



Annual Comprehensive Financial Report



For Fiscal Year Ended June 30, 2023
Medford Water Commission
A component unit of the City of Medford, Oregon

2022-2023



MEDFORD WATER COMMISSION

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year
July 1, 2022 - June 30, 2023

**Prepared by Finance Department
December 2023**

MEDFORD WATER
(A Component Unit of the City of Medford)
Years ended June 30, 2023 and 2022
Table of Contents

	<u>Page</u>
Introductory Section:	
Letter of Transmittal	i-vii
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
Mission Statement, Board of Commissioners and Manager	x
Milestones	xi-xii
Financial Section:	
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 6
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 26
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability	27
Schedule of the Pension Contributions	27
Note to Required Supplementary Information	28
Supplementary Information:	
Schedules of Budgeted and Actual Resources and Requirements:	
Water Fund	29
Water System Construction Fund	30
Reconciliation of Budget Basis Fund Balance to Net Position	31

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

Years ended June 30, 2023 and 2022

Table of Contents

Statistical Section:

Schedule 1 - Net Position by Component	32
Schedule 2 - Unappropriated Ending Fund Balances	33
Schedule 3 - Statements of Revenues, Expenses and Changes in Net Position	34 - 35
Schedule 4 - Water Produced and Sold	36
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
Schedule 9 - Wholesale Consumers	42
Schedule 10 - Capital Assets	43 - 44
Schedule 11 - Annual Pipeline Summary	45
Schedule 12 - Number of Full Time Employees	46
Schedule 13 - Population Estimates & Income in Jackson County	47
Schedule 14 - Ratio of Outstanding Debt by Type	48

Compliance Section:

Comments and Disclosures of Independent Auditors' Required by State Statute	49 - 50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance	53 - 54
Schedule of Findings and Questioned Costs	55
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	56
Management's Corrective Action Plan	56

INTRODUCTORY SECTION



December 20, 2023

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

It is our pleasure to present the Medford Water Commission (Medford Water) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This report is prepared by MW staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB). Information to help readers gain an understanding of Medford Water's financial position and activities will be found in the report.

Isler CPA, an independent certified public accounting firm, has conducted the audit of Medford Water's financial statements for the year ending June 30, 2023, as required annually by Oregon State Law. Their unmodified ("clean") Independent Auditor's Report appears in the Financial Section, followed by the Management's Discussion and Analysis (MD&A) and financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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

Medford Water Profile

Medford Water operates and maintains the water system that delivers high-quality drinking water to approximately 152,000 Rogue Valley residents. The Utility is an autonomous agency of the City of Medford, Oregon, established through a change in the City's Charter on November 7, 1922. Medford Water is a water utility governed by a Board of Water Commissioners appointed by the Mayor. The board appoints the General Manager, who is authorized to direct the operations of the utility.

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

FACILITIES



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

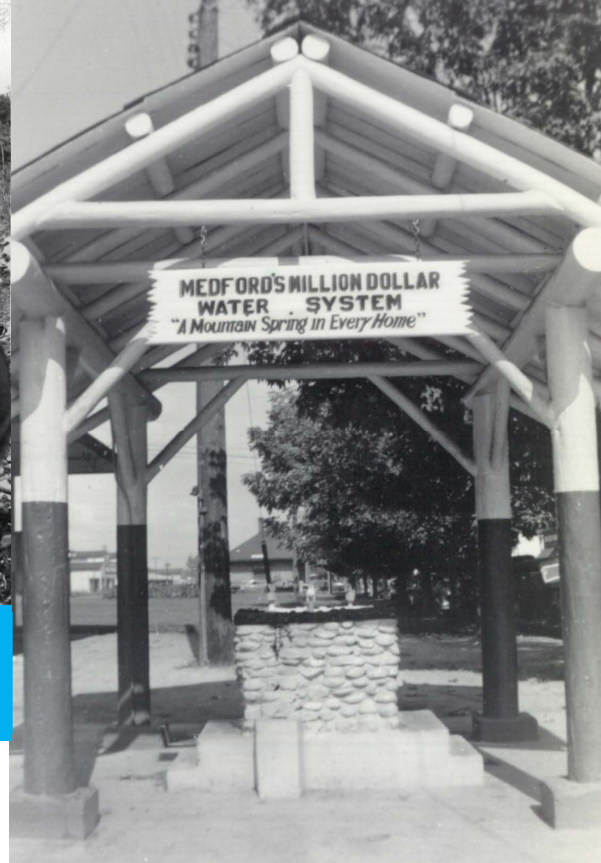
The **Big Butte Springs** (BBS) near Butte Falls have been Medford Water's primary source of drinking water since 1927. With a capacity of approximately 26.4 MGD, the springs are one of the City of Medford's most valuable and significant resources.

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

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

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

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



HISTORY

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

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

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

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

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

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

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

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

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

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

Robert A. Duff Water Treatment Plant



LOCAL ECONOMY

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

LONG TERM FINANCIAL PLANNING



Duff Water Treatment Plant Filters Construction



Duff Water Treatment Plant Ozone Generator

Medford Water strives to improve its current infrastructure through the many projects it completes each year. The largest project in the 2022-23 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 Medford Water include designing the Corrosion Control System to apply to both water sources, Duff Transmission Mains, new Meters, and new Distribution Mains.

Historically, Medford Water has conducted cost-of-service studies each year, generally favoring small annual rate increases over infrequent larger increases. In March 2022, water rates were increased an average of 6% as well as in March 2023 with an average of 8% increase. This was due primarily to the construction of much needed capital improvement projects. Rate funding in combination with Water Infrastructure and Improvement Act (WIFIA) loan funding allows Medford Water to complete such capital improvements.

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

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

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



YEAR END FINANCIAL METRICS

Status (6/30/23)	Metric	Target (Typical)
7.4	Current Ratio	> 1.0
33%	Age of System	< 50%
101	Water Fund Cash on Hand	90 – 180 days
24	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, 2022. This was the twelfth consecutive year that Medford Water Commission has achieved this prestigious award. To be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

Respectfully submitted,

Handwritten signature of Brad Taylor in black ink.

Brad Taylor
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Medford Water Commission
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

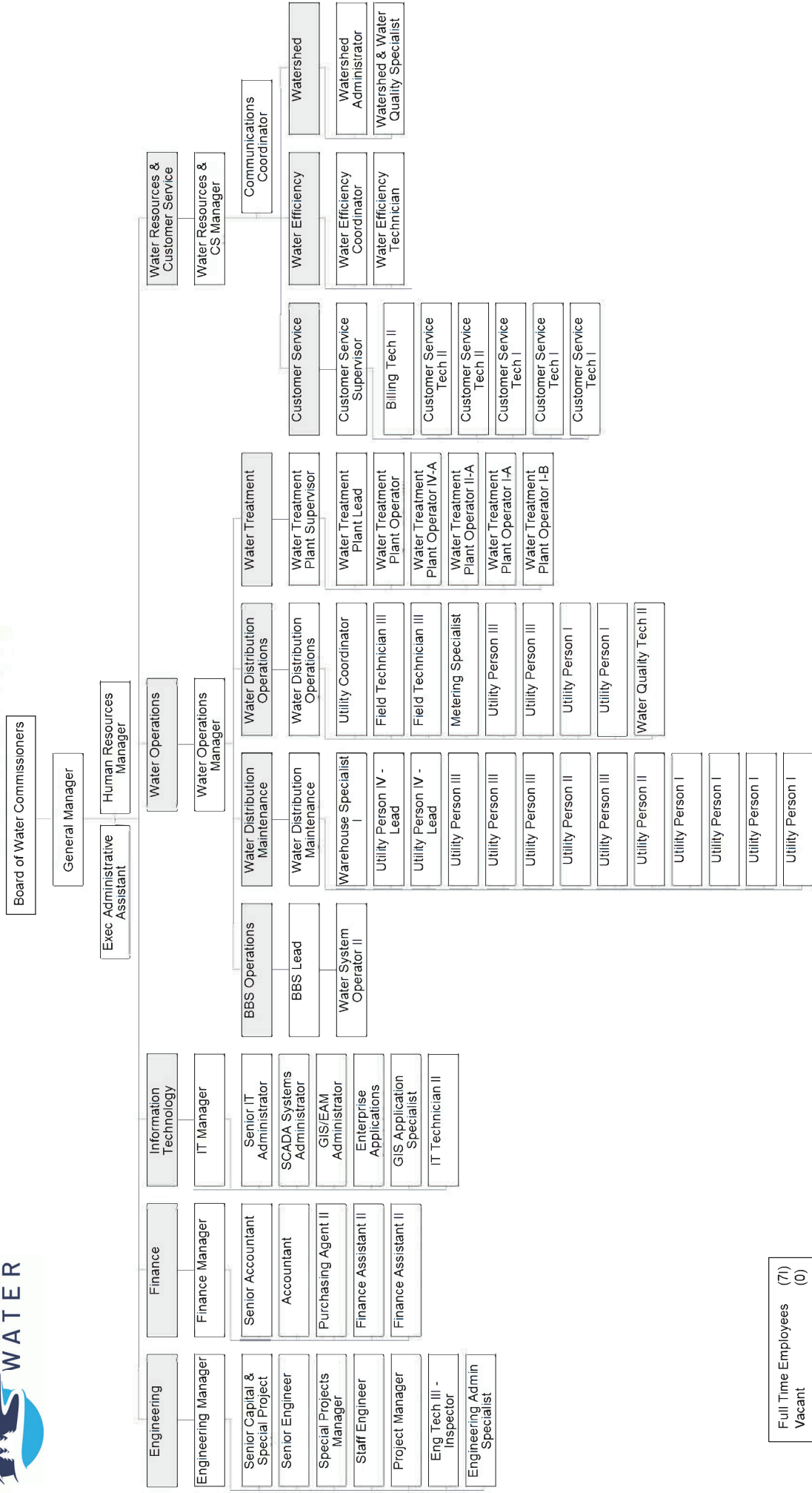
June 30, 2022

Christopher P. Morrill

Executive Director/CEO



Medford Water Organizational Chart



MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

June 30, 2023

MISSION STATEMENT

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

BOARD OF COMMISSIONERS

Chair	Michael Smith
Vice Chair	John Dailey
Commissioner	Jason Anderson
Commissioner	David Wright
Commissioner	Bob Strosser

MANAGEMENT

General Manager	Brad Taylor
Engineering Manager	Brian Runyen
Finance Manager	Beau Belikoff
Human Resources Manager	Tanya Haakinson
Information Technology Manager	Kris Stitt
Water Operations Manager	Dan Perkins
Water Efficiency & Customer Service Manager	Julie Smitherman

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

MILESTONES FOR MEDFORD WATER

Nov 7, 1922

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

1923

Medford Water Commission began

1930

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



1936

Eagle Point receives surplus water from the Commission.

1938

Pierce Heights Standpipe and Pump Station



1942

World War II Camp White supplied with water from the Commission



1945

Central Point receives surplus water from the Commission.

1946

8 million gallon Capital Hill Reservoir III is constructed



1950

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

1953

Willow Creek Dam was constructed.

Jacksonville

receives surplus water from the Commission.

1954

Permits for water diversion from Rogue River.

1955

White City receives water from the Commission.



