



MEDFORD WATER

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2021 and 2020



Medford Water Commission

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
July 1, 2020 - June 30, 2021

**Prepared by Finance Department
December 2021**

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For the Year ended June 30, 2021
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INTRODUCTORY SECTION



December 15, 2021

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

It is our pleasure to present the Medford Water Commission (Commission) Annual Financial Report (AFR) for the fiscal year ended June 30, 2021. 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 Medford Water's financial position and activities will be found in the report.

Isler CPA, an independent certified public accounting firm, has conducted the audit of Medford Water's financial statements for the year ending June 30, 2021, as required annually by Oregon State Law. Their unmodified ("clean") Independent Auditor's Report appears in the Financial Section, followed by the Management's Discussion and Analysis (MD&A) and financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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

Medford Water Profile

Medford Water Commission operates and maintains the water system that delivers high-quality drinking water to approximately 140,000 Rogue Valley residents. Medford Water 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.

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

FACILITIES



Medford Water Commission's mission is to safeguard public health by providing a reliable, high quality water supply at the best value. Medford Water has two sources of water: Big Butte Springs and the Rogue River. Medford Water 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 Medford Water's primary source of drinking water since 1927. With a capacity of approximately 26.4 MGD, the springs are one of the City of Medford's most valuable and significant resources.

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

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

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

When both sources are used during the cooler months, the water is blended within the distribution system, although some areas receive more water from one source or the other. The finished water from both supplies is very similar, with temperature being the most detectable difference. The blend can vary continuously depending on the demand for treated water from the Duff WTP. Regardless of source, the water provided by Medford Water Commission is known for its exceptional award-winning quality and taste. In addition to the above treatment facilities, Medford Water Commission has 14 reservoirs, 9 pump stations, 3 pressure control stations, and over 507 miles of transmission and distribution pipelines. The main office is located at the Lausmann Annex at 200 South Ivy Street, Room 177 in Medford, Oregon.



HISTORY

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

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

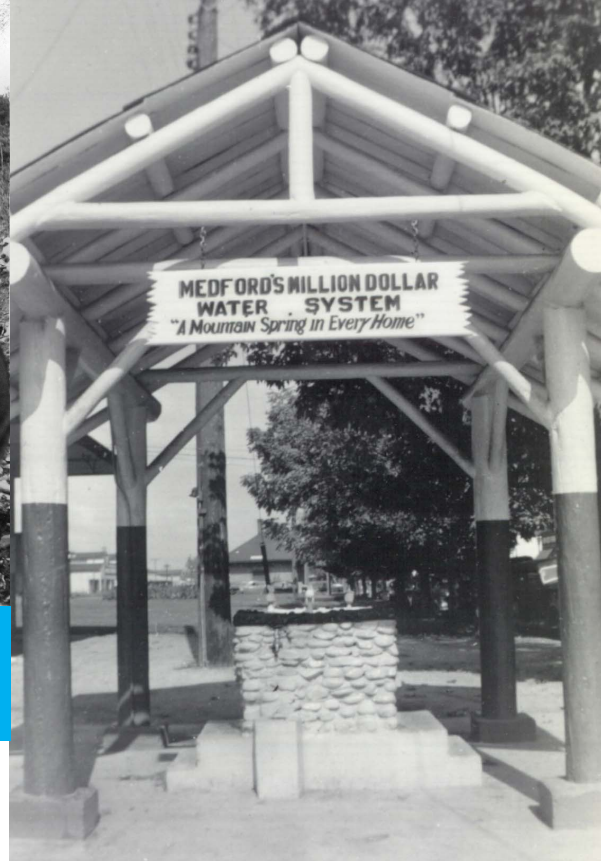
A few years after completion of the Fish Lake supply system, an irrigation storage dam was constructed at Fish Lake. In doing so, the land in the reservoir was not cleared of brush and trees, and the quality of the water soon suffered. Not only did it begin to exhibit a pungent taste and odor, but also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

less than popular with local

citizens. Also, growth in the City of Medford surpassed expectations and resulted in severe water restrictions.

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

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



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

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

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

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

Robert A. Duff Water Treatment Plant



LOCAL ECONOMY

Medford Water 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.

LONG TERM FINANCIAL PLANNING



Rancheria UV Disinfection Facility



Duff Water Treatment Plant Backup Generator

Medford Water Commission strives to improve its current infrastructure through the many projects it completes each year. The largest project in the 2020-21 fiscal year included the continuation of the expansion of treatment facilities at the Robert A. Duff Water Treatment Plant. This expansion project will bring the capacity of the Robert A. Duff Water Treatment Plant from 45 MGD to 65 MGD.

Other water system projects within the Medford Water transmission and distribution system include the Engineered Lagoons at the Robert A. Duff Water Treatment Plant, Backup Generators, new Meters, and new Distribution Mains.

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.

Historically, Medford Water Commission has conducted cost-of-service studies each year, generally favoring small annual rate increases over infrequent larger increases. In March 2020, water rates were increased an average of 8% and in March 2021 with an average of 6% increase. This was due primarily to the construction of 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 Medford Water in estimating capital requirements, planning, scheduling, and implementation of projects throughout the next 10 years. In addition to the 10-Year Capital Improvement Plan, Medford Water is working towards updating the 10-Year Financial Plan and a Comprehensive Financial Management Policy. The 10-Year Financial Plan provides Commission Board and Staff with clear direction on revenues and expenditures. The Comprehensive Financial Management Policy serves as a guideline for both the internal financial and management planning of the utility.





Medford Water 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 has been accounted for separately as line items within the Construction and Infrastructure Replacement Fund.

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



YEAR END FINANCIAL METRICS

Status (6/30/21)	Metric	Target (Typical)
	Current Ratio	> 1.0
	Age of System	< 50%
	Water Fund Cash on Hand (Including CIP expenditures)	90 – 180 days
	Days’ Sales Outstanding	< 30 days

Awards and Acknowledgements



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

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Medford Water Commission for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This was the tenth consecutive year that Medford Water Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

Respectfully submitted,

Brad Taylor
General Manager

Tessa DeLine
Finance and Administration Services Director

MILESTONES FOR MEDFORD WATER

Nov 7, 1922

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

1923

Medford Water Commission began



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



1950

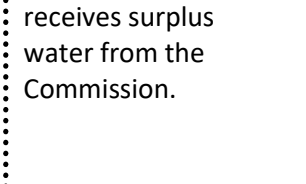
\$2.8 mil bond approved for Big Butte Springs transmission line II to bring supply to 26 mgd.

1953

Willow Creek Dam was constructed.

Jacksonville

receives surplus water from the Commission.



1954

Permits for water diversion from Rogue River.

1955

White City receives water from the Commission.



1962

Chlorine added to Medford water supply full time

1965

10,000 gallon Bullis Reservoir constructed



1966

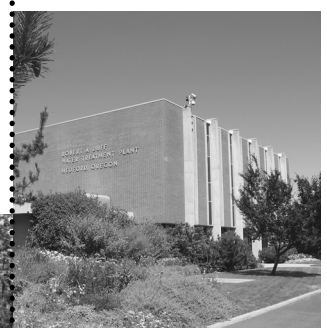
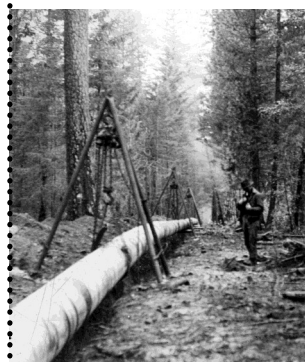
\$2.6 mil bond for Phase I (15 mgd) of R. A. Duff Water Treatment Plant

