income (Dollars)	\$ 33,159	\$ 34,742	\$ 36,047	\$ 36,420	\$ 39,151	\$ 41,374

(1) 2010 - 2019 Population numbers are prepared by Population Research Center (www.pdx.edu), PSU.

(2) 2010 - 2019 Personal Income and Per Capita Personal Income provided by Bureau of Economic Analysis for Jackson County, (www.bea.gov/).

2016	2017	2018	2019
78,500	79,590	80,375	81,465
17,585	17,700	17,895	18,365
8,765	8,930	9,105	9,260
2,920	2,950	2,980	3,015
4,585	4,605	4,620	4,650
6,305	6,325	6,380	6,495
20,620	20,700	20,815	20,960
139,280	140,800	142,170	144,210
\$ 9,216	\$ 9,647	\$ 10,232	\$ 10,670
\$ 42,926	\$ 44,360	\$ 46,603	\$ 48,291

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, 2020, and have issued our report thereon dated December 11, 2020. 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.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive, flowing style.

By Paul R. Nielson, member of the firm
for Isler CPA
December 31, 2020