1962

Chlorine added to Medford water supply full time

1965

10,000 gallon Bullis Reservoir constructed

1966

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



1967

Conrad Pressure Control Station

1968

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



1957

Construction of trunk water main loop encircling city

1957 - 1959

Big Butte Springs transmission line II extended to southeast side of



1959

Capital Hill Reservoir I and II covered

1969

Martin Pressure Control Station

1970

Brookdale Pump Station

1971

Stanford Reservoir

1975

McAndrews Service Center

Vilas Road Transmission line



1977

3 mg addition to Treatment Plant reservoir

1978

Rancheria Pump Station

1980

Archer Pump Station



1981

Second Rogue 36" transmission main

1982

Phoenix receives surplus water from the Commission

1983

Southeast Reservoir



1989

Treatment plant Contact Basin expansion & new Telemetry Control System.

1993

Big Butte Springs disinfection facility



Phase II 36" West Side Transmission Main

1994

Rossanley Pressure Control Station

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

Talent nears building freeze

Water problems continue to grow

By DANI DODGE of the Mail Tribune

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

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

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

Council hires administrator, but name held

TALENT — The city council hired a new city administrator Tuesday, but declined to name her until 3 p.m. today.

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

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

Councilman Donald Steyskal

1995

Phase III West Side Transmission Main

1997

Cherry Lane Reservoir

1998

Talent receives surplus water from the Commission



2002

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

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

2003

Southwest Reservoir

2006

Rancheria and Lone Pine Pump Stations

2011

Treatment Plant intake fish screens

2013

Martin Control Station & Ave G Transmission Main



2014

Ashland receives surplus water from the Commission

2016

Water flume excavation

2017

Prescribed burn at Vernal Pool Preserve

2019



Treatment Plant flocculated basins Expansion
Corrosion Study

2020

Rancheria Springs UV Disinfection Facility

Treatment Plant

Lagoons Expansion

Automated sampling at BBS Point of Entry



2021

Backup Power at Treatment Plant

Utility Fiber to BBS

2022



Treatment Plant Engineered Lagoons

BBS Chlorine Monitoring Station

2023

Ozone Generation added at Duff Water Treatment Plant



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Medford Water Commission
Medford, Oregon

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Eugene, OR 97403
541.342.5161
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Opinions

We have audited the accompanying financial statements of the Medford Water Commission ("Medford Water"), a component unit of the City of Medford, Oregon, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Medford Water's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Medford Water as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Medford Water's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medford Water 's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Medford Water's basic financial statements. The schedules of budgeted and actual resources and requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The schedules of budgeted and actual resources and requirements and the Schedule of Expenditures of Federal Awards 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of budgeted and actual resources and requirements and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing standards*, we have also issued our report dated April 24, 2023, on our consideration of Medford Water's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Medford Water's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medford Water internal control over financial reporting and compliance.

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 April 24, 2024 on our consideration of Medford Water'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
April 24, 2024

**Medford Water
(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 Medford Water provides an introduction to the financial statements for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars (\$1,000).

Financial Highlights

- At the close of the fiscal year the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources leave a total net position of \$191,949. Of this amount, \$31,517 (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 \$154,793 in net position.
- Total liabilities increased by 120.7% in FYE 2023, and increased by 52.2% in FYE 2022.
- The change in net position was \$8,584 in FYE 2023. 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 are intended to serve as an introduction to Medford Water'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. Complementing these statements and notes is Supplementary Information, which provides additional details about operations.

The Statement of Net Position presents information on all of Medford Water's assets, liabilities, 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 Medford Water's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents 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 are recorded at the time liabilities are incurred. This statement measures the success of Medford Water's operations over the past year and can be used to determine whether Medford Water 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 Medford Water'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 Medford Water 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's Changes in Net Position (amounts in thousands)

	2023	2022	2021	2022-23 Change	% Change
Operating revenues:					
Water sales and customer services	\$ 23,675	\$ 21,503	\$ 21,760	\$ 2,172	10.1
Nonoperating revenues:					
Investment Income	1,029	124	258	905	729.5
Other	74	851	357	(777)	(91.3)
Total nonoperating revenues	1,103	975	615	128	13.1
Total revenues	24,778	22,478	22,375	2,300	10.2
Depreciation	4,238	3,899	3,916	339	8.7
Other operating expenses	14,682	13,226	13,548	1,456	11.0
Total operating expenses	18,920	17,125	17,464	1,795	10.5
Increase (decrease) in net position before contributions	5,858	5,353	4,911	505	9.4
Capital contributions	2,700	4,264	2,963	(1,564)	(36.7)
Increase in net position	8,584	9,617	7,874	(1,033)	(10.7)
Beginning net position	183,365	173,747	165,873	9,618	5.5
Ending net position	\$ 191,949	\$ 183,365	\$ 173,747	\$ 8,584	4.7

Total operating revenues increased by \$2,172 in FYE 2023, as compared to a decrease by \$257 in FYE 2022. Medford Water increased water rates approximately 8% effective March 1, 2023, and 6% in March 2022.

Operating expenses increased by \$1,456 in FYE 2023, compared to a decrease by \$339 in FYE 2022. FYE 2023 operating expenses increased primarily due to the purification and distribution operating expenses.

Capital contributions decreased by \$1,564 in FYE 2023, compared to an increase by \$1,301 in FYE 2022.

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

	2023	2022	2021	2022-23 Change	% Change
Assets					
Current assets	\$ 43,541	\$ 41,967	\$ 34,180	\$ 1,574	3.8
Capital assets	180,125	158,621	146,895	21,504	13.6
Other noncurrent assets	7,346	2,024	2,171	5,322	262.9
Total assets	<u>231,012</u>	<u>202,612</u>	<u>183,246</u>	<u>28,400</u>	14.0
Deferred outflow of resources	<u>2,470</u>	<u>2,350</u>	<u>2,537</u>	<u>120</u>	5.1
Liabilities					
Current liabilities	7,275	3,660	3,353	3,615	98.8
Long-term liabilities	<u>32,026</u>	<u>14,148</u>	<u>8,350</u>	<u>17,878</u>	126.4
Total liabilities	<u>39,301</u>	<u>17,808</u>	<u>11,703</u>	<u>21,493</u>	120.7
Deferred inflow of resources	<u>2,231</u>	<u>3,789</u>	<u>333</u>	<u>(1,558)</u>	(41.1)
Net position:					
Invested in capital assets	154,793	149,094	146,895	5,699	3.8
Restricted	5,639	216	216	5,423	0.0
Unrestricted	<u>31,517</u>	<u>34,055</u>	<u>26,636</u>	<u>(2,538)</u>	(7.5)
Total net position	<u>\$ 191,949</u>	<u>\$ 183,365</u>	<u>\$ 173,747</u>	<u>\$ 8,584</u>	4.7

CAPITAL ASSETS

The net investment in capital assets increased by \$21,504 in FYE 2023, as compared to an increase by \$11,726 in FYE 2022. Major capital additions included expansion at the Robert A. Duff Water Treatment Plant. Capital contributions from developers were \$2,700 in FYE 2023 and \$4,264 in FYE 2022. For more detailed information on Medford Water's capital asset activity please refer to note 4 of the financial statements.

LIABILITIES

Total liabilities increased by \$21,493 driven by Medford Water's noncurrent portion of long-term debt increasing by \$15,805 as a result of WIFIA-funded projects. Subscription-based IT arrangements are new as of 2023 (Note 7).

ECONOMIC FACTORS

The communities we serve continue to see steady economic growth. We expect this growth trend to continue, and additional system capacity will be needed to keep up with demands. This expansion is included in Medford Water's capital and financial plans.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,766,777	\$ 32,860,758
Investments - Short-term	24,570,442	4,104,610
Accounts Receivable, net	2,627,236	1,812,103
Other Receivables	722,958	1,008,577
Inventory	4,853,718	1,528,247
Work in Process	439,984	259,341
Loans and Notes Receivable, Current	163,265	146,524
Prepaid Expenses	397,050	247,236
Other Current Assets	<u>-</u>	<u>90</u>
Total Current Assets	<u>43,541,430</u>	<u>41,967,486</u>
Noncurrent assets:		
Restricted Cash and Cash Equivalents	5,638,856	215,865
Right-to-use subscription asset	61,796	-
Loans and Notes Receivable, Long-term	1,644,694	1,807,914
Land, improvements, and construction in progress	37,633,716	20,620,906
Other Capital Assets, Net of Accumulated Depreciation	<u>142,491,188</u>	<u>138,000,043</u>
Total Non-Current Assets	<u>187,470,250</u>	<u>160,644,728</u>
Total Assets	<u>231,011,680</u>	<u>202,612,214</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	<u>2,470,107</u>	<u>2,349,722</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Payroll Payable	5,649,376	2,174,914
Customer Deposits	91,817	84,774
Construction Deposits	638,730	534,680
Due to Other Water Districts for Amounts Billed	57,447	55,648
Miscellaneous Payables	291,490	281,720
Current Portion of Vacation Accrual	<u>546,559</u>	<u>528,524</u>
Total Current Liabilities	7,275,419	3,660,260
Noncurrent Liabilities:		
Noncurrent Portion of Vacation Accrual	136,640	132,131
Noncurrent Portion of Long Term Debt	25,332,045	9,526,561
Subscription Liability	51,269	-
Net Pension Liability	<u>6,506,500</u>	<u>4,489,331</u>
Total Noncurrent Liabilities	<u>32,026,454</u>	<u>14,148,023</u>
Total Liabilities	<u>39,301,873</u>	<u>17,808,283</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Relating to Pensions	<u>2,231,011</u>	<u>3,788,962</u>
NET POSITION		
Invested in Capital Assets	154,792,859	149,094,388
Restricted	5,638,856	215,865
Unrestricted	<u>31,517,188</u>	<u>34,054,438</u>
Total Net Position	<u>\$ 191,948,903</u>	<u>\$ 183,364,691</u>

See accompanying notes to financial statements.

MEDFORD WATER

(A Component Unit of the City of Medford)

Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Residential Sales Inside Gallonage	\$ 5,621,031	\$ 4,867,751
Residential Sales Outside Gallonage	987,482	815,591
Commercial Sales Inside Gallonage	2,069,922	1,830,918
Commercial Sales Outside Gallonage	485,530	477,918
Industrial Sales Inside Gallonage	169,522	167,412
Industrial Sales Outside Gallonage	1,341,301	1,269,272
High Elevation Charges	428,207	385,176
Fire Services Inside	363,282	323,141
Fire Services Outside	105,592	92,326
Base Charges Inside	6,581,956	5,942,149
Base Charges Outside	1,416,686	1,279,337
Miscellaneous Collections	444,463	400,621
Sales to Other Utilities	2,725,627	2,386,465
Customer Service Connections Revenue	607,107	897,854
Servicing of Customer Installations	<u>327,483</u>	<u>366,838</u>
Total Operating Revenues	<u>23,675,191</u>	<u>21,502,769</u>
Operating Expenses:		
Connections/Installations	900,409	1,078,643
Source of Supply	1,258,313	1,149,276
Supply Pumping	675,722	578,599
Purification	3,312,066	2,224,105
Transmission	337,444	262,354
Distribution Pumping	471,575	377,794
Distribution	4,180,955	3,111,521
Customer Accounts & Collections	2,335,924	2,280,115
Administration & General	2,049,500	2,243,847
Change in Components of Net Pension Liability	(865,430)	(80,468)
Depreciation & Amortization	<u>4,237,380</u>	<u>3,899,340</u>
Total Operating Expenses	<u>18,893,858</u>	<u>17,125,126</u>
Operating Income (Loss)	<u>4,781,333</u>	<u>4,377,643</u>
Nonoperating Revenues		
Investment Earnings	1,028,658	123,623
Grant revenues	1,222	75,300
Income from Forest Products	-	636,682
Miscellaneous Income	28,629	139,860
Gain on Sale on Disposition of Assets	<u>44,110</u>	<u>-</u>
Total Nonoperating Revenues	<u>1,102,619</u>	<u>975,465</u>
Income (loss) Before Capital Contributions	<u>5,883,952</u>	<u>5,353,108</u>
Capital Contributions:		
Developer Donations	1,738,597	2,155,809
System Development Charges	<u>961,663</u>	<u>2,108,477</u>
Total Capital Contributions	<u>2,700,260</u>	<u>4,264,286</u>
Change in Net Position	<u>8,584,212</u>	<u>9,617,394</u>
Net Position - Beginning	<u>183,364,691</u>	<u>173,747,297</u>
Total Net Position - Ending	<u><u>\$ 191,948,903</u></u>	<u><u>\$ 183,364,691</u></u>

See accompanying notes to financial statements.