1957

Construction of trunk water main loop encircling city

1957 - 1959

Big Butte Springs transmission line II extended to southeast side of

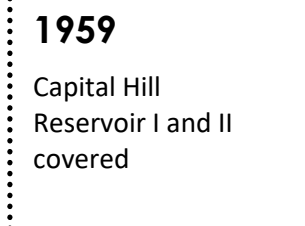


1967

Conrad Pressure Control Station

1968

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



1959

Capital Hill Reservoir I and II covered

1969

Martin Pressure Control Station

1970

Brookdale Pump Station

1971

Stanford Reservoir

1975

McAndrews Service Center

Vilas Road Transmission line



1977

3 mg addition to Treatment Plant reservoir

1978

Rancheria Pump Station

1980

Archer Pump Station



1981

Second Rogue 36" transmission main

1982

Phoenix receives surplus water from the Commission

1983

Southeast Reservoir



1989

Treatment plant Contact Basin

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



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

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

2003

Southwest Reservoir

2006

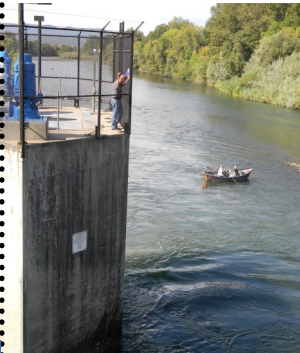
Rancheria and Lone Pine Pump Stations

2011

Treatment Plant intake fish screens

2013

Martin Control Station & Ave G Transmission Main



2014

Ashland receives surplus water from the Commission

2016

Water flume excavation

2017

Prescribed burn at Vernal Pool Mitigation Preserve



2019

Treatment Plant flocced basins Expansion
Corrosion Study



2020

Revised Vision, Mission & Values

Treatment Plant Lagoons Expansion

Rancheria Springs UV Disinfection Facility

Automated sampling at BBS Point of Entry

2021

Backup Power Generator at



Treatment Plant

Utility Fiber to BBS

New logo and branding



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, 2020

Christopher P. Morill

Executive Director/CEO

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

June 30, 2021

MISSION STATEMENT

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

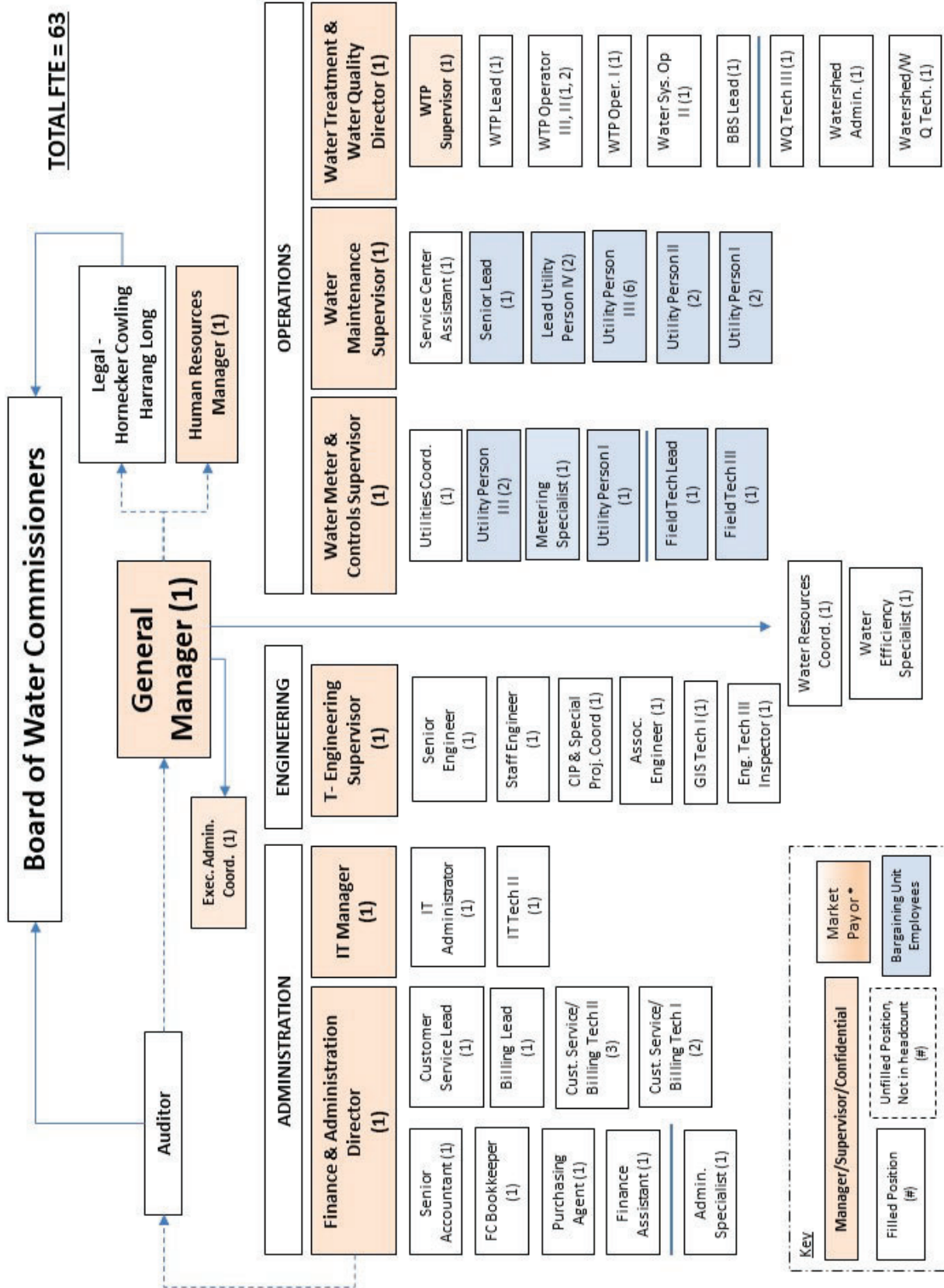
BOARD OF COMMISSIONERS

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

MANAGEMENT

General Manager	Brad Taylor
Engineering Supervisor	Brian Runyen
Finance and Administration Director	Tessa DeLine
Water Meter and Controls Supervisor	Kenneth A. Johnson
Water Maintenance Supervisor	Lester McFall
Human Resources Manager	Tanya Haakinson
Information Technology Manager	Kris Stitt
Water Treatment and Quality Director	Ben Klayman

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

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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, 2021 and 2020, 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, 2021 and 2020, 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 15, 2021 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 15, 2021

**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, 2021. 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 \$173,747. Of this amount, \$26,852 (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 \$146,895 in net position.
- Total liabilities increased by 11.9% in FYE 2021, and increased by 45.1% in FYE 2020.
- The change in net position was \$7,874 in FYE 2021. 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)

	2021	2020	2019	2020-21 Change	%
Assets					
Current assets	\$ 34,180	\$ 31,442	\$ 26,516	\$ 2,738	8.7
Capital assets	146,895	141,035	136,948	5,860	4.2
Other noncurrent assets	2,171	2,297	2,563	(126)	(5.5)
Total assets	<u>183,246</u>	<u>174,774</u>	<u>166,027</u>	<u>8,472</u>	4.8
 Deferred outflow of resources	<u>2,537</u>	<u>1,950</u>	<u>1,758</u>	<u>587</u>	30.1
 Liabilities					
Current liabilities	3,353	4,104	2,121	(751)	(18.3)
Long-term liabilities	<u>8,350</u>	<u>6,350</u>	<u>5,083</u>	<u>2,000</u>	31.5
Total liabilities	<u>11,703</u>	<u>10,454</u>	<u>7,204</u>	<u>1,249</u>	11.9
 Deferred inflow of resources	<u>333</u>	<u>397</u>	<u>409</u>	<u>(64)</u>	(16.1)
 Net position:					
Invested in capital assets	146,895	141,035	136,948	5,860	4.2
Restricted	-	-	348	-	-
Unrestricted	<u>26,852</u>	<u>24,838</u>	<u>22,876</u>	<u>2,014</u>	8.1
Total net position	<u>\$ 173,747</u>	<u>\$ 165,873</u>	<u>\$ 160,172</u>	<u>\$ 7,874</u>	4.7

Total operating revenues increased by \$3,205, as compared to a decrease of \$93 in FYE 2020. The Commission increased water rates approximately 8% effective March 1, 2020, and 6% in March 2021

Operating expenses increased by \$813, compared to an increase of \$1,632 in FYE 2020. FYE 2021 operating expenses increased primarily due to the adjustment for the GASB 68, accounting for PERS pension liability. That adjustment was significantly less in FYE 2020.

Capital contributions in FYE 2021 increased by \$889 compared to a decrease of \$3,191 in FYE 2020.

Medford Water Commission's Changes in Net Position

	2021	2020	2019	2019-20 Change	%
Operating revenues:					
Water sales and customer services	\$ 21,760	\$ 18,555	\$ 18,648	\$ 3,205	17.3
Nonoperating revenues:					
Investment income	258	715	610	(457)	(63.9)
Other	357	1,008	805	(651)	(64.6)
Total nonoperating revenues	615	1,723	1,415	(1,108)	(64.3)
Total revenues	22,375	20,278	20,063	2,097	10.3
Depreciation	3,916	3,830	3,736	86	2.2
Other operating expenses	13,548	12,821	11,283	727	5.7
Total operating expenses	17,464	16,651	15,019	813	4.9
Increase (decrease) in net position before contributions	4,911	3,627	5,044	1,284	35.4
Capital contributions	2,963	2,074	5,265	889	42.9
Increase in net position	7,874	5,701	10,309	2,173	38.1
Beginning net position	165,873	160,172	149,863	5,701	3.6
Ending net position	\$173,747	\$165,873	\$160,172	\$ 7,874	4.7

CAPITAL ASSETS

The net investment in capital assets increased by \$5,860 compared to an increase of \$4,087 in FYE 2020. 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 \$2,963 in FYE 2021 and \$2,074 in FYE 2020. 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 except for the cities of Talent, and Phoenix and the Charlotte Ann Water district. This was due to the Almeda Fire that occurred in September 2020 that seriously affected those communities. 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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 21,977,666	\$ 20,271,772
Investments - Short-term	7,270,826	7,345,927
Accounts receivable, net	2,487,601	1,964,519
Other Receivables	600,179	358,976
Inventory	1,134,755	1,025,905
Work in Process	304,775	127,939
Loans and Notes Receivable, Current	141,022	127,852
Prepaid Expenses	261,550	218,079
Other Current Assets	<u>1,254</u>	<u>1,390</u>
Total current assets	<u>34,179,628</u>	<u>31,442,359</u>
Noncurrent assets:		
Restricted cash and cash equivalents	215,795	192,167
Loans and Notes Receivable, Long-term	1,955,868	2,105,031
Land, improvements, and construction in progress	13,805,794	12,144,908
Other capital assets, net of accumulated depreciation	<u>133,089,258</u>	<u>128,889,947</u>
Total non-current assets	<u>149,066,715</u>	<u>143,332,053</u>
Total assets	<u>183,246,343</u>	<u>174,774,412</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>2,536,718</u>	<u>1,949,540</u>
LIABILITIES		
Current liabilities:		
Accounts payable and payroll payable	2,043,886	2,890,975
Customer deposits	82,557	98,679
Construction deposits	363,250	317,894
Due to other water districts for amounts billed	36,799	45,286
Miscellaneous payables	277,292	301,620
Current portion of vacation accrual	<u>548,980</u>	<u>449,734</u>
Total current liabilities	3,352,764	4,104,188
Noncurrent liabilities:		
Noncurrent portion of vacation accrual	137,243	112,433
Pension Liability	<u>8,212,471</u>	<u>6,237,493</u>
Total noncurrent liabilities	<u>8,349,714</u>	<u>6,349,926</u>
Total liabilities	<u>11,702,478</u>	<u>10,454,114</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts relating to pensions	<u>333,286</u>	<u>396,616</u>
NET POSITION		
Invested in capital assets	146,895,052	141,034,855
Restricted for Lozier Lane	215,795	192,167
Unrestricted	<u>26,636,450</u>	<u>24,838,367</u>
Total net position	<u>\$ 173,747,297</u>	<u>\$ 165,873,222</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, 2021 and 2020