MEDFORD WATER

(A Component Unit of the City of Medford)

Statements of Cash Flows Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Received from customers	\$ 23,256,009	\$ 22,071,036
Paid to suppliers for goods and services	(5,896,076)	(5,503,500)
Paid for employee wages, taxes and benefits	<u>(8,633,744)</u>	<u>(8,025,446)</u>
Net cash provided by operating activities	<u>8,726,189</u>	<u>8,542,090</u>
Cash flows provided by noncapital financing activities:		
Grant revenue	1,222	75,300
Proceeds from sale of timber	<u>-</u>	<u>636,682</u>
Net cash provided by noncapital financing activities	<u>1,222</u>	<u>711,982</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	44,110	29,696
Cash paid to acquire and construct capital assets	(23,950,153)	(13,499,124)
System development fees received	961,663	2,108,477
Proceeds from issuance of debt	<u>15,805,484</u>	<u>9,526,561</u>
Net cash used by capital and related financing activities	<u>(7,138,896)</u>	<u>(1,834,390)</u>
Cash flows from investing activities:		
Investment amounts deposited into cash	(19,437,174)	3,289,839
Principal received on notes	<u>177,669</u>	<u>173,641</u>
Net cash provided (used) by investing activities	<u>(19,259,505)</u>	<u>3,463,480</u>
Net increase (decrease) in cash and cash equivalents	(17,670,990)	10,883,162
Cash and cash equivalents at beginning of year	<u>33,076,623</u>	<u>22,193,461</u>
Cash and cash equivalents at end of year	<u>\$ 15,405,633</u>	<u>\$ 33,076,623</u>
Cash and cash equivalents at end of year are reported as follows:		
Cash and cash equivalents	\$ 9,766,777	\$ 32,860,758
Restricted cash and cash equivalents	<u>5,638,856</u>	<u>215,865</u>
Cash and cash equivalents at end of year	<u>\$ 15,405,633</u>	<u>\$ 33,076,623</u>

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

MEDFORD WATER

(A Component Unit of the City of Medford)

Statements of Cash Flows, Continued

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 4,781,333	\$ 4,377,643
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and Amortization	4,237,380	3,899,340
Miscellaneous income and charges in lieu of assessments	28,629	139,860
Changes in:		
Trade Accounts Receivable	(815,133)	675,498
Other Receivables	285,619	(408,398)
SBITA	(63,113)	-
Inventory	(3,323,662)	(393,492)
Work in Process	(180,643)	45,434
Net pension liability - PERS	338,835	(80,468)
Prepaid expenses	(151,625)	14,314
Other Current Assets	90	1,164
Accounts payable	3,474,463	131,028
Deposits Received	7,043	2,217
Construction Deposits	104,050	171,430
Due to Others, Current	1,799	18,849
Lozier note	(31,189)	(31,189)
Vacation accrual	22,543	(25,568)
Miscellaneous payables	<u>9,770</u>	<u>4,428</u>
Net cash provided (used) by operating activities	<u>\$ 8,726,189</u>	<u>\$ 8,542,090</u>
Schedule of noncash capital and related financing activities		
Contributed capital assets	<u>\$ 1,738,597</u>	<u>\$ 2,155,809</u>

See accompanying notes to financial statements.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 - Summary of significant accounting policies

a. *Reporting entity.*

The Medford Water Commission ("Medford Water") is governed by a Board, appointed by the City of Medford's Mayor, and confirmed by the City Council. Medford Water 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, Medford Water 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 Medford Water as a single enterprise fund comprised of two Sub-funds. Additionally, Medford Water is presented as a discretely presented component unit of the City of Medford (the "City") in the City's basic financial statements. Medford Water has no component units.

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

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

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

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

b. *Basis of presentation and accounting.*

Medford Water'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.*

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

d. *Use of estimates.*

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

e. *Cash and cash equivalents.*

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

f. *Restricted cash.*

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

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 - Summary of significant accounting policies (continued)

g. *Investments.*

Investments are reported at fair value based on a hierarchy of inputs used to measure the fair value of the asset. Within that hierarchy, Level 1 inputs are quoted prices in active markets for identical assets. All of Medford Water'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, 2023 and 2022.

h. *Receivables.*

Accounts receivables are for residential, commercial, and industrial sales. The credit practices of Medford Water 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 Medford Water'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 Medford Water 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. Medford Water 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

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

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, Medford Water 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Medford Water 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 Medford Water 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Medford Water 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 Medford Water recognizes pension income.

A detailed description of these accounts and how they are calculated is discussed in Note 10.

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 Medford Water.

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. Medford Water'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

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Cash and investments

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

	<u>2023</u>	<u>2022</u>	<u>S&P rating</u>	<u>Maturity</u>
Cash and cash equivalents:				
Cash on hand	\$ 2,940	\$ 2,940	N/A	N/A
Checking accounts	846,225	4,538,803	N/A	N/A
Deposit with LGIP - unrestricted	<u>8,917,612</u>	<u>28,319,015</u>	Not rated	N/A
Total unrestricted cash and cash equivalents	9,766,777	32,860,758		
Restricted deposit with LGIP	<u>5,638,856</u>	<u>215,865</u>	Not rated	N/A
Total cash and cash equivalents	<u>\$ 15,405,633</u>	<u>\$ 33,076,623</u>		
Investment in notes and bonds:				
Federal Home Loan Bank	2,974,587	2,007,927	AA+	1-5 years
Federal Farm Credit Bank	2,595,665	-	AA+	1-5 years
Federal Home Loan Mortgage Corp.	-	245,218	AA+	1-5 years
US Treasuries	18,814,882	1,663,541	N/A	1-5 years
Municipal Bonds	<u>185,308</u>	<u>187,924</u>	AA+	1-5 years
Total	<u>\$ 24,570,442</u>	<u>\$ 4,104,610</u>		

Oregon Revised Statutes, Chapter 294, authorizes Medford Water 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. Medford Water 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

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

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.

Medford Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of Medford Water's investments are classified as Level 1. Medford Water 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, Medford Water's deposits may not be returned to it. At June 30, 2023, Medford Water's deposits with various financial institutions had a bank balance of \$2,522,444. 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

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

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, Medford Water 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 Medford Water 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, Medford Water 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 Medford Water. 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 Medford Water approved a note receivable with the former members of the Jacksonville Highway Water District (JHWD) to pay for improvements made by Medford Water 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, 2023 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	\$ 1,654,321	\$ (108,093)	\$ 1,546,228	\$ 111,823	\$ 1,434,405
Coker Butte Water District	63,835	(3,945)	59,890	4,442	55,448
Lozier Lane/ JHWD note	236,282	(34,441)	201,841	47,000	154,841
Totals	<u>\$ 1,954,438</u>	<u>\$ (146,479)</u>	<u>\$ 1,807,959</u>	<u>\$ 163,265</u>	<u>\$ 1,644,694</u>

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

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

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 4 - Capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	2022	Additions	Transfers and Retirements	2023
Capital assets, not being depreciated:				
Land and right of way	\$ 5,056,375	\$ -	\$ -	\$ 5,056,375
Construction in progress	15,564,531	18,340,187	(1,327,377)	32,577,341
Total capital assets, not being depreciated	20,620,906	18,340,187	(1,327,377)	37,633,716
Capital assets, being depreciated:				
Buildings, supply, and distribution system	188,584,172	17,898,652	(3,005,903)	203,476,921
Equipment and software	5,923,159	5,011,885	(160,739)	10,774,305
Total capital assets being depreciated	194,507,331	22,910,537	(3,166,642)	214,251,226
Less accumulated depreciation for:				
Buildings, supply, and distribution system	(54,297,553)	(12,683,198)	2,347,436	(64,633,315)
Equipment and software	(2,209,735)	(4,977,594)	60,606	(7,126,723)
Total accumulated depreciation	(56,507,288)	(17,660,792)	2,408,042	(71,760,038)
Total capital assets, being depreciated, net	138,000,043	5,249,745	(758,600)	142,491,188
Total capital assets, net	<u>\$158,620,949</u>	<u>\$ 23,589,932</u>	<u>\$ (2,085,977)</u>	<u>\$ 180,124,904</u>

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

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

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 - Accrued vacation

Accrued vacation balances were \$683,199 and \$660,655 for the years ended June 30, 2023 and 2022 respectively. The change in accrued vacation for the year ended June 30, 2023 consists of decreases of \$237,605 and increases of \$260,149. For the year ended June 30, 2022 decreases were \$449,735 and increases were \$573,791.

Note 6 - Long term debt

On February 4, 2022, Medford Water entered into a loan agreement with the United States Environmental Protection Agency under the Water Infrastructure Finance and Innovation Act (WIFIA lender) to fund development of the Duff Water Treatment Plant and to implement the Big Butte Springs Water Quality Improvements Project. The loan bears interest at 2.2% and matures January 15, 2052. A maximum amount of \$27,381,175 of principal is available to Medford Water, of which \$25,332,045 has been drawn down as of June 30, 2023. Under the terms of the agreement, interest is capitalized into principal until 7/15/2028, at which time interest on the current balance is paid semiannually thereafter. Principal payments on the loan begin on July 15, 2046. In the event of default, the WIFIA Lender can increase the interest rate and institute any actions or proceedings at law or in equity for collection of any sums due and unpaid.

Future maturities of debt at June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ (584,359)	\$ -	\$ (584,359)
2025	(596,825)	-	(596,825)
2026	(612,092)	-	(612,092)
2027	(626,460)	-	(626,460)
2028	(641,172)	-	(641,172)
2029-2033	128,110	3,233,272	3,361,382
2034-2038	971,550	3,173,440	4,144,990
2039-2043	1,139,241	3,005,748	4,144,989
2044-2048	9,478,635	3,503,744	12,982,379
2049-2053	16,675,417	741,744	17,417,161
Total	<u>\$ 25,332,045</u>	<u>\$ 13,657,948</u>	<u>\$ 38,989,993</u>

A summary of the changes in long-term debt for the year ended June 30, 2023 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
WIFIA Loan N20152OR	\$ 9,526,561	\$ -	\$ 13,462,085	\$ 22,988,646	\$ -
WIFIA Loan N20199OR	\$ -	\$ -	\$ 2,343,399	\$ 2,343,399	\$ -
Total long-term debt	<u>\$ 9,526,561</u>	<u>\$ -</u>	<u>\$ 15,805,484</u>	<u>\$ 25,332,045</u>	<u>\$ -</u>

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 7 - Subscription based IT arrangements (SBITA)

Medford Water subscribes to two different softwares that are considered subscription based IT arrangements (SBITA). The first of which is a subscription for Office 365; this subscription provides access to various microsoft applications. The subscription expires on January 1, 2024. The second is for geographic information system (GIS) software. The subscription expires on June 30, 2025. At June 30, 2023 total assets recognized related to subscription assets were \$61,796. Related amortization for the period ended June 30, 2023 was \$52,584.

Future maturities related to the subscription liability are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 27,569	\$ 2,413	\$ 29,982
2025	23,700	1,300	25,000
Total	<u>\$ 51,269</u>	<u>\$ 3,713</u>	<u>\$ 54,982</u>

Note 8 - Related party transactions

Medford Water pays the City of Medford for services, materials/supplies, building permits and utilities. During the year ended June 30, 2023, Medford Water paid the City of Medford a franchise tax, utility charges, and other charges amounting to \$804,541 and \$743,864 in the fiscal year ended June 30, 2023 and 2022, respectively. Water sales to the City were \$380,993 and \$344,933 during the year ended June 30, 2023, and 2022, respectively.

Note 9 - Risk management

Medford Water 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 Medford Water carries commercial insurance. Medford Water does not engage in risk financing activities where the risk is retained (self-insurance). There was no significant reduction in the Medford Water's major categories of risk insurance coverage, and for the past three years, insurance coverage has been sufficient to cover any losses.

Note 10 - Pension plan

Plan Description

Employees of Medford Water 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:

<https://www.oregon.gov/pers/emp/pages/annual-reports.aspx>

Risk Pooling

The City of Medford and Medford Water 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

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Pension plan (continued)

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

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

Death Benefits

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

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

Disability Benefits

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

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.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Pension plan (continued)

Death Benefits

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

Disability Benefits

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

Benefit Changes after Retirement

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

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

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, 2023 and June 30, 2022 were \$872,769 and \$765,460 respectively. The rates in effect for the fiscal years ended June 30, 2023 and June 30, 2022 was 22.34 percent for Tier One/Tier Two General Service Member, 15.00 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program respectively.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Pension plan (continued)

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

At June 30, 2023, Medford Water reported a liability of \$6,506,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2021 rolled forward to June 30, 2022. Medford Water's proportion of the net pension liability was based on a projection of Medford Water's long-term contribution effort as compared to the total projected contribution effort of all employers. At June 30, 2023, Medford Water's proportion was 0.043 percent, which was an increase from its proportion of 0.037 percent at June 30, 2022.

For the year ended June 30, 2023, Medford Water recognized pension expense of \$928,460. At June 30, 2023, Medford Water 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	\$ 315,838	\$ 40,575
Change in assumptions	1,020,905	9,327
Net difference between projected and actual earnings on investments	-	1,163,237
Change in proportionate share	347,027	174,804
Differences between Commission contributions and proportionate share of contributions	<u>438</u>	<u>843,068</u>
Total (prior to post-MD contributions)	1,684,208	2,231,011
Commission contributions subsequent to the measurement date	<u>785,899</u>	<u>-</u>
Total	<u><u>\$ 2,470,107</u></u>	<u><u>\$ 2,231,011</u></u>

Deferred outflows of resources related to pensions of \$785,899 resulting from Medford Water contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30:</u>	
2023	\$ (88,245)
2024	(267,039)
2025	(616,935)
2026	455,400
2027	<u>(29,984)</u>
Total	<u><u>\$ (546,803)</u></u>

MEDFORD WATER
(A Component Unit of the City of Medford)
Notes to Financial Statements
June 30, 2023 and 2022

Note 10 - Pension plan (continued)

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

For the year ended June 30, 2022, Medford Water recognized pension expense of \$818,372. At June 30, 2022, Medford Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Pension plan (continued)

Actuarial Assumptions:

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Reported	2020, published July 2021
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.40 %
Long-Term Expected Rate of Return	6.90 %
Discount Rate	6.90 %
Projected Salary Increases	3.40 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: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Pension plan (continued)

Depletion Date Projection

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

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

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

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

Discount Rate

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

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Pension plan (continued)

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

The following presents Medford Water's proportionate share of the net pension liability (asset) calculated using the discount rate, as well as what Medford Water's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Year ended June 30, 2023			
Proportionate share of net pension liability	\$ 11,538,718	\$ 6,506,500	\$ 2,294,769

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Year ended June 30, 2022			
Proportionate share of net pension liability	\$ 8,815,971	\$ 4,489,331	\$ 869,503

Pension Plan Fiduciary Net Position

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

Note 11 - Deferred compensation plan

Medford Water 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 Medford Water's creditors, nor can they be used by Medford Water 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 12 - Commitments for construction

Medford Water is involved in ongoing construction projects designed to maintain and upgrade the water system. Contracts related to future construction entered into by Medford Water were \$17,811,515 at June 30, 2023.

Note 13- Contingencies

From time to time, Medford Water 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 Medford Water's financial condition.

REQUIRED SUPPLEMENTAL INFORMATION

MEDFORD WATER

(A Component Unit of the City of Medford)

Required Supplementary Information

Year Ended June 30, 2023

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.042500 %	0.037515 %	0.037631 %	0.036060 %	0.032940 %	0.034038 %	0.034703 %	0.038844 %	0.037437 %	0.037437 %
Proportionate share of the net pension liability (asset)	\$ 6,506,500	\$ 4,489,331	\$ 8,212,471	\$ 6,237,430	\$ 4,989,283	\$ 4,588,312	\$ 5,209,797	\$ 2,230,197	\$ (848,585)	\$ 1,910,455
Covered payroll	\$ 4,993,659	\$ 4,806,424	\$ 4,427,194	\$ 3,967,303	\$ 3,965,781	\$ 3,967,303	\$ 3,973,377	\$ 3,749,828	\$ 3,756,849	\$ 3,756,849
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	130.30 %	93.40 %	185.50 %	140.89 %	125.76 %	115.70 %	131.32 %	56.13 %	(22.59)%	50.85 %
Plan net position as a percentage of the total pension liability	84.50 %	87.60 %	75.80 %	80.20 %	82.10 %	83.10 %	80.53 %	91.90 %	103.59 %	92.00 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 872,769	\$ 818,372	\$ 733,283	\$ 672,907	\$ 503,163	\$ 491,051	\$ 349,966	\$ 377,060	\$ 355,534	\$ 353,386
Contributions in relation to the contractually required contribution	<u>872,769</u>	<u>818,372</u>	<u>733,283</u>	<u>672,907</u>	<u>503,163</u>	<u>491,051</u>	<u>349,966</u>	<u>377,060</u>	<u>355,534</u>	<u>353,386</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,606,161	\$ 4,993,659	\$ 4,806,424	\$ 4,427,194	\$ 3,967,303	\$ 3,965,781	\$ 3,967,303	\$ 3,973,377	\$ 3,749,828	\$ 3,756,849
Contributions as a percentage of covered employee payroll	15.57 %	16.39 %	15.26 %	15.20 %	12.68 %	12.38 %	8.82 %	9.49 %	9.48 %	9.41 %

MEDFORD WATER

(A Component Unit of the City of Medford)
Notes to Required Supplementary Information
Year Ended June 30, 2023

Note I - Measurement Period

Amounts presented are for the measurement period, which for FY 2023 is July 1, 2021 - June 30, 2022.

Note II - Changes in Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. For June 30, 2016, the changes included lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.5 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, and the inflation rate was lowered from 2.5 to 2.4 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

Note III - Ten Year Trend Information

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

SUPPLEMENTARY INFORMATION

MEDFORD WATER

(A Component Unit of the City of Medford)

WATER FUND

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

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Resources:				
Water Revenue	\$ 22,000,000	\$ 22,000,000	\$ 22,740,601	\$ 740,601
Work Order and Fee Revenue	700,000	700,000	969,032	269,032
Investment Earnings	50,000	50,000	187,278	137,278
System development charges	1,000,000	1,000,000	961,663	(38,337)
Grants	20,000	20,000	1,222	(18,778)
Forest Product Revenue	500,000	500,000	-	(500,000)
Miscellaneous Income	70,000	70,000	72,739	2,739
Debt Proceeds	<u>32,000,000</u>	<u>32,000,000</u>	<u>18,541,277</u>	<u>(13,458,723)</u>
Total resources from operations	56,340,000	56,340,000	43,473,812	(12,866,188)
Beginning fund balance available for appropriation	<u>6,019,263</u>	<u>6,019,263</u>	<u>15,491,840</u>	<u>9,472,577</u>
Total resources	<u>\$ 62,359,263</u>	<u>\$ 62,359,263</u>	<u>\$ 58,965,652</u>	<u>\$ (3,393,611)</u>
Requirements:				
Operating requirements:				
Source of Supply	\$ 1,531,793	\$ 1,531,793	\$ 1,258,313	\$ 273,480
Supply Pumping	783,371	783,371	675,722	107,649
Purification	2,856,378	2,856,378	3,312,066	(455,688)
Transmission	428,938	428,938	337,444	91,494
Distribution Pumping	553,430	553,430	471,575	81,855
Distribution	4,108,430	4,108,430	4,180,955	(72,525)
Customer Accounts & Collections	2,396,600	2,396,600	2,335,924	60,676
Administrative & General, and franchise taxes	1,485,722	1,485,722	983,668	502,054
Work order and Fee Expense	<u>600,000</u>	<u>600,000</u>	<u>900,409</u>	<u>(300,409)</u>
Total operating requirements	14,744,662	14,744,662	14,456,076	288,586
Nonoperating requirements:				
Capital outlay	43,885,290	43,885,290	24,698,297	19,186,993
Operating contingencies	250,000	250,000	-	250,000
Transfer to Infrastructure Fund	<u>1,245,000</u>	<u>1,245,000</u>	<u>1,336,451</u>	<u>(91,451)</u>
Total nonoperating requirements	<u>45,380,290</u>	<u>45,380,290</u>	<u>26,034,748</u>	<u>19,345,542</u>
Unappropriated ending fund balance	<u>2,234,311</u>	<u>2,234,311</u>	<u>18,474,828</u>	<u>(16,240,517)</u>
Total requirements	<u>\$ 62,359,263</u>	<u>\$ 62,359,263</u>	<u>\$ 58,965,652</u>	<u>\$ 3,393,611</u>

MEDFORD WATER

(A Component Unit of the City of Medford)

CONSTRUCTION AND INFRASTRUCTURE REPLACEMENT FUND

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

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Resources:				
Investment Earnings	\$ 90,000	\$ 90,000	\$ 841,380	\$ 751,380
Transfer from Water Fund	<u>1,245,000</u>	<u>1,245,000</u>	<u>1,336,451</u>	<u>91,451</u>
Subtotal	1,335,000	1,335,000	2,177,831	842,831
Beginning fund balance available for appropriation	<u>29,906,726</u>	<u>29,906,726</u>	<u>28,066,808</u>	<u>(1,839,918)</u>
Total resources	<u>\$ 31,241,726</u>	<u>\$ 31,241,726</u>	<u>\$ 30,244,639</u>	<u>\$ (997,087)</u>
Requirements:				
Unappropriated ending fund balance	<u>31,241,726</u>	<u>31,241,726</u>	<u>30,244,639</u>	<u>997,087</u>
Total requirements	<u>\$ 31,241,726</u>	<u>\$ 31,241,726</u>	<u>\$ 30,244,639</u>	<u>\$ 997,087</u>