	2021	2020
Operating revenues:		
Residential Sales Inside Gallonage	\$ 5,708,762	\$ 4,514,880
Residential Sales Outside Gallonage	988,460	768,467
Commercial Sales Inside Gallonage	1,969,515	1,599,458
Commercial Sales Outside Gallonage	471,194	319,755
Industrial Sales Inside Gallonage	200,062	181,208
Industrial Sales Outside Gallonage	1,263,273	935,453
High Elevation Charges	401,912	373,902
Fire Services Inside	306,133	270,005
Fire Services Outside	87,552	78,019
Base Charges Inside	5,683,239	5,049,403
Base Charges Outside	1,232,146	1,089,645
Miscellaneous Collections	285,461	399,306
Sales to other utilities	2,406,487	2,286,742
Customer Service Connections Revenue	471,379	453,354
Servicing of customer installations	284,097	235,611
Total operating revenues	<u>21,759,672</u>	<u>18,555,208</u>
Operating expenses:		
Connections/Installations	740,424	579,580
Source of Supply	799,403	1,232,315
Supply Pumping	743,738	541,434
Purification	2,260,423	1,856,691
Transmission	273,448	266,194
Distribution Pumping	387,248	365,774
Distribution	2,865,060	2,628,013
Customer Accounts & Collections	2,317,685	2,070,458
Administration & general	1,835,323	2,236,514
Change in components of net pension liability	1,324,470	1,044,219
Depreciation & Amortization	3,916,304	3,829,648
Total operating expenses	<u>17,463,526</u>	<u>16,650,840</u>
Operating income (loss)	<u>4,296,146</u>	<u>1,904,368</u>
Nonoperating revenues		
Investment Earnings	257,864	714,816
Grant revenues	-	28,765
Income from forest products	-	873,050
Miscellaneous income	356,952	106,164
Total nonoperating revenues	<u>614,816</u>	<u>1,722,795</u>
Income (loss) before capital contributions	<u>4,910,962</u>	<u>3,627,163</u>
Capital contributions:		
Developer donations	1,618,649	889,661
Ashland contract	1,344,464	1,184,139
Total capital contributions	<u>2,963,113</u>	<u>2,073,800</u>
Change in net position	<u>7,874,075</u>	<u>5,700,963</u>
Net position - beginning	<u>165,873,222</u>	<u>160,172,259</u>
Total net position - ending	<u>\$ 173,747,297</u>	<u>\$ 165,873,222</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Received from customers	\$ 21,253,407	\$ 18,946,819
Paid to suppliers for goods and services	(6,038,911)	(3,049,690)
Paid for employee wages, taxes and benefits	<u>(7,260,223)</u>	<u>(6,861,257)</u>
Net cash provided by operating activities	<u>7,954,273</u>	<u>9,035,872</u>
Cash flows provided by noncapital financing activities:		
Grant revenue	-	28,765
Proceeds from sale of timber	<u>-</u>	<u>873,050</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>901,815</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	139,029	5,707
Cash paid to acquire and construct capital assets	(8,208,391)	(6,904,417)
System development fees received	<u>1,344,464</u>	<u>1,184,139</u>
Net cash used by capital and related financing activities	<u>(6,724,898)</u>	<u>(5,714,571)</u>
Cash flows from investing activities:		
Investment income	332,965	458,800
Proceeds from sale of investments	-	3,099,053
Investments purchased	-	(200,000)
Principal received on notes	<u>167,182</u>	<u>160,566</u>
Net cash provided (used) by investing activities	<u>500,147</u>	<u>3,518,419</u>
Net increase (decrease) in cash and cash equivalents	1,729,522	7,741,535
Cash and cash equivalents at beginning of year	<u>20,463,939</u>	<u>12,722,404</u>
Cash and cash equivalents at end of year	<u>\$ 22,193,461</u>	<u>\$ 20,463,939</u>
Cash and cash equivalents at end of year are reported as follows:		
Cash and cash equivalents	21,977,666	20,271,772
Restricted cash and cash equivalents	<u>215,795</u>	<u>192,167</u>
Cash and cash equivalents at end of year	<u>\$ 22,193,461</u>	<u>\$ 20,463,939</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 4,296,146	\$ 1,904,368
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	3,916,304	3,829,648
Miscellaneous income and charges in lieu of assessments	268,462	164,083
Changes in:		
Trade Accounts Receivable	(523,082)	169,928
Other Receivables	(241,204)	85,142
Inventory	(108,850)	76,888
Work in Process	(176,836)	(18,069)
Net pension liability - PERS	1,324,470	1,044,219
Prepaid expenses	(43,471)	(9,843)
Other Current Assets	136	3,861
Accounts payable	(847,092)	1,719,981
Deposits Received	(16,122)	(7,170)
Construction Deposits	45,356	12,391
Due to Others, Current	(8,487)	1,876
Lozier note	(31,189)	(29,680)
Vacation accrual	124,056	90,151
Miscellaneous payables	<u>(24,324)</u>	<u>(1,902)</u>
Net cash provided (used) by operating activities	<u>\$ 7,954,273</u>	<u>\$ 9,035,872</u>
Schedule of noncash capital and related financing activities		
Contributed capital assets	<u>\$ 1,618,649</u>	<u>\$ 889,661</u>

See accompanying notes to financial statements.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

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. This fund was closed in June 2021.

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. This fund was closed in June 2021.

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. This fund was closed in June 2021.

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. This fund was closed in June 2021.

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, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

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.

m. Net position

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

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

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

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

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

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

Note 1 - Summary of significant accounting policies (continued)

o. Reclassifications.

Certain items for 2020 have been reclassified in the accompanying financial statements to conform to the presentation for 2021. The reclassification has no effect on the change in net position for the year ended June 30, 2020.

Note 2 - Cash and investments

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

	<u>2021</u>	<u>2020</u>	<u>S&P rating</u>	<u>Maturity</u>
Cash and cash equivalents:				
Checking accounts	\$ 2,545,547	\$ 1,413,976	N/A	N/A
Deposit with LGIP - unrestricted	<u>19,432,119</u>	<u>18,857,796</u>	Not rated	N/A
Total unrestricted cash and cash equivalents	21,977,666	20,271,772		
Restricted deposit with LGIP	<u>215,795</u>	<u>192,167</u>	Not rated	N/A
Total cash and cash equivalents	<u>\$ 22,193,461</u>	<u>\$ 20,463,939</u>		
Investment in notes and bonds:				
Federal Home Loan Bank	4,092,795	4,145,294	AA+	1-5 years
Federal Farm Credit Bank	1,002,707	1,002,864	AA+	1-5 years
Federal Home Loan Mortgage Corp.	250,770	250,868	AA+	1-5 years
US Treasuries	1,722,914	1,746,367	N/A	1-5 years
Municipal Bonds	<u>201,640</u>	<u>200,534</u>	AA+	1-5 years
Total	<u>\$ 7,270,826</u>	<u>\$ 7,345,927</u>		

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

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

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

Note 2 - Cash and investments (continued)

Fair value hierarchy

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

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

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

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

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

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

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

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. At June 30, 2021, the Commission's deposits with various financial institutions had a bank balance of \$2,437,817. 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, 2021 and 2020

Note 3 - Notes receivable

City of Ashland

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

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

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

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

Coker Butte Water District

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

Jacksonville Highway Water District / Lozier Lane

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

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

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

Balances and activity for the year ended June 30, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Receipt of Principal</u>	<u>Ending Balance</u>	<u>Due in one year</u>	<u>Long-term balance</u>
City of Ashland	\$ 1,957,456	\$ (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>

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

Note 4 - Capital assets

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

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

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>

MEDFORD WATER COMMISSION

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Notes to Financial Statements

June 30, 2021 and 2020

Note 5 - Accrued vacation

Accrued vacation balances were \$686,223 and \$562,167 for the years ended June 30, 2021 and 2020 respectively. The change in accrued vacation for the year ended June 30, 2021 consists of decreases of \$449,735 and increases of \$573,791.

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, 2021, the Commission paid the City of Medford a franchise tax, utility charges, and other charges amounting to \$712,974 in the fiscal year ended June 30, 2021. Water sales to the City were \$397,128 during the year ended June 30, 2021.

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, 2021 and 2020

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, 2021 and 2020

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, 2018 actuarial valuation which became effective July 1, 2020. Employer contributions for the year ended June 30, 2021 and June 30, 2020 were \$733,283 and \$672,907 respectively.. The rates in effect for the fiscal years ended June 30, 2021 and 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, 2021 and 2020

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

For the year ended June 30, 2021, the Commission recognized pension expense of \$2,057,753. At June 30, 2021, 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	\$ 361,448	\$ -
Change in assumptions	440,737	15,443
Net difference between projected and actual earnings on investments	965,680	-
Change in proportionate share	142,912	82,720
Differences between Commission contributions and proportionate share of contributions	<u>4,325</u>	<u>235,123</u>
Total (prior to post-MD contributions)	1,915,102	333,286
Commission contributions subsequent to the measurement date	<u>621,616</u>	<u>-</u>
Total	<u>\$ 2,536,718</u>	<u>\$ 333,286</u>

Deferred outflows of resources related to pensions of \$621,616 resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 338,007
2022	478,933
2023	463,819
2024	305,300
2025	<u>(4,243)</u>
Total	<u>\$ 1,581,816</u>

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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

Note 8 - Pension plan (continued)

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><u>\$ 1,949,540</u></u>	<u><u>\$ 396,616</u></u>

Actuarial Assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

Note 8 - Pension plan (continued)

Long-term expected rate of return

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

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

Depletion Date Projection

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 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.

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2021 and 2020

Note 8 - Pension plan (continued)

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

The following presents the Commission's proportionate share of the net pension liability (asset) calculated using the discount rate 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%)
Year ended June 30, 2021			
Proportionate share of net pension liability	\$ 12,194,842	\$ 8,212,471	\$ 4,873,069

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Year ended June 30, 2020			
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.

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, 2021

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.037631 %	0.036060 %	0.032940 %	0.034038 %	0.034703 %	0.038844 %
Proportionate share of the net pension liability (asset)	\$ 8,212,471	\$ 6,237,430	\$ 4,989,283	\$ 4,588,312	\$ 5,209,797	\$ 2,230,197
Covered payroll	\$ 4,427,194	\$ 3,967,303	\$ 3,965,781	\$ 3,967,303	\$ 3,973,377	\$ 3,590,378
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	185.50 %	140.89 %	125.76 %	115.70 %	131.32 %	56.13 %
Plan net position as a percentage of the total pension liability	75.80 %	80.20 %	82.10 %	83.10 %	80.53 %	91.90 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 733,283	\$ 672,907	\$ 503,163	\$ 491,051	\$ 349,966	\$ 377,060
Contributions in relation to the contractually required contribution	<u>733,283</u>	<u>672,907</u>	<u>503,163</u>	<u>491,051</u>	<u>349,966</u>	<u>377,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,806,424	\$ 4,427,194	\$ 3,967,303	\$ 3,965,781	\$ 3,967,303	\$ 3,973,377
Contributions as a percentage of covered employee payroll	15.26 %	15.20 %	12.68 %	12.38 %	8.82 %	9.49 %

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

Notes to Required Supplementary Information

Year Ended June 30, 2021

Note I - Measurement Period

Amounts presented are for the measurement period, which for FY 2021 is July 1, 2019 - June 30, 2020.