MEDFORD WATER

(A Component Unit of the City of Medford)

Reconciliation of Budget Basis Fund Balance to Net Position

Year Ended June 30, 2023

	<u>2023</u>
Fund balances, budget basis:	
Water Fund	\$ 18,474,828
Construction and Infrastructure Replacement Fund	<u>30,244,639</u>
Total, budget basis	48,719,467
EPA accrual	(5,508,387)
Deferred outflows related to pensions	2,470,107
Net pension liability	(6,506,500)
Deferred inflows related to pensions	(2,231,011)
Long-term debt	(25,332,045)
Deferred inflow Jacksonville Highway Water District /Lozier Lane note	201,841
SBITA activity	10,527
Capital assets net of accumulated depreciation	<u>180,124,904</u>
Net position	<u><u>\$ 191,948,903</u></u>

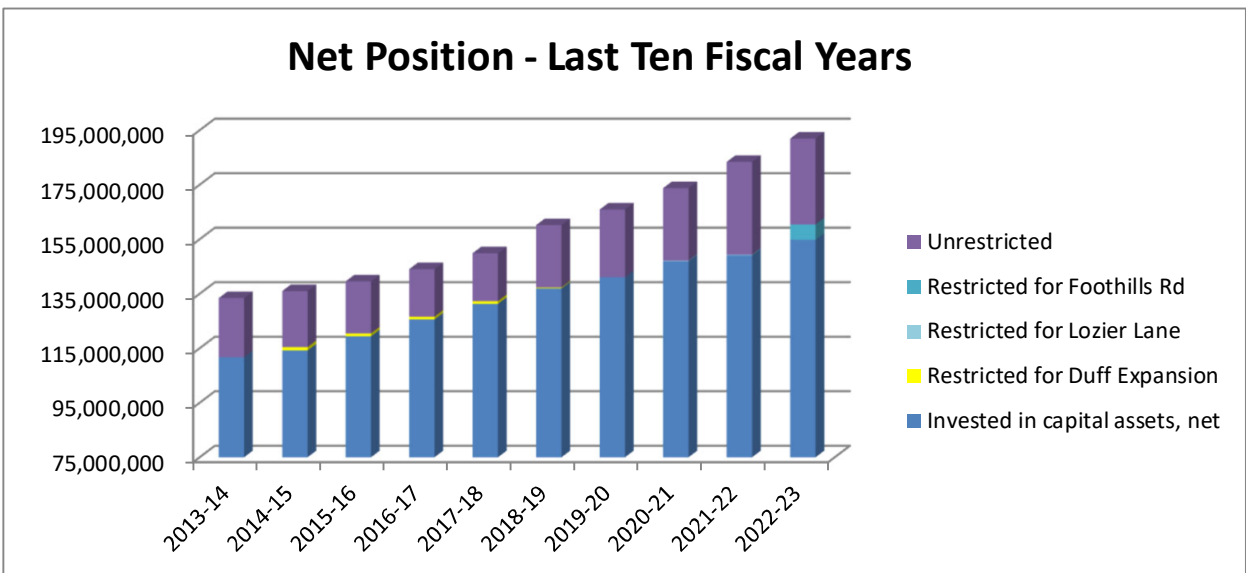
STATISTICAL SECTION

MEDFORD WATER - UNAUDITED
Schedule 1

Net Position - Last Ten Fiscal Years

	2013-14	2014-15	2015-16	2016-17	2017-18
Invested in capital assets, net	111,685,166	114,182,987	119,420,089	125,579,757	131,300,433
Restricted for Duff Expansion	-	1,236,543.00	1,011,148.00	982,000.00	961,226.00
Restricted for Lozier Lane	-	-	-	-	-
Restricted for Foothills Rd	-	-	-	-	-
Unrestricted	21,715,047	20,560,518	19,108,037	17,437,503	17,601,350
Total	<u>\$ 133,400,213</u>	<u>\$ 135,980,048</u>	<u>\$ 139,539,274</u>	<u>\$ 143,999,260</u>	<u>\$ 149,863,009</u>

	2018-19	2019-20	2020-21	2021-22	2022-23
Invested in capital assets, net	136,947,817	141,034,855	146,895,052	149,094,388	154,792,859
Restricted for Duff Expansion	347,939	-	-	-	-
Restricted for Lozier Lane	-	-	215,795	215,865	-
Restricted for Foothills Rd	-	-	-	-	5,638,856
Unrestricted	22,876,503	24,838,367	26,636,450	34,054,438	31,490,941
Total	<u>\$ 160,172,255</u>	<u>\$ 165,873,222</u>	<u>\$ 173,747,297</u>	<u>\$ 183,364,691</u>	<u>\$ 191,922,656</u>

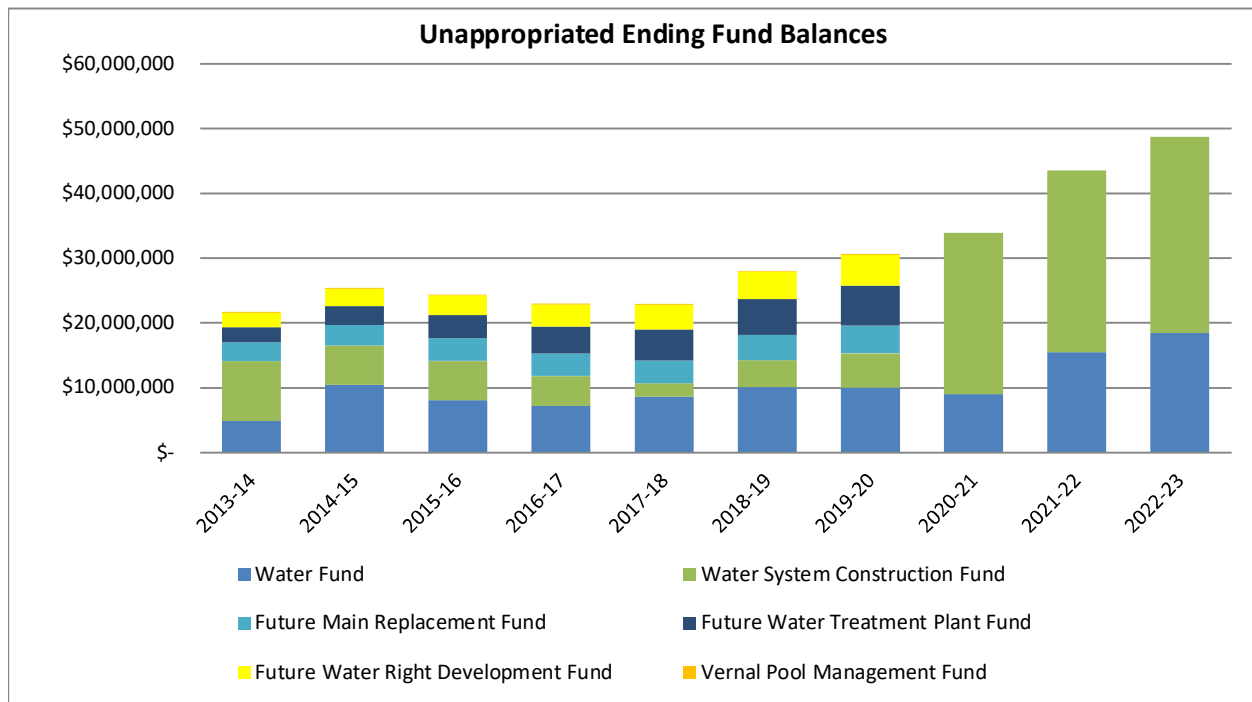


MEDFORD WATER - UNAUDITED
Schedule 2

Unappropriated Ending Fund Balance - Last Ten Fiscal Years

	2013-14	2014-15	2015-16	2016-17	2017-18
Water Fund	\$ 4,871,890	\$ 10,458,454	\$ 8,051,825	\$ 7,202,158	\$ 8,612,017
Water System Construction Fund	9,241,177	6,047,418	6,097,423	4,589,958	2,109,100
Future Main Replacement Fund	2,880,823	3,179,579	3,480,870	3,474,188	3,496,807
Future Water Treatment Plant Fund	2,363,184	2,933,676	3,570,931	4,163,777	4,787,315
Future Water Right Development Fund	2,231,815	2,647,365	3,069,032	3,417,650	3,796,059
Vernal Pool Management Fund	126,158	127,198	128,250	128,002	128,835
Total	<u>\$21,715,047</u>	<u>\$25,393,690</u>	<u>\$24,398,331</u>	<u>\$22,975,733</u>	<u>\$22,930,133</u>

	2018-19	2019-20	2020-21	2021-22	2022-23
Water Fund	\$ 10,106,648	\$ 10,038,369	\$ 9,035,047	\$ 15,491,840	\$ 18,474,828
Water System Construction Fund	4,168,102	5,275,318	24,866,726	28,038,931	30,244,639
Future Main Replacement Fund	3,869,635	4,244,174	-	-	-
Future Water Treatment Plant Fund	5,506,283	6,218,880	-	-	-
Future Water Right Development Fund	4,271,984	4,724,989	-	-	-
Vernal Pool Management Fund	132,440	135,847	-	-	-
Total	<u>\$28,055,092</u>	<u>\$30,637,577</u>	<u>\$33,901,773</u>	<u>\$43,530,771</u>	<u>\$48,719,467</u>



MEDFORD WATER - UNAUDITED
Schedule 3

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

	2013-14	2014-15	2015-16	2016-17	2017-18
Operating revenues:					
Residential and commercial water service	\$ 8,975,519	\$ 9,398,186	\$ 10,490,631	\$ 11,741,119	\$ 13,638,287
Sales to other utilities	1,748,079	1,922,434	2,149,518	1,964,918	1,821,633
Service center clearing revenue	-	-	-	-	-
Work Order and Fee Revenue	559,433	521,196	754,891	1,009,379	734,350
Total operating revenues	11,283,031	11,841,816	13,395,040	14,715,416	16,194,271
Operating expenses:					
Operating and maintenance	5,618,203	5,926,413	7,033,438	6,310,326	7,464,053
Administrative and general	2,347,023	1,113,424	2,938,979	1,324,648	1,782,502
Depreciation	2,787,874	3,109,984	3,176,900	3,278,607	3,543,423
Change in components of net pension liability	-	-	-	382,423	588,047
Work Order and Fee Expense	248,822	366,524	655,863	429,163	700,472
Total operating expenses	11,001,922	10,516,345	13,805,180	11,725,167	14,078,497
Operating income (loss)	281,109	1,325,471	(410,140)	2,990,249	2,115,774
Nonoperating revenues (expenses)					
Charges in lieu of assessments	-	-	-	5,319	-
Investment Income	173,792	220,789	228,612	173,296	242,037
Income from forest products	-	12,131	36,394	-	-
Grant Revenue	-	-	-	-	-
Miscellaneous income	112,364	138,172	73,383	379,858	217,271
Gain on sale of assets	-	6,121	11,350	6,622	-
Total nonoperating revenues (expenses)	286,156	377,213	349,739	565,096	459,308
Income before capital contributions	567,265	1,702,684	(60,401)	3,555,345	2,575,082
Capital contributions					
Developer donations (capitalized)	1,082,658	856,759	1,819,728	1,213,438	1,663,325
System development charges	672,697	3,617,019	1,617,576	1,295,820	991,154
Total capital contributions	1,755,355	4,473,778	3,437,304	2,509,258	2,654,479
Change in net position	2,322,620	6,176,462	3,376,903	6,064,603	5,229,561
Total net position - beginning of year	131,077,593	133,400,213	135,980,048	139,539,274	145,603,877
Restatement of net position		(3,596,627)	182,323		
Total net position - end of year	\$ 133,400,213	\$ 135,980,048	\$ 139,539,274	\$ 145,603,877	\$ 150,833,438