Note III - Changes in Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included lowering the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

Note IV - Ten Year Trend Information

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

SUPPLEMENTARY INFORMATION

MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

WATER FUND

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

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Resources:				
Water Revenue	\$ 18,750,000	\$ 18,750,000	\$ 21,004,195	\$ 2,254,195
Customer Service Connections Revenue	500,000	500,000	786,665	286,665
Investment Earnings	75,000	75,000	119,023	44,023
System development charges	750,000	750,000	1,344,464	594,464
Miscellaneous income	<u>75,000</u>	<u>75,000</u>	<u>356,952</u>	<u>281,952</u>
Total resources from operations	20,150,000	20,150,000	23,611,299	3,461,299
Beginning fund balance available for appropriation	<u>9,183,524</u>	<u>9,183,524</u>	<u>10,038,369</u>	<u>854,845</u>
Total resources	<u>\$ 29,333,524</u>	<u>\$ 29,333,524</u>	<u>\$ 33,649,668</u>	<u>\$ 4,316,144</u>
Requirements:				
Operating requirements:				
Source of Supply	\$ 789,356	\$ 789,356	\$ 799,403	\$ (10,047)
Supply Pumping	586,480	586,480	743,738	(157,258)
Purification	2,048,143	2,048,143	2,260,423	(212,280)
Transmission	286,889	286,889	273,448	13,441
Distribution Pumping	382,210	382,210	387,248	(5,038)
Distribution	3,314,911	3,314,911	2,865,060	449,851
Customer Accounts & Collections	2,499,145	2,499,145	2,317,685	181,460
Administrative & General, and franchise taxes	1,954,528	1,954,528	1,890,125	64,403
Connections/Installations	<u>450,000</u>	<u>450,000</u>	<u>740,424</u>	<u>(290,424)</u>
Total operating requirements	12,311,662	12,311,662	12,277,554	34,108
Nonoperating requirements:				
Capital outlay	9,000,000	9,000,000	8,208,391	791,609
Operating contingencies	250,000	250,000	-	250,000
Transfer to FMR, WTP, WRD, VPM Funds	<u>3,000,000</u>	<u>3,000,000</u>	<u>4,128,676</u>	<u>(1,128,676)</u>
Total nonoperating requirements	<u>12,250,000</u>	<u>12,250,000</u>	<u>12,337,067</u>	<u>(87,067)</u>
Unappropriated ending fund balance	<u>4,771,862</u>	<u>4,771,862</u>	<u>9,035,047</u>	<u>(4,263,185)</u>
Total requirements	<u>\$ 29,333,524</u>	<u>\$ 29,333,524</u>	<u>\$ 33,649,668</u>	<u>\$ (4,316,144)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Investment Earnings	\$ 335,269	\$ 335,269	\$ 34,879	\$ (300,390)
Transfer from Water Fund	3,000,000	3,000,000	3,000,000	-
Transfer from Main Replacement Fund	4,245,030	4,245,030	4,272,235	27,205
Transfer from Water Rights Fund	6,215,804	6,215,804	7,139,060	923,256
Transfer from Future Water Rights Fund	4,720,727	4,720,727	5,008,488	287,761
Transfer from Vernal Pool Fund	<u>135,940</u>	<u>135,940</u>	<u>136,745</u>	<u>805</u>
Subtotal	18,652,770	18,652,770	19,591,407	938,637
Beginning fund balance available for appropriation	<u>5,279,102</u>	<u>5,279,102</u>	<u>5,275,319</u>	<u>(3,783)</u>
Total resources	<u>\$ 23,931,872</u>	<u>\$ 23,931,872</u>	<u>\$ 24,866,726</u>	<u>\$ 934,854</u>
Requirements:				
Unappropriated ending fund balance	<u>23,931,872</u>	<u>23,931,872</u>	<u>24,866,726</u>	<u>(934,854)</u>
Total requirements	<u>\$ 23,931,872</u>	<u>\$ 23,931,872</u>	<u>\$ 24,866,726</u>	<u>\$ (934,854)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Investment Earnings	\$ -	\$ -	\$ 28,061	\$ 28,061
Beginning fund balance available for appropriation	<u>4,245,030</u>	<u>4,245,030</u>	<u>4,244,174</u>	<u>(856)</u>
Total resources	<u>\$ 4,245,030</u>	<u>\$ 4,245,030</u>	<u>\$ 4,272,235</u>	<u>\$ 27,205</u>
Requirements:				
Transfer to Water System Construction Fund	\$ 3,955,015	\$ 4,245,030	\$ 4,272,235	\$ (27,205)
Unappropriated ending fund balance	<u>290,015</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total requirements	<u>\$ 4,245,030</u>	<u>\$ 4,245,030</u>	<u>\$ 4,272,235</u>	<u>\$ (27,205)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Interest income	\$ -	\$ -	\$ 42,990	\$ 42,990
Transfer from Water Fund	-	-	877,191	877,191
Beginning fund balance available for appropriation	<u>6,215,804</u>	<u>6,215,804</u>	<u>6,218,879</u>	<u>3,075</u>
Total resources	<u>\$ 6,215,804</u>	<u>\$ 6,215,804</u>	<u>\$ 7,139,060</u>	<u>\$ 923,256</u>
Requirements:				
Transfer to Water System Construction Fund	<u>\$ 6,215,804</u>	<u>\$ 6,215,804</u>	<u>\$ 7,139,060</u>	<u>\$ (923,256)</u>
Total requirements	<u>\$ 6,215,804</u>	<u>\$ 6,215,804</u>	<u>\$ 7,139,060</u>	<u>\$ (923,256)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Interest income	\$ -	\$ -	\$ 32,014	\$ 32,014
Transfer from Water Fund	<u>-</u>	<u>-</u>	<u>251,485</u>	<u>251,485</u>
Subtotal	-	-	283,499	283,499
Beginning fund balance available for appropriation	<u>4,720,727</u>	<u>4,720,727</u>	<u>4,724,989</u>	<u>4,262</u>
Total resources	<u>\$ 4,720,727</u>	<u>\$ 4,720,727</u>	<u>\$ 5,008,488</u>	<u>\$ 287,761</u>
Requirements:				
Transfer to Water System Construction Fund	<u>\$ 4,720,727</u>	<u>\$ 4,720,727</u>	<u>\$ 5,008,488</u>	<u>\$ (287,761)</u>
Total requirements	<u>\$ 4,720,727</u>	<u>\$ 4,720,727</u>	<u>\$ 5,008,488</u>	<u>\$ (287,761)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Resources:				
Interest income	\$ -	\$ -	\$ 898	\$ 898
Beginning fund balance available for appropriation	<u>135,940</u>	<u>135,940</u>	<u>135,847</u>	<u>(93)</u>
Total resources	<u>\$ 135,940</u>	<u>\$ 135,940</u>	<u>\$ 136,745</u>	<u>\$ 805</u>
Requirements:				
Transfer to Water System Construction Fund	\$ 135,362	\$ 135,940	\$ 136,745	\$ (805)
Unappropriated ending fund balance	<u>578</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total requirements	<u>\$ 135,940</u>	<u>\$ 135,940</u>	<u>\$ 136,745</u>	<u>\$ (805)</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, 2021

	<u>2021</u>
Fund balances, budget basis:	
Water Fund	\$ 9,035,047
Water System Construction Fund	<u>24,866,726</u>
Total, budget basis	33,901,773
Net pension liability and deferred inflows/outflows	(6,009,039)
Deferred inflow Jacksonville Highway Water District / Lozier Lane note	269,114
Eliminate prepaid pension	(1,309,603)
Net investment in capital assets	<u>146,895,052</u>
Net position	<u>\$ 173,747,297</u>

STATISTICAL SECTION

Medford Water Commission Introduction to the Statistical Section (Unaudited)

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

Contents

Page

Financial Trends

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

Schedule 1 - Net Position by Component Last 10 years	32
Schedule 2 - Unappropriated Ending Fund Balances Last 10 years	33
Schedule 3 - Statements of Revenues, Expenses and Changes in Net Position	34-35
Schedule 4 - Water Produced and Sold	36

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 5 - Total Number of Water Services by Type	37
Schedule 6 - Inside Customer Water Rates	38
Schedule 7 - Outside Customer Water Rates	39-40
Schedule 8 - Consumption by Customer Groups and Class	41

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 9 - Wholesale Consumers	42
Schedule 10 - Capital Assets	43-44

Sources

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

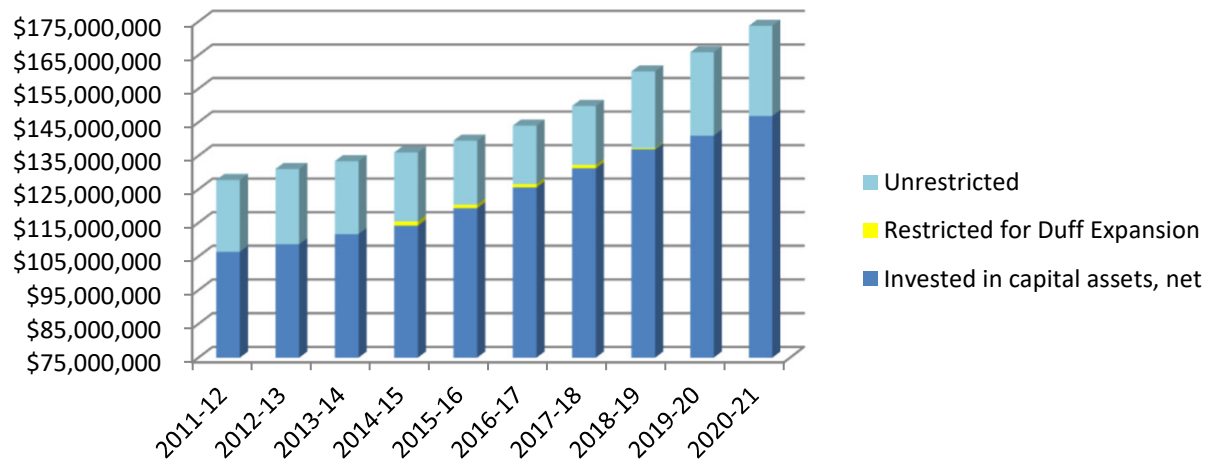
MEDFORD WATER COMMISSION - UNAUDITED
Schedule 1

Net Position - Last Ten Fiscal Years

	2011-12	2012-13	2013-14	2014-15	2015-16
Invested in capital assets, net	\$ 106,393,179	\$ 108,659,059	\$ 111,685,166	\$ 114,182,987	\$ 119,420,089
Restricted for Duff Expansion	-	-	-	1,236,543.00	1,011,148.00
Unrestricted	21,377,276	22,418,534	21,715,047	20,560,518	19,108,037
Total	<u>\$ 127,770,455</u>	<u>\$ 131,077,593</u>	<u>\$ 133,400,213</u>	<u>\$ 135,980,048</u>	<u>\$ 139,539,274</u>

	2016-17	2017-18	2018-19	2019-20	2020-21
Invested in capital assets, net	\$ 125,579,757	\$ 131,300,433	\$ 136,947,817	\$ 141,034,855	\$ 146,895,052
Restricted for Duff Expansion	982,000.00	961,226	347,939	-	-
Unrestricted	17,437,503	17,601,350	22,876,503	24,838,367	26,852,245
Total	<u>\$ 143,999,260</u>	<u>\$ 149,863,009</u>	<u>\$ 160,172,255</u>	<u>\$ 165,873,222</u>	<u>\$ 173,747,297</u>

Net Position - Last Ten Fiscal Years

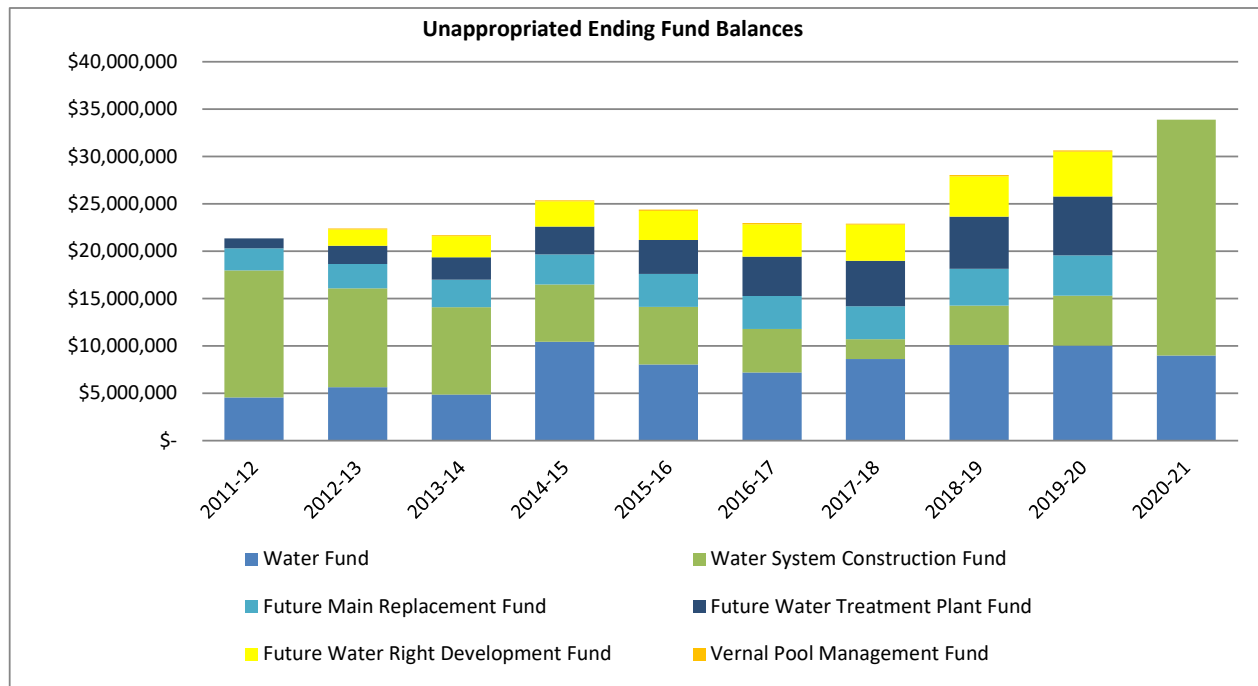


MEDFORD WATER COMMISSION - UNAUDITED
Schedule 2

Unappropriated Ending Fund Balance - Last Ten Fiscal Years

	2011-12	2012-13	2013-14	2014-15	2015-16
Water Fund	\$ 4,563,161	\$ 5,654,793	\$ 4,871,890	\$ 10,458,454	\$ 8,051,825
Water System Construction Fund	13,439,206	10,424,579	9,241,177	6,047,418	6,097,423
Future Main Replacement Fund	2,302,711	2,590,877	2,880,823	3,179,579	3,480,870
Future Water Treatment Plant Fund	1,072,199	1,902,211	2,363,184	2,933,676	3,570,931
Future Water Right Development Fund	-	1,720,640	2,231,815	2,647,365	3,069,032
Vernal Pool Management Fund	-	125,434	126,158	127,198	128,250
Total	\$ 21,377,277	\$ 22,418,534	\$ 21,715,047	\$ 25,393,690	\$ 24,398,331

	2016-17	2017-18	2018-19	2019-20	2020-21
Water Fund	\$ 7,202,158	\$ 8,612,017	\$ 10,106,648	\$ 10,038,369	\$ 9,035,047
Water System Construction Fund	4,589,958	2,109,100	4,168,102	5,275,318	24,866,726
Future Main Replacement Fund	3,474,188	3,496,807	3,869,635	4,244,174	-
Future Water Treatment Plant Fund	4,163,777	4,787,315	5,506,283	6,218,879	-
Future Water Right Development Fund	3,417,650	3,796,059	4,271,984	4,724,989	-
Vernal Pool Management Fund	128,002	128,835	132,440	135,847	-
Total	\$ 22,975,733	\$ 22,930,133	\$ 28,055,092	\$ 30,637,576	\$ 33,901,773



MEDFORD WATER COMMISSION - UNAUDITED
Schedule 3

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

	2011-12	2012-13	2013-14	2014-15
Operating revenues:				
Residential and commercial water service	\$ 8,187,116	\$ 8,465,085	\$ 8,975,519	\$ 9,398,186
Sales to other utilities	1,897,172	2,284,099	1,748,079	1,922,434
Service center clearing revenue	3,656,625	-	-	-
Work Order and Fee Revenue	225,621	455,567	559,433	521,196
Total operating revenues	13,966,533	11,204,751	11,283,031	11,841,816
Operating expenses:				
Operating and maintenance	4,679,725	5,174,460	5,618,203	5,926,413
Administrative and general	1,950,356	2,060,765	2,347,023	1,113,424
Depreciation	2,534,491	2,638,923	2,787,874	3,109,984
Change in components of net pension liability	-	-	-	-
Service center clearing expense	3,622,666	-	-	-
Work Order and Fee Expense	152,557	457,146	248,822	366,524
Total operating expenses	12,939,795	10,331,294	11,001,922	10,516,345
Operating income (loss)	1,026,738	873,457	281,109	1,325,471
Nonoperating revenues (expenses)				
Charges in lieu of assessments	-	3,477	-	-
City of Medford utility collection	442,308	455,652	-	-
Investment Income	131,928	127,037	173,792	220,789
Income from forest products	-	-	-	12,131
Miscellaneous income	63,314	184,144	112,364	138,172
Gain (loss) on sale of assets	-	-	-	6,121
Total nonoperating revenues (expenses)	637,550	770,310	286,156	377,213
Income before capital contributions	1,664,289	1,643,767	567,265	1,702,684
Capital contributions				
Developer donations (capitalized)	289,981	890,913	1,082,658	856,759
System development charges	377,649	772,458	672,697	3,617,019
Total capital contributions	667,630	1,663,371	1,755,355	4,473,778
Change in net position	2,331,919	3,307,138	2,322,620	6,176,462
Total net position - beginning of year	125,438,536	127,770,455	131,077,593	133,400,213
Restatement of net position				(3,596,627)
Total net position - end of year	\$ 127,770,455	\$ 131,077,593	\$ 133,400,213	\$ 135,980,048

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

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
\$ 10,490,631	\$ 11,741,119	\$ 13,638,287	\$ 15,147,212	\$ 15,549,822	\$ 18,597,709
2,149,518	1,964,918	1,821,633	2,646,870	2,286,742	2,406,487
-	-	-	-	-	-
754,891	1,009,379	712,254	853,923	718,644	755,476
13,395,040	14,715,416	16,172,174	18,648,005	18,555,208	21,759,672
7,033,438	7,432,145	7,464,051	8,193,851	8,960,879	9,647,005
2,938,979	1,324,648	1,609,017	1,958,748	2,236,485	1,835,323
3,176,900	3,278,607	3,543,423	3,735,733	3,829,677	3,916,304
-	382,423	588,047	437,717	1,044,219	1,324,470
-	-	-	-	-	-
655,863	429,163	700,472	693,141	579,580	740,424
13,805,180	12,846,986	13,905,010	15,019,189	16,650,840	17,463,526
(410,140)	2,990,249	2,267,164	3,628,814	1,904,368	4,296,146
-	5,319	-	-	-	-
-	-	-	-	-	-
228,612	173,296	242,037	609,549	714,816	257,864
36,394	-	-	683,598	873,050	-
73,383	379,858	217,271	122,004	134,929	356,952
11,350	6,622	-	-	-	-
349,739	565,096	459,308	1,415,151	1,722,795	614,816
(60,401)	2,433,526	2,726,472	5,043,965	3,627,163	4,910,962
1,819,728	1,213,438	1,663,325	3,994,345	889,661	1,618,649
1,617,576	1,295,820	991,154	1,270,940	1,184,139	1,344,464
3,437,304	2,509,258	2,654,479	5,265,285	2,073,800	2,963,113
3,376,903	4,942,784	5,380,951	10,309,250	5,700,963	7,874,075
135,980,048	139,539,274	144,482,058	149,863,009	160,172,259	165,873,222
182,323					
\$ 139,539,274	\$ 144,482,058	\$ 149,863,009	\$ 160,172,259	\$ 165,873,222	\$ 173,747,297