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

MEDFORD WATER - UNAUDITED
Schedule 3

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

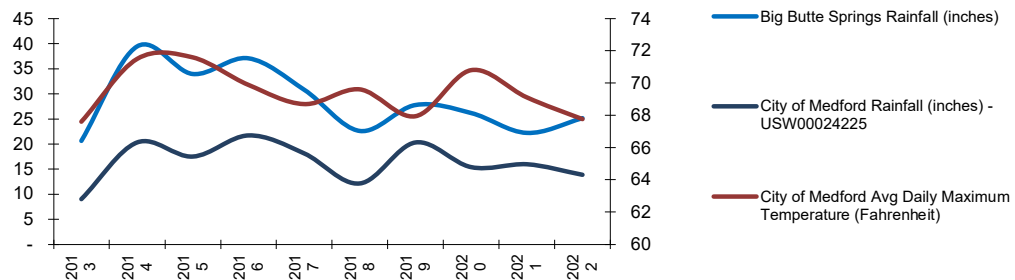
	2018-19	2019-20	2020-21	2021-22	2022-23
Operating revenues:					
Residential and commercial water service	\$ 15,147,212	\$ 15,549,822	\$ 18,597,709	\$ 17,851,612	\$ 20,014,974
Sales to other utilities	2,646,870	2,286,742	2,406,487	2,386,465	2,725,627
Service center clearing revenue	-	-	-	-	-
Work Order and Fee Revenue	853,923	718,644	755,476	1,264,692	934,590
Total operating revenues	18,648,005	18,555,208	21,759,672	21,502,769	23,675,191
Operating expenses:					
Operating and maintenance	8,193,851	8,960,879	9,625,087	9,983,764	12,571,999
Administrative and general	1,958,748	2,236,485	1,857,241	2,243,847	2,049,500
Depreciation	3,735,733	3,829,677	3,916,304	3,899,340	4,237,380
Change in components of net pension liability	437,717	1,044,219	1,324,470	(80,468)	(865,430)
Work Order and Fee Expense	693,141	579,580	740,424	1,078,643	900,409
Total operating expenses	15,019,190	16,650,840	17,463,526	17,125,126	18,893,858
Operating income (loss)	3,628,814	1,904,368	4,296,146	4,377,643	4,781,333
Nonoperating revenues (expenses)					
Charges in lieu of assessments	-	-	-	-	-
Investment Income	609,549	714,816	257,864	123,623	1,028,658
Income from forest products	683,598	873,050	-	636,682	-
Grant Revenue	-	-	-	75,300	1,222
Miscellaneous income	122,004	134,929	356,952	139,860	28,629
Gain on sale of assets	-	-	-	-	44,110
Total nonoperating revenues (expenses)	1,415,151	1,722,795	614,816	975,465	1,102,619
Income before capital contributions	5,043,965	3,627,163	4,910,962	5,353,108	5,883,952
Capital contributions					
Developer donations (capitalized)	3,994,345	889,661	1,618,649	2,155,809	1,738,597
System development charges	1,270,940	1,184,139	1,344,464	2,108,477	961,663
Total capital contributions	5,265,285	2,073,800	2,963,113	4,264,286	2,700,260
Change in net position	10,309,250	5,700,963	7,874,075	9,617,394	8,584,212
Total net position - beginning of year	150,833,438	160,172,259	165,873,222	173,747,297	183,364,691
Restatement of net position					
Total net position - end of year	\$ 161,142,688	\$ 165,873,222	\$ 173,747,297	\$ 183,364,691	\$ 191,948,903

MEDFORD WATER - UNAUDITED
Schedule 4

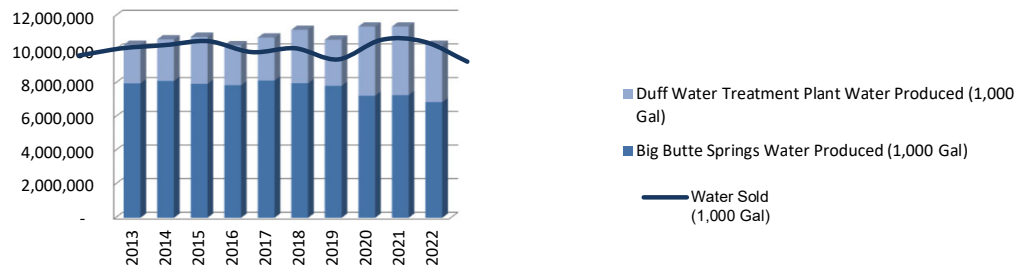
Water Produced and Sold - Last Ten Calendar Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Big Butte Springs Water Produced (1,000 Gal)	7,982,750	8,127,920	7,958,203	7,875,995	8,151,604	7,997,320	7,847,560	7,254,810	7,291,270	6,873,521
Duff Water Treatment Plant Water Produced (1,000 Gal)	2,293,130	2,472,110	2,793,000	2,371,990	2,557,530	3,170,320	2,736,530	4,109,140	4,068,450	3,398,460
Total Production	10,275,880	10,600,030	10,751,203	10,247,985	10,709,134	11,167,640	10,584,090	11,363,950	11,359,720	10,271,981
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water Sold (1,000 Gal)	9,121,029	9,377,069	9,491,979	9,634,859	9,230,370	9,373,089	8,976,332	9,684,882	9,613,010	8,890,262
Nonrevenue Water (1,000 Gal)	1,154,851	1,222,961	1,259,224	613,126	1,478,764	1,794,551	1,607,758	1,679,068	1,746,710	1,381,719
Total Production	10,275,880	10,600,030	10,751,203	10,247,985	10,709,134	11,167,640	10,584,090	11,363,950	11,359,720	10,271,981
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Big Butte Springs Rainfall (inches)	20.62	39.48	33.98	37.13	30.87	22.61	27.82	26.20	22.23	25.14
City of Medford Rainfall (inches) - USW00024225	9.02	20.29	17.50	21.73	18.16	12.10	20.33	15.40	15.94	13.91
City of Medford Avg Daily Maximum Temperature (Fahrenheit)	67.6	71.5	71.6	69.9	68.7	69.6	68.0	70.8	69.1	67.8

Rainfall and Average Temperature



Water Produced and Sold



MEDFORD WATER - UNAUDITED
Schedule 5

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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Inside City										
Residential										
Single Family	20,580	21,245	21,170	21,564	21,360	22,012	22,184	22,034	22,606	23,020
Multi-Family	2,356	2,351	2,370	2,421	2,434	2,442	2,476	2,607	2,483	2,528
Commercial	2,550	2,576	2,624	2,661	2,646	2,711	2,723	2,772	2,753	2,782
Industrial	44	44	45	44	45	46	47	47	50	50
Fire Services	392	403	405	435	448	459	467	480	490	508
Subtotal	25,922	26,619	26,614	27,125	26,933	27,670	27,897	27,940	28,382	28,888
Outside City										
Residential										
Single Family	2,393	2,442	2,514	2,833	2,879	2,938	2,955	2,973	3,054	3,080
Multi-Family	58	58	59	73	73	74	76	72	83	90
Commercial	204	209	220	224	223	225	226	206	230	234
Industrial	83	83	84	82	88	94	92	91	97	107
Fire Services	49	70	72	70	72	72	76	68	77	84
Subtotal	2,787	2,862	2,949	3,282	3,335	3,403	3,425	3,410	3,541	3,595
Water Districts										
Charlotte Ann	195	196	201	200	200	200	200	197	115	159
Elk City	101	102	102	102	103	103	103	103	105	104
Jacksonville Highway	336	336	-	-	-	-	-	-	-	-
Subtotal	632	634	303	302	303	303	303	300	220	263
Total Inside/Outside/Water Districts	29,341	29,031	29,185	29,317	30,571	31,376	31,625	31,650	32,143	32,746
Self Operating Areas (Cities)										
Central Point, Eagle Point, Talent, Phoenix, Ashland & Jacksonville	14,188	14,297	14,433	14,608	14,738	14,915	15,358	15,058	15,261	15,664
Total Water Services	43,529	43,328	43,618	43,925	45,309	46,291	46,983	46,708	47,404	48,410

(1) Source: Medford Water

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

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

MEDFORD WATER - UNAUDITED
Schedule 6

Inside Residential Customer Water Rates - Last Ten Effective Years

Effective Date	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021	3/1/2022	3/1/2023
Inside Residential										
Base Rates (per month)										
5/8 x 3/4"	7.62	8	9.06	10.62	11.62	12.56	13.65	14.52	15.44	16.65
1"	11.94	12.54	14.2	16.65	18.22	19.69	21.4	22.76	24.20	26.10
1 1/2"	24.46	25.68	29.08	34.09	37.3	40.32	43.82	46.61	49.56	53.44
2"	36.51	38.34	43.42	50.9	55.69	60.2	65.42	69.59	74.00	79.80
Backflow Fee	0.75	0.75	0.75	0.94	1.06	0.95	0.9	0.90	0.90	0.90
below 5,000 GAL										
Gravity (below 1499 ft)	0.44	0.46	0.52	0.61	0.67	0.72	0.78	0.83	0.88	0.95
EL. 1 (1500 - 1649 ft)	0.49	0.51	0.58	0.67	0.73	0.78	0.84	0.89	0.95	1.03
EL. 2 (1650 - 1799 ft)	0.54	0.56	0.64	0.73	0.79	0.84	0.90	0.95	1.02	1.11
EL. 3 (1800 - 1949 ft)	0.59	0.61	0.7	0.79	0.85	0.90	0.96	1.01	1.09	1.19
EL. 4 (1950 - 2099 ft)	0.64	0.66	0.76	0.85	0.91	0.96	1.02	1.07	1.16	1.27
EL. 5 (above 2100 ft)	0.69	0.71	0.82	0.91	0.97	1.02	1.08	1.13	1.23	1.35
5,000 to 25,000 GAL										
Gravity (below 1499 ft)	0.79	0.83	0.94	1.1	1.21	1.30	1.41	1.50	1.59	1.72
EL. 1 (1500 - 1649 ft)	0.84	0.88	1	1.16	1.27	1.36	1.47	1.56	1.66	1.80
EL. 2 (1650 - 1799 ft)	0.89	0.93	1.06	1.22	1.33	1.42	1.53	1.62	1.73	1.88
EL. 3 (1800 - 1949 ft)	0.94	0.98	1.12	1.28	1.39	1.48	1.59	1.68	1.80	1.96
EL. 4 (1950 - 2099 ft)	0.99	1.03	1.18	1.34	1.45	1.54	1.65	1.74	1.87	2.04
EL. 5 (above 2100 ft)	1.04	1.08	1.24	1.4	1.51	1.60	1.71	1.80	1.94	2.12
over 25,000 GAL										
Gravity (below 1499 ft)	1.14	1.2	1.36	1.60	1.76	1.89	2.05	2.18	2.31	2.49
EL. 1 (1500 - 1649 ft)	1.19	1.25	1.42	1.66	1.82	1.95	2.11	2.24	2.38	2.57
EL. 2 (1650 - 1799 ft)	1.24	1.3	1.48	1.72	1.88	2.01	2.17	2.30	2.45	2.65
EL. 3 (1800 - 1949 ft)	1.29	1.35	1.54	1.78	1.94	2.07	2.23	2.36	2.52	2.73
EL. 4 (1950 - 2099 ft)	1.34	1.4	1.60	1.84	2.00	2.13	2.29	2.42	2.59	2.81
EL. 5 (above 2100 ft)	1.39	1.45	1.66	1.90	2.06	2.19	2.35	2.48	2.66	2.89