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 4

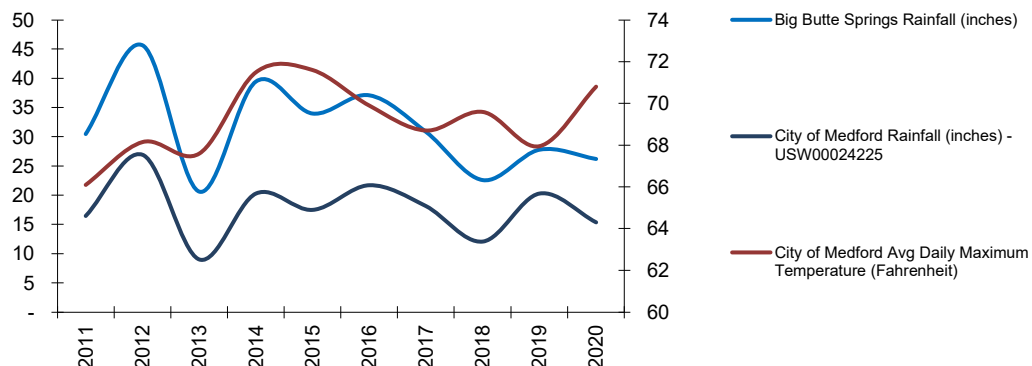
Water Produced and Sold - Last Ten Calendar Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Big Butte Springs Water Produced (1,000 Gal)	7,634,820	7,645,207	7,982,750	8,127,920	7,958,203	7,875,995	8,151,604	7,997,320	7,847,560	7,254,810
Duff Water Treatment Plant Water Produced (1,000 Gal)	1,825,655	2,129,700	2,293,130	2,472,110	2,793,000	2,371,990	2,557,530	3,170,320	2,736,530	4,109,140
Total Production	9,460,475	9,774,907	10,275,880	10,600,030	10,751,203	10,247,985	10,709,134	11,167,640	10,584,090	11,363,950

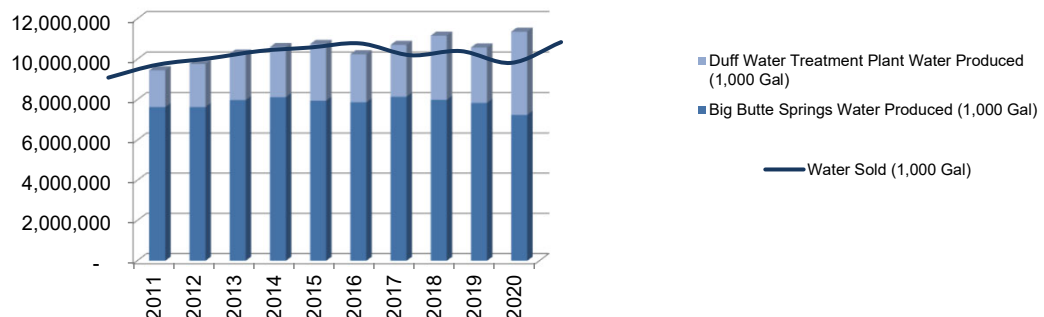
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Sold (1,000 Gal)	8,474,960	8,923,581	9,121,029	9,377,069	9,491,979	9,634,859	9,230,370	9,373,089	8,976,332	9,684,882
Nonrevenue Water (1,000 Gal)	985,515	851,326	1,154,851	1,222,961	1,259,224	613,126	1,478,764	1,794,551	1,607,758	1,679,068
Total Production	9,460,475	9,774,907	10,275,880	10,600,030	10,751,203	10,247,985	10,709,134	11,167,640	10,584,090	11,363,950

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Big Butte Springs Rainfall (inches)	30.47	45.63	20.62	39.48	33.98	37.13	30.87	22.61	27.82	26.20
City of Medford Rainfall (inches) - USW00024225	16.46	26.92	9.02	20.29	17.50	21.73	18.16	12.10	20.33	15.40
City of Medford Avg Daily Maximum Temperature (Fahrenheit)	66.1	68.2	67.6	71.5	71.6	69.9	68.7	69.6	68.0	70.8

Rainfall and Average Temperature



Water Produced and Sold



MEDFORD WATER COMMISSION - UNAUDITED
Schedule 5

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

	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021
Inside City										
Residential										
Single Family	19,686	19,857	20,580	21,245	21,170	21,564	21,360	22,012	22,184	22,034
Multi-Family	2,278	2,286	2,356	2,351	2,370	2,421	2,434	2,442	2,476	2,607
Commercial	2,376	2,386	2,550	2,576	2,624	2,661	2,646	2,711	2,723	2,772
Industrial	43	43	44	44	45	44	45	46	47	47
Fire Services	381	387	392	403	405	435	448	459	467	480
Municipal	103	101	-	-	-	-	-	-	-	-
Subtotal	24,867	25,060	25,922	26,619	26,614	27,125	26,933	27,670	27,897	27,940
Outside City										
Residential										
Single Family	2,229	2,270	2,393	2,442	2,514	2,833	2,879	2,938	2,955	2,973
Multi-Family	36	35	58	58	59	73	73	74	76	72
Commercial	207	210	204	209	220	224	223	225	226	206
Industrial	72	73	75	75	77	75	81	87	92	84
Utilities	8	8	8	8	7	7	7	7	7	7
Fire Services	67	68	49	70	72	70	72	72	76	68
Subtotal	2,619	2,664	2,787	2,862	2,949	3,282	3,335	3,403	3,432	3,410
Water Districts										
Charlotte Ann	239	189	195	196	201	200	200	200	200	197
Elk City	102	101	101	102	102	102	103	103	103	103
Jacksonville Highway	344	344	336	336	-	-	-	-	-	-
Subtotal	685	634	632	634	303	302	303	303	303	300
Total Inside/Outside/Water Districts	28,171	28,358	29,341	29,031	29,185	29,317	30,571	31,376	31,632	31,650
Self Operating Areas (Cities)										
Central Point, Eagle Point, Talent, Phoenix, Ashland & Jacksonville	13,705	14,078	14,188	14,297	14,433	14,608	14,738	14,915	15,358	15,058
Total Water Services	41,876	42,436	43,529	43,328	43,618	43,925	45,309	46,291	46,990	46,708

(1) Source: Medford Water Commission

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

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

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 6

Inside Residential Customer Water Rates - Last Ten Effective Years

Effective Date	3/1/2012	3/1/2013	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021
Inside Residential										
Base Rates (per month)										
5/8 x 3/4"	7.62	7.62	7.62	8.00	9.06	10.62	11.62	12.56	13.65	14.52
1"	11.94	11.94	11.94	12.54	14.2	16.65	18.22	19.69	21.40	22.76
1 1/2"	24.46	24.46	24.46	25.68	29.08	34.09	37.3	40.32	43.82	46.61
2"	36.51	36.51	36.51	38.34	43.42	50.9	55.69	60.20	65.42	69.59
Backflow Fee	0.75	0.75	0.75	0.75	0.75	0.94	1.06	0.95	0.90	0.90
Gallage 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	N/A	N/A	N/A	N/A	N/A	N/A
EL. 1 (1500 - 1649 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 2 (1650 - 1799 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 3 (1800 - 1949 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 4 (1950 - 2099 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 5 (above 2100 ft)	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A
EL. 1 (1500 - 1649 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 2 (1650 - 1799 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 3 (1800 - 1949 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 4 (1950 - 2099 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EL. 5 (above 2100 ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
below 5,000 GAL										
Gravity (below 1499 ft)	0.44	0.44	0.44	0.46	0.52	0.61	0.67	0.72	0.78	0.83
EL. 1 (1500 - 1649 ft)	0.49	0.49	0.49	0.51	0.58	0.67	0.73	0.78	0.84	0.89
EL. 2 (1650 - 1799 ft)	0.54	0.54	0.54	0.56	0.64	0.73	0.79	0.84	0.90	0.95
EL. 3 (1800 - 1949 ft)	0.59	0.59	0.59	0.61	0.7	0.79	0.85	0.90	0.96	1.01
EL. 4 (1950 - 2099 ft)	0.64	0.64	0.64	0.66	0.76	0.85	0.91	0.96	1.02	1.07
EL. 5 (above 2100 ft)	0.69	0.69	0.69	0.71	0.82	0.91	0.97	1.02	1.08	1.13
5,000 to 25,000 GAL										
Gravity (below 1499 ft)	0.79	0.79	0.79	0.83	0.94	1.1	1.21	1.30	1.41	1.50
EL. 1 (1500 - 1649 ft)	0.84	0.84	0.84	0.88	1	1.16	1.27	1.36	1.47	1.56
EL. 2 (1650 - 1799 ft)	0.89	0.89	0.89	0.93	1.06	1.22	1.33	1.42	1.53	1.62
EL. 3 (1800 - 1949 ft)	0.94	0.94	0.94	0.98	1.12	1.28	1.39	1.48	1.59	1.68
EL. 4 (1950 - 2099 ft)	0.99	0.99	0.99	1.03	1.18	1.34	1.45	1.54	1.65	1.74
EL. 5 (above 2100 ft)	1.04	1.04	1.04	1.08	1.24	1.4	1.51	1.60	1.71	1.80
over 25,000 GAL										
Gravity (below 1499 ft)	1.14	1.14	1.14	1.20	1.36	1.60	1.76	1.89	2.05	2.18
EL. 1 (1500 - 1649 ft)	1.19	1.19	1.19	1.25	1.42	1.66	1.82	1.95	2.11	2.24
EL. 2 (1650 - 1799 ft)	1.24	1.24	1.24	1.30	1.48	1.72	1.88	2.01	2.17	2.30
EL. 3 (1800 - 1949 ft)	1.29	1.29	1.29	1.35	1.54	1.78	1.94	2.07	2.23	2.36
EL. 4 (1950 - 2099 ft)	1.34	1.34	1.34	1.40	1.60	1.84	2.00	2.13	2.29	2.42
EL. 5 (above 2100 ft)	1.39	1.39	1.39	1.45	1.66	1.9	2.06	2.19	2.35	2.48

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 6 - continued

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

Effective Date	3/1/2012	3/1/2013	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021
Inside Non-Residential & Mulit-Family										
Base Rates (per month)										
5/8 x 3/4"	7.62	7.62	8.00	9.06	10.62	11.62	11.62	12.56	13.65	14.52
1"	11.94	11.94	12.54	14.20	16.65	18.22	18.22	19.69	21.40	22.76
1 1/2"	24.46	24.46	25.68	29.08	34.09	37.30	37.30	40.32	43.82	46.61
2"	36.51	36.51	38.34	43.42	50.90	55.69	55.69	60.20	65.42	69.59
3"	72.49	72.49	76.11	86.19	101.03	110.54	110.54	119.48	129.85	138.13
4"	113.38	113.38	119.05	134.82	158.03	172.91	172.91	186.90	203.12	216.07
6"	217.20	217.20	228.06	258.28	302.75	331.26	331.26	358.06	389.13	413.93
8"	333.85	333.85	350.54	396.99	465.35	509.17	509.17	550.36	598.12	636.24
10"	509.21	509.21	534.67	605.51	709.77	776.60	776.60	839.42	912.27	970.41
Gallorage Charge (per 1,000 GAL)										
Winter	0.57	0.57	0.60	0.72	0.88	0.98	0.98	1.08	1.19	1.28
Summer	0.77	0.77	0.81	0.92	1.08	1.18	1.18	1.28	1.39	1.48

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

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 7

Outside Customer Water Rates - Last Ten Effective Years

Effective Date	3/1/2012	3/1/2013	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021
Outside Residential										
Base Rates (per month)										
5/8 x 3/4"	10.60	10.60	10.60	11.13	12.60	14.77	16.16	17.47	18.99	20.20
1"	17.62	17.62	17.62	18.50	20.95	24.56	26.88	29.05	31.57	33.58
1 1/2"	35.43	35.43	35.43	37.20	42.13	49.39	54.04	58.42	63.49	67.53
2"	52.16	52.16	52.16	54.77	62.03	72.72	79.56	86.00	93.46	99.42
3"	109.61	109.61	109.61	115.09	130.29	152.73	167.10	180.65	196.37	208.88
4"	166.57	166.57	166.57	174.90	198.00	232.10	253.94	274.53	298.42	317.43
6"	313.91	313.91	313.91	329.61	373.14	437.40	478.13	516.89	561.86	597.66
8"	472.15	472.15	472.15	495.76	561.24	657.90	719.81	778.16	845.86	899.76
10"	710.41	710.41	710.41	745.93	844.45	989.88	1,083.04	1,170.84	1,272.71	1,353.80
Backflow Fee	0.75	0.75	0.75	0.75	0.75	0.94	1.06	0.95	0.90	0.90
Gallage Charge (per 1,000 GAL)										
below 15,000 GAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
over 15,000 GAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gallage Charge (per 1,000 GAL)										
below 5,000 GAL	0.65	0.65	0.65	0.68	0.77	0.90	0.99	1.06	1.15	1.22
5,000 to 25,000 GAL	1.17	1.17	1.17	1.23	1.39	1.63	1.79	1.92	2.08	2.21
over 25,000 GAL	1.69	1.69	1.69	1.79	2.03	2.39	2.63	2.82	3.06	3.25
Outside Commercial										
Base Rates (per month)										
5/8 x 3/4"	10.60	10.60	10.60	11.13	12.60	14.77	16.16	17.47	18.99	20.20
1"	17.62	17.62	17.62	18.50	20.95	24.56	26.88	29.05	31.57	33.58
1 1/2"	35.43	35.43	35.43	37.20	42.13	49.39	54.04	58.42	63.49	67.53
2"	52.16	52.16	52.16	54.77	62.03	72.72	79.56	86.00	93.46	99.42
3"	109.61	109.61	109.61	115.09	130.29	152.73	167.10	180.65	196.37	208.88
4"	166.57	166.57	166.57	174.90	198.00	232.10	253.94	274.53	298.42	317.43
6"	313.91	313.91	313.91	329.61	373.14	437.40	478.13	516.89	561.86	597.66
8"	472.15	472.15	472.15	495.76	561.24	657.90	719.81	778.16	845.86	899.76
10"	710.41	710.41	710.41	745.93	844.45	989.88	1,083.04	1,170.84	1,272.71	1,353.80
Gallage Charge (per 1,000 GAL)										
Winter	0.83	0.83	0.83	0.86	1.02	1.23	1.36	1.49	1.64	1.64
Summer	1.03	1.03	1.03	1.07	1.22	1.43	1.56	1.69	1.84	1.84

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

MEDFORD WATER COMMISSION - UNAUDITED

Schedule 7 continued

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

Effective Date	3/1/2012	3/1/2013	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021
Water Districts										
Base Rates (per month)										
5/8 x 3/4"	9.40	9.40	9.40	9.87	8.65	9.80	10.38	10.98	10.96	11.19
1"	14.81	14.81	14.81	15.55	13.63	15.44	16.35	17.30	17.27	17.63
1 1/2"	30.74	30.74	30.74	32.28	28.29	32.05	33.95	35.91	35.84	36.59
2"	46.40	46.40	46.40	48.72	42.70	48.38	51.24	54.20	54.10	55.24
3"	87.65	87.65	87.65	92.03	80.65	91.37	96.78	102.37	102.18	104.32
4"	141.16	141.16	141.16	148.22	129.90	147.17	155.88	164.89	164.59	168.04
6"	273.67	273.67	273.67	287.35	251.83	285.31	302.20	319.67	319.09	325.79
8"	427.92	427.92	427.92	449.32	393.78	446.13	472.53	499.84	498.93	509.40
10"	659.52	659.52	659.52	692.50	606.90	687.59	728.28	770.38	768.98	785.12
Backflow Fee	0.75	0.75	0.75	0.75	0.75	0.94	1.06	0.95	0.90	0.90
Master Meter Charge										
Charlotte Anne	659.52	659.52	659.52	692.50	606.90	687.59	728.28	770.38	468.98	509.40
Gallage Charge (per 1,000 GAL)										
Winter	0.81	0.81	0.81	0.83	0.71	0.83	0.89	0.95	0.95	0.95
Summer	1.01	1.01	1.01	1.04	0.91	1.03	1.09	1.15	1.15	1.15
Partner Cities (Central Point, Eagle Point, Jacksonville, Phoenix, Talent and Ashland)										
Base Rates (per month)										
2"	46.73	46.73	46.73	49.07	55.68	54.06	66.12	71.35	74.59	77.06
3"	94.81	94.81	94.81	99.55	112.96	109.67	124.99	134.88	141.00	145.67
4"	147.13	147.13	147.13	154.49	175.30	170.20	193.97	209.31	218.82	226.07
6"	281.85	281.85	281.85	295.94	335.80	326.03	371.56	400.95	419.16	433.04
8"	431.64	431.64	431.64	453.22	514.27	499.31	569.04	614.05	641.93	663.19
10"	656.90	656.90	656.90	689.74	782.65	759.88	866.00	934.50	976.93	1,009.28
Gallage Charge (per 1,000 GAL)										
Winter	0.46	0.46	0.46	0.46	0.56	0.54	0.62	0.68	0.72	0.75
Summer	0.67	0.64	0.64	0.64	0.64	0.76	0.74	0.82	0.92	0.95

(1) Increase in water rates must be approved by the Board of Medford Water Commissioners.

(2) Winter rates are classified as October through April, and Summer rates are May through September.

(3) Each single family residential customer is charged a backflow prevention program fee monthly.

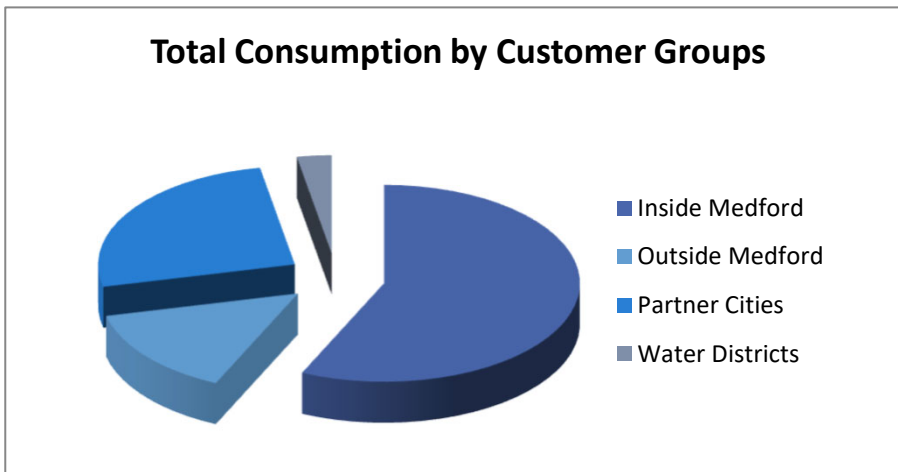
(4) 2011 was the first year for three tiered inside residential rates. (gallons; 0-5,000/5,000-25,000/Over 25,000).

(5) Source: Medford Water Commission

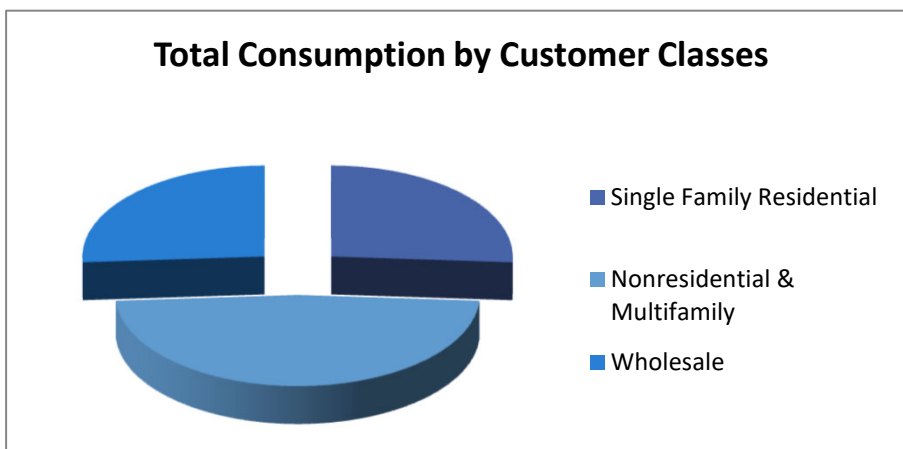
MEDFORD WATER COMMISSION - UNAUDITED
Schedule 8

Consumption by Customer Groups and Class

Customer Groups	2020-21	
	Consumption (per 1,000 GAL)	% of Total Consumption
Inside Medford	5,365,614	56.0%
Outside Medford	1,444,864	15.1%
Partner Cities	2,573,981	26.9%
Water Districts Total	198,582	2.1%



Customer Classes	2020-21	
	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.