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

Effective Date	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021	3/1/2022	3/1/2023
Inside Non-Residential & Mult-Family										
Base Rates (per month)										
5/8 x 3/4"	8.00	9.06	10.62	11.62	11.62	12.56	13.65	14.52	15.44	16.65
1"	12.54	14.20	16.65	18.22	18.22	19.69	21.40	22.76	24.20	26.10
1 1/2"	25.68	29.08	34.09	37.30	37.30	40.32	43.82	46.61	49.56	53.44
2"	38.34	43.42	50.90	55.69	55.69	60.20	65.42	69.59	74.00	79.80
3"	76.11	86.19	101.03	110.54	110.54	119.48	129.85	138.13	146.88	158.39
4"	119.05	134.82	158.03	172.91	172.91	186.90	203.12	216.07	229.76	247.77
6"	228.06	258.28	302.75	331.26	331.26	358.06	389.13	413.93	440.16	474.65
8"	350.54	396.99	465.35	509.17	509.17	550.36	598.12	636.24	676.55	729.57
10"	534.67	605.51	709.77	776.60	776.60	839.42	912.27	970.41	1,031.90	1,112.77
Gallage Charge (per 1,000 GAL)										
Winter	0.60	0.72	0.88	0.98	0.98	1.08	1.19	1.28	1.37	1.49
Summer	0.81	0.92	1.08	1.18	1.18	1.28	1.39	1.48	1.57	1.69

- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
(2) Winter rates are classified as water billed October through March reads, and Summer rates are April 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.

MEDFORD WATER - UNAUDITED
Schedule 7

Outside Customer Water Rates - Last Ten Effective Years

Effective Date	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021	3/1/2022	3/1/2023
Outside Residential										
Base Rates (per month)										
5/8 x 3/4"	10.60	11.13	12.60	14.77	16.16	17.47	18.99	20.20	21.48	23.16
1"	17.62	18.50	20.95	24.56	26.88	29.05	31.57	33.58	35.70	38.50
1 1/2"	35.43	37.20	42.13	49.39	54.04	58.42	63.49	67.53	71.80	77.42
2"	52.16	54.77	62.03	72.72	79.56	86.00	93.46	99.42	105.72	114.01
3"	109.61	115.09	130.29	152.73	167.10	180.65	196.37	208.88	222.12	239.49
4"	166.57	174.90	198.00	232.10	253.94	274.53	298.42	317.43	337.54	363.94
6"	313.91	329.61	373.14	437.40	478.13	516.89	561.86	597.66	635.53	685.24
8"	472.15	495.76	561.24	657.90	719.81	778.16	845.86	899.76	956.77	1,031.60
10"	710.41	745.93	844.45	989.88	1,083.04	1,170.84	1,272.71	1,353.80	1,439.59	1,552.18
Backflow Fee	0.75	0.75	0.75	0.94	1.06	0.95	0.90	0.90	0.90	0.90
Gallonge Charge (per 1,000 GAL)										
below 5,000 GAL	0.65	0.68	0.77	0.90	0.99	1.06	1.15	1.22	1.29	1.39
5,000 to 25,000 GAL	1.17	1.23	1.39	1.63	1.79	1.92	2.08	2.21	2.34	2.53
over 25,000 GAL	1.69	1.79	2.03	2.39	2.63	2.82	3.06	3.25	3.44	3.71
Outside Commercial										
Base Rates (per month)										
5/8 x 3/4"	10.60	11.13	12.60	14.77	16.16	17.47	18.99	20.20	21.48	23.16
1"	17.62	18.50	20.95	24.56	26.88	29.05	31.57	33.58	35.70	38.50
1 1/2"	35.43	37.20	42.13	49.39	54.04	58.42	63.49	67.53	71.80	77.42
2"	52.16	54.77	62.03	72.72	79.56	86.00	93.46	99.42	105.72	114.01
3"	109.61	115.09	130.29	152.73	167.10	180.65	196.37	208.88	222.12	239.49
4"	166.57	174.90	198.00	232.10	253.94	274.53	298.42	317.43	337.54	363.94
6"	313.91	329.61	373.14	437.40	478.13	516.89	561.86	597.66	635.53	685.24
8"	472.15	495.76	561.24	657.90	719.81	778.16	845.86	899.76	956.77	1,031.60
10"	710.41	745.93	844.45	989.88	1,083.04	1,170.84	1,272.71	1,353.80	1,439.59	1,552.18
Gallonge Charge (per 1,000 GAL)										
Winter	0.83	0.86	1.02	1.23	1.36	1.49	1.64	1.64	1.88	2.04
Summer	1.03	1.07	1.22	1.43	1.56	1.69	1.84	1.84	2.08	2.24

- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
(2) Winter rates are classified as water billed October through March reads, and Summer rates are April 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

MEDFORD WATER - UNAUDITED
Schedule 7 (Continued)

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

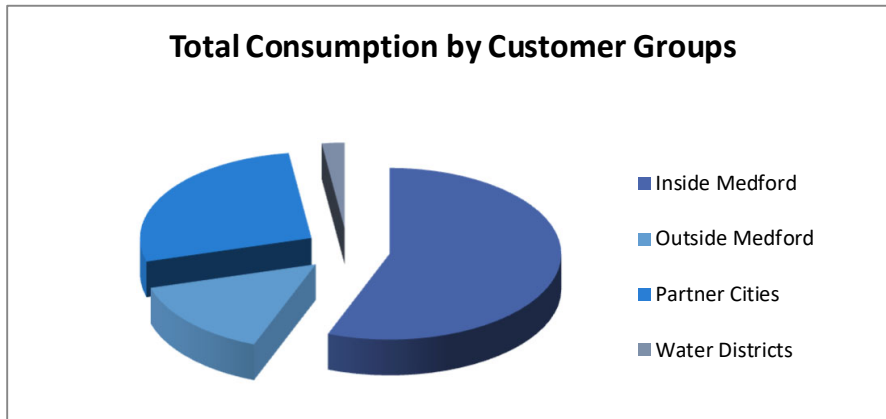
Effective Date	3/1/2014	3/1/2015	1/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021	3/1/2022	3/1/2023
Water Districts										
Base Rates (per month)										
5/8 x 3/4"	9.40	9.87	8.65	9.80	10.38	10.98	10.96	11.19	9.90	11.08
1"	14.81	15.55	13.63	15.44	16.35	17.30	17.27	17.63	15.60	17.46
1 1/2"	30.74	32.28	28.29	32.05	33.95	35.91	35.84	36.59	32.37	36.23
2"	46.40	48.72	42.70	48.38	51.24	54.20	54.10	55.24	48.87	54.69
3"	87.65	92.03	80.65	91.37	96.78	102.37	102.18	104.32	92.29	103.29
4"	141.16	148.22	129.90	147.17	155.88	164.89	164.59	168.04	148.67	166.39
6"	273.67	287.35	251.83	285.31	302.20	319.67	319.09	325.79	288.23	322.58
8"	427.92	449.32	393.78	446.13	472.53	499.84	498.93	509.40	450.68	504.40
10"	659.52	692.50	606.90	687.59	728.28	770.38	768.98	785.12	694.61	777.40
Backflow Fee	0.75	0.75	0.75	0.94	1.06	0.95	0.90	0.90	0.90	0.90
Gallage Charge (per 1,000 GAL)										
Winter	0.81	0.83	0.71	0.83	0.89	0.95	0.95	0.95	0.60	0.70
Summer	1.01	1.04	0.91	1.03	1.09	1.15	1.15	1.15	0.80	0.90
Partner Cities (Central Point, Eagle Point, Jacksonville, Phoenix, Talent and Ashland)										
Base Rates (per month)										
2"	46.73	49.07	55.68	54.06	66.12	71.35	74.59	77.06	72.42	87.63
3"	94.81	99.55	112.96	109.67	124.99	134.88	141.00	145.67	136.90	165.65
4"	147.13	154.49	175.30	170.20	193.97	209.31	218.82	226.07	212.45	257.07
6"	281.85	295.94	335.80	326.03	371.56	400.95	419.16	433.04	406.97	472.69
8"	431.64	453.22	514.27	499.31	569.04	614.05	641.93	663.19	623.25	723.90
10"	656.90	689.74	782.65	759.88	866.00	934.50	976.93	1,009.28	948.51	1,101.68
Gallage Charge (per 1,000 GAL)										
Winter	0.46	0.46	0.56	0.54	0.62	0.68	0.72	0.75	0.69	0.77
Summer	0.64	0.64	0.64	0.76	0.74	0.82	0.92	0.95	0.89	0.97

- (1) Increase in water rates must be approved by the Board of Medford Water Commissioners.
- (2) Winter rates are classified as water billed October through March reads, and Summer rates are April 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

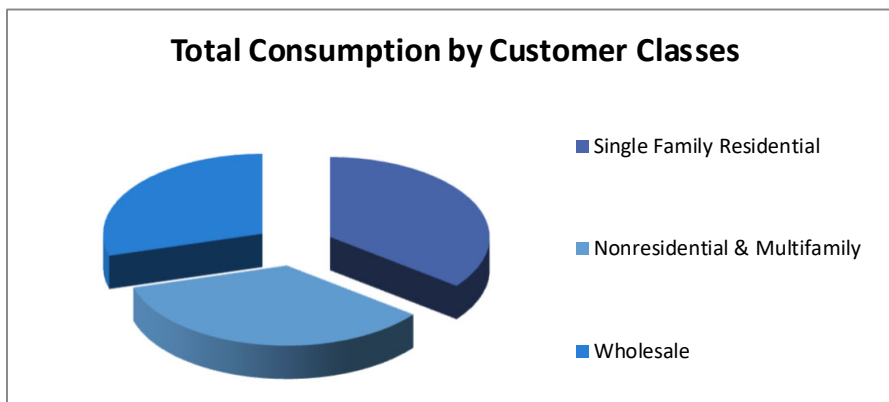
MEDFORD WATER - UNAUDITED
Schedule 8

Consumption by Customer Groups and Class

Customer Groups	2022-23	
	Consumption (per 1,000 GAL)	% of Total Consumption
Inside Medford	5,137,280	55.9%
Outside Medford	1,354,153	14.7%
Partner Cities	2,510,253	27.3%
Water Districts Total	196,353	2.1%



Customer Classes	2022-23	
	Consumption (per 1,000 GAL)	% of Total Consumption
Single Family Residential	3,260,838	35.5%
Multi-Family Residential	3,230,595	35.1%
Other Cities	2,706,606	29.4%



Total consumption for the 2022-23 fiscal year is 9,198,039 Kgals.