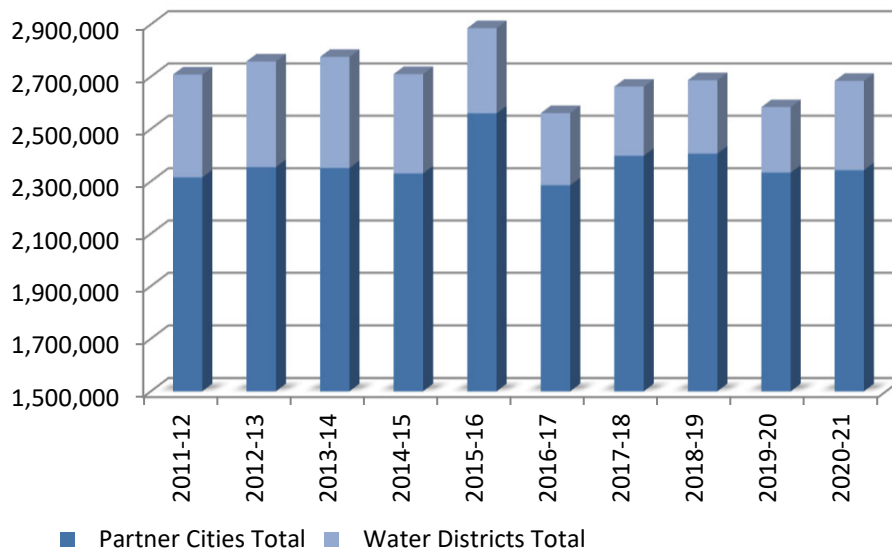
MEDFORD WATER COMMISSION - UNAUDITED
Schedule 9

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

Name	2011-12	2012-13	2013-14	2014-15	2015-16
City of Central Point	950,935	979,512	983,446	986,968	1,041,757
City of Eagle Point	575,010	568,995	547,056	544,095	615,479
City of Jacksonville	228,614	239,644	252,270	252,185	259,406
City of Phoenix	207,570	236,265	234,805	149,088	109,463
T.A.P. (Samike)	353,432	330,223	333,355	398,112	533,625
Partner Cities Total	2,315,561	2,354,639	2,350,932	2,330,448	2,559,730
Charlotte Ann Water District	245,390	249,198	261,843	224,534	232,332
Elk City Water District	95,735	98,119	109,710	101,656	93,327
Jacksonville Hwy Water District	51,351	56,544	53,155	53,504	N/A
Water Districts Total	392,476	403,861	424,708	379,694	325,659

Name	2016-17	2017-18	2018-19	2019-20	2020-21
City of Central Point	964,116	989,331	986,476	944,917	1,025,040
City of Eagle Point	548,262	587,629	575,722	570,114	536,914
City of Jacksonville	240,179	254,446	265,527	255,228	248,110
City of Phoenix	87,285	104,679	97,212	86,040	79,997
T.A.P. (Samike)	445,401	461,863	481,058	477,116	452,858
Partner Cities Total	2,285,243	2,397,948	2,405,995	2,333,415	2,342,919
Charlotte Ann Water District	215,974	204,077	222,265	195,361	230,863
Elk City Water District	59,530	60,054	58,472	55,101	110,200
Jacksonville Hwy Water District	N/A	N/A	N/A	N/A	N/A
Water Districts Total	275,504	264,131	280,737	250,462	341,063

Wholesale Water Sold



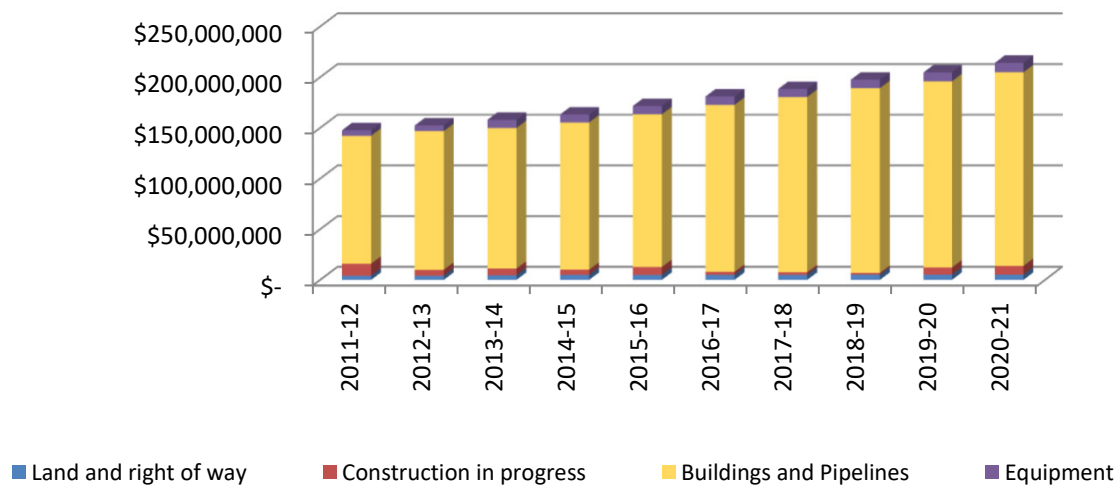
- (1) All numbers reflect per 1,000 GAL
- (2) Wholesale consumers are sold surplus water.
- (3) Source: Medford Water Commission

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 10

Capital Assets - Last Ten Fiscal Years

	2011-12	2012-13	2013-14	2014-15	2015-16
Capital assets, not being depreciated:					
Land and right of way	4,152,391	4,152,389	4,602,383	4,877,749	4,925,439
Construction in progress	11,774,271	5,821,269	6,529,794	5,185,940	7,721,975
Total capital assets, not being depreciated:	15,926,662	9,973,658	11,132,177	10,063,689	12,647,414
Capital assets being depreciated:					
Buildings and Pipelines	126,221,974	136,740,159	138,642,056	145,206,888	150,626,388
Equipment	5,436,293	5,626,420	8,097,672	7,895,296	8,226,052
Total capital assets being depreciated:	131,658,267	142,366,579	146,739,728	153,102,184	158,852,440
Less accumulated depreciation for:					
Buildings and Pipelines	(37,415,635)	(39,670,162)	(42,024,286)	(44,574,962)	(47,210,514)
Equipment	(3,776,115)	(4,011,016)	(4,162,453)	(4,407,924)	(4,869,251)
Total accumulated depreciation	(41,191,750)	(43,681,178)	(46,186,739)	(48,982,886)	(52,079,765)
Total capital assets, being depreciated, net	90,466,517	98,685,401	100,552,989	104,119,298	106,772,675
Total capital assets, net	\$ 106,393,179	\$ 108,659,059	\$ 111,685,166	\$ 114,182,987	\$ 119,420,089

Capital Assets



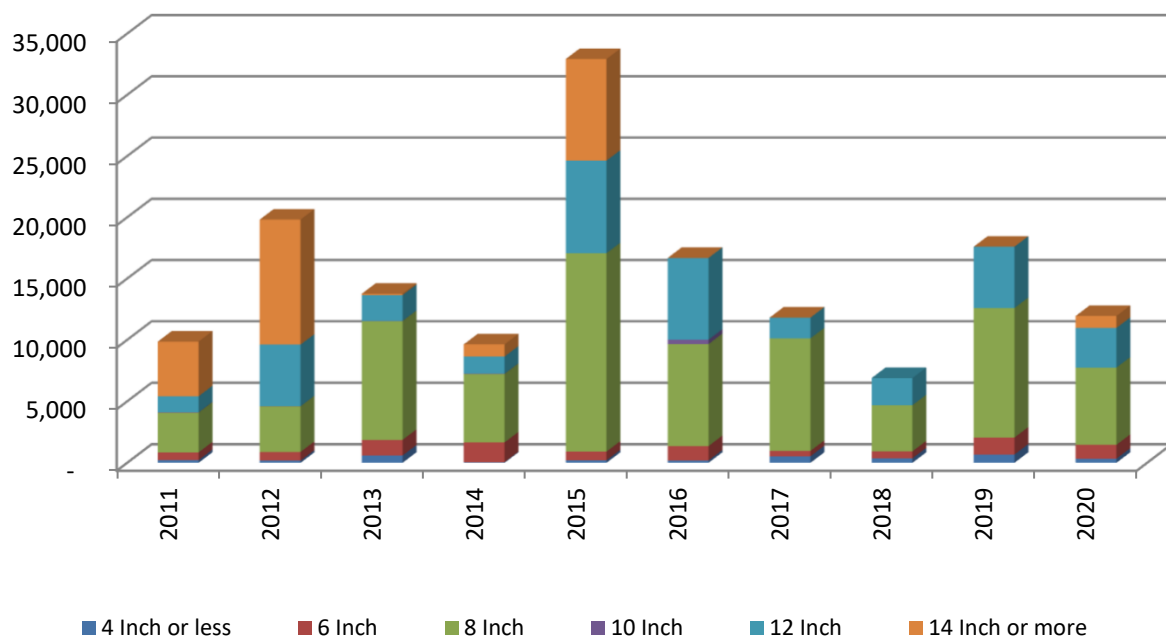
2016-17	2017-18	2018-19	2019-20	2020-21
4,925,439	4,925,439	5,056,375	5,056,375	5,056,375
2,991,633	2,555,349	1,718,939	7,088,533	8,749,419
7,917,072	7,480,788	6,775,314	12,144,908	13,805,794
164,668,518	172,971,126	182,303,912	183,731,480	190,969,672
8,302,608	7,847,672	8,402,770	8,697,504	9,352,276
172,971,126	180,818,798	190,706,682	192,428,984	200,321,948
(49,926,593)	(51,794,674)	(54,942,746)	(57,406,309)	(60,617,545)
(5,381,848)	(5,144,443)	(5,591,433)	(6,132,728)	(6,615,145)
(55,308,441)	(56,939,116)	(60,534,179)	(63,539,037)	(67,232,690)
117,662,685	123,879,982	130,172,503	128,889,947	133,089,258
\$ 125,579,757	\$ 131,360,770	\$ 136,947,817	\$ 141,034,855	\$ 146,895,052

MEDFORD WATER COMMISSION - UNAUDITED
Schedule 11

Annual New Pipeline Summary - Last Ten Calendar Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pipeline Size Summary										
Pipe (feet)										
4 Inch or less	222	178	593	52	203	192	532	366	672	335
6 Inch	626	708	1,272	1,604	711	1,166	437	568	1,380	1,126
8 Inch	3,237	3,709	9,661	5,572	16,153	8,291	9,151	3,750	10,539	6,283
10 Inch	24	10	14	20	-	356	-	-	-	-
12 Inch	1,300	5,006	2,109	1,389	7,562	6,677	1,692	2,208	5,006	3,221
14 Inch or more	4,448	10,205	107	992	8,292	-	-	-	-	976
Total Pipe (feet)	9,857	19,816	13,756	9,629	32,921	16,682	11,812	6,892	17,597	11,941

Pipeline Added



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

COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE STATUTE



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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, 2021, and have issued our report thereon dated December 15, 2021. 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 15, 2021