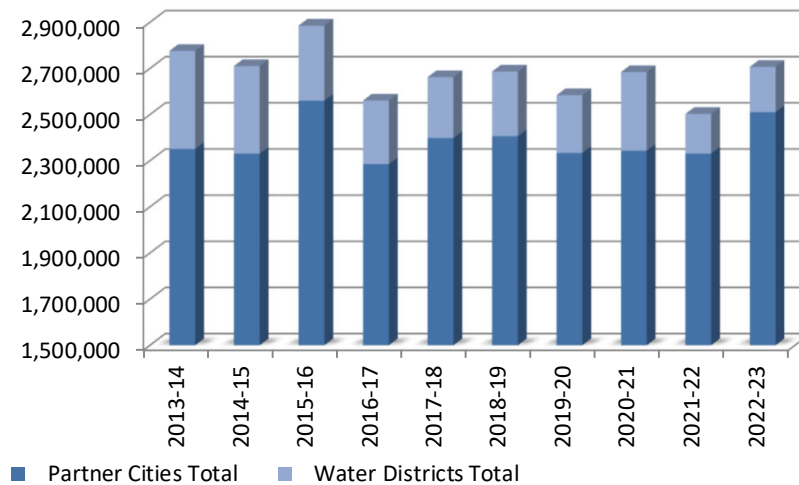
MEDFORD WATER - UNAUDITED
Schedule 9

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

Name	2013-14	2014-15	2015-16	2016-17	2017-18
City of Central Point	983,446	986,968	1,041,757	964,116	989,331
City of Eagle Point	547,056	544,095	615,479	548,262	587,629
City of Jacksonville	252,270	252,185	259,406	240,179	254,446
City of Phoenix	234,805	149,088	109,463	87,285	104,679
T.A.P. (Samike)	333,355	398,112	533,625	445,401	461,863
Partner Cities Total	2,350,932	2,330,448	2,559,730	2,285,243	2,397,948
Charlotte Ann Water District	261,843	224,534	232,332	215,974	204,077
Elk City Water District	109,710	101,656	93,327	59,530	60,054
Jacksonville Hwy Water District	53,155	53,504	N/A	N/A	N/A
Water Districts Total	424,708	379,694	325,659	275,504	264,131

Name	2018-19	2019-20	2020-21	2021-22	2022-23
City of Central Point	986,476	944,917	1,025,040	961,247	1,033,642
City of Eagle Point	575,722	570,114	536,914	554,091	600,535
City of Jacksonville	265,527	255,228	248,110	211,090	245,607
City of Phoenix	97,212	86,040	79,997	84,666	131,070
T.A.P. (Samike)	481,058	477,116	452,858	519,902	499,399
Partner Cities Total	2,405,995	2,333,415	2,342,919	2,330,996	2,510,253
Charlotte Ann Water District	222,265	195,361	230,863	96,724	107,501
Elk City Water District	58,472	55,101	110,200	74,838	88,852
Jacksonville Hwy Water District	N/A	N/A	N/A	N/A	N/A
Water Districts Total	280,737	250,462	341,063	171,562	196,353

Wholesale Water Sold



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

MEDFORD WATER - UNAUDITED
Schedule 10

Capital Assets - Last Ten Fiscal Years

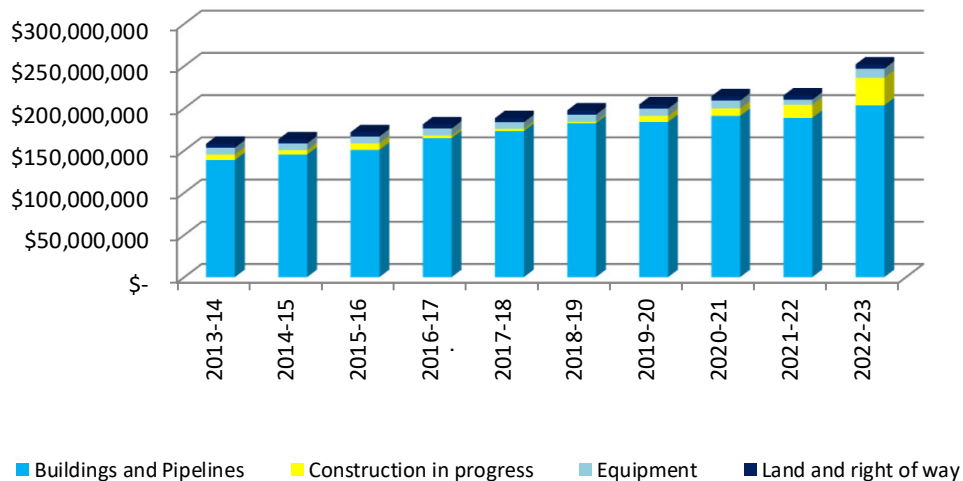
	2013-14	2014-15	2015-16	2016-17	2017-18
Capital assets, not being depreciated:					
Land and right of way	4,602,383	4,877,749	4,925,439	4,925,439	4,925,439
Construction in progress	6,529,794	5,185,940	7,721,975	2,991,633	2,555,349
Total capital assets, not being depreciated:	11,132,177	10,063,689	12,647,414	7,917,072	7,480,788
Capital assets being depreciated:					
Buildings and Pipelines	138,642,056	145,206,888	150,626,388	164,668,518	172,971,126
Equipment	8,097,672	7,895,296	8,226,052	8,302,608	7,847,672
Total capital assets being depreciated:	146,739,728	153,102,184	158,852,440	172,971,126	180,818,798
Less accumulated depreciation for:					
Buildings and Pipelines	(42,024,286)	(44,574,962)	(47,210,514)	(49,926,593)	(51,794,674)
Equipment	(4,162,453)	(4,407,924)	(4,869,251)	(5,381,848)	(5,144,443)
Total accumulated depreciation	(46,186,739)	(48,982,886)	(52,079,765)	(55,308,441)	(56,939,117)
Total capital assets, being depreciated, net	100,552,989	104,119,298	106,772,675	117,662,685	123,879,682
Total capital assets, net	\$ 111,685,166	\$ 114,182,987	\$ 119,420,089	\$ 125,579,757	\$ 131,300,433

MEDFORD WATER - UNAUDITED
Schedule 10 (Continued)

Capital Assets - Last Ten Fiscal Years

	2018-19	2019-20	2020-21	2021-22	2022-23
Capital assets, not being depreciated:					
Land and right of way	5,056,375	5,056,375	5,056,375	5,056,375	5,056,375
Construction in progress	1,718,939	7,088,533	8,749,419	15,564,531	32,577,341
Total capital assets, not being depreciated:	6,775,314	12,144,908	13,805,794	20,620,906	37,633,716
Capital assets being depreciated:					
Buildings and Pipelines	182,303,912	183,731,480	190,969,672	188,584,172	203,476,921
Equipment	8,402,770	8,697,504	9,352,276	5,923,159	10,774,305
Total capital assets being depreciated:	190,706,682	192,428,984	200,321,948	194,507,331	214,251,226
Less accumulated depreciation for:					
Buildings and Pipelines	(54,942,746)	(57,406,309)	(60,617,545)	(54,297,553)	(64,633,315)
Equipment	(5,591,433)	(6,132,728)	(6,615,145)	(2,209,735)	(7,126,723)
Total accumulated depreciation	(60,534,179)	(63,539,037)	(67,232,690)	(56,507,288)	(71,760,038)
Total capital assets, being depreciated, net	130,172,503	128,889,947	133,089,258	138,000,043	142,491,188
Total capital assets, net	\$ 136,947,817	\$ 141,034,855	\$ 146,895,052	\$ 158,620,949	\$ 180,124,904

Capital Assets

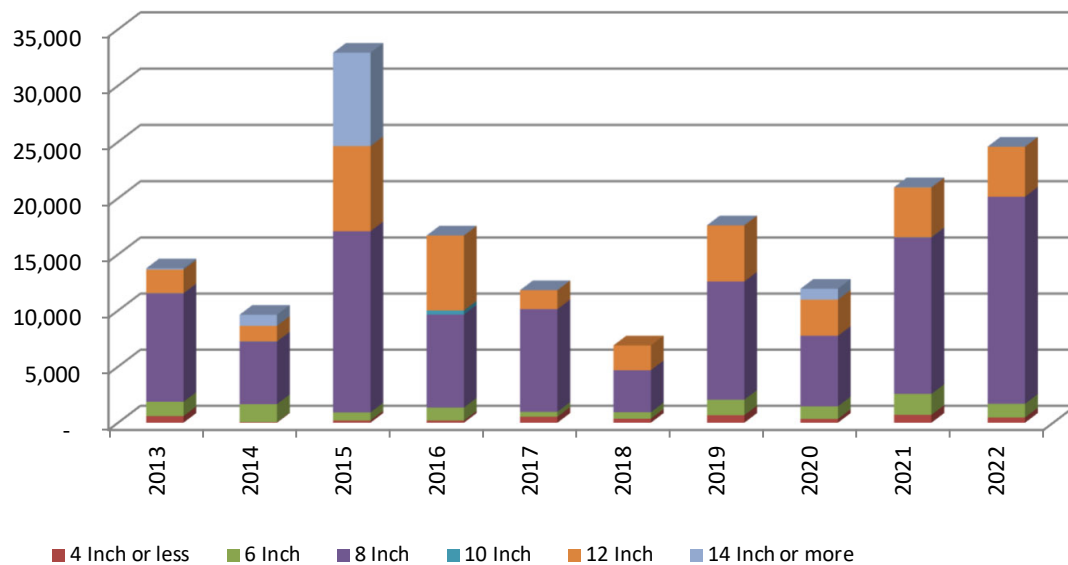


MEDFORD WATER - UNAUDITED
Schedule 11

Annual New Pipeline Summary - Last Ten Calendar Years

Pipeline Size (inch)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
4 Inch or less	593	52	203	192	532	366	672	335	708	475
6 Inch	1,272	1,604	711	1,166	437	568	1,380	1,126	1,858	1,209
8 Inch	9,661	5,572	16,153	8,291	9,151	3,750	10,539	6,283	13,941	18,455
10 Inch	14	20	-	356	-	-	-	-	27	2
12 Inch	2,109	1,389	7,562	6,677	1,692	2,208	5,006	3,221	4,424	4,441
14 Inch or more	107	992	8,292	-	-	-	-	976	20	-
Total Pipe (inch)	13,756	9,629	32,921	16,682	11,812	6,892	17,597	11,941	20,978	24,582

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

MEDFORD WATER - UNAUDITED
Schedule 12

Number of Full Time Employees - Last Ten Fiscal Years

	2013- 14	2014- 15	2015- 16	2016- 17	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23
Administration	3	6	5	5	4	4	4	4	3	3
Big Butte Springs Operations	1	1	1	1	1	1	1	1	2	2
Finance	3	3	3	3	3	3	5	5	5	6
Engineering	6	6	7	8	8	8	8	9	6	8
Technical Services	1	2	2	2	2	2	3	4	5	7
Water Maintenance	15	14	14	14	14	13	13	12	14	14
Water Meters / Controls	9	9	9	9	9	9	9	10	9	10
Water Resources & Customer Service	6	7	7	7	7	7	7	7	10	13
Water Treatment	8	8	8	8	10	12	11	11	11	8
TOTAL	52	56	56	57	58	59	61	63	65	71

By Location

Big Butte Springs	1	1	1	1	1	1	1	1	2	2
Lausmann Annex	21	24	24	25	24	24	27	29	29	35
Robert A. Duff WTP	9	9	9	9	11	12	12	12	11	11
Service Center	22	23	23	23	23	23	22	22	23	23
TOTAL	52	56	56	57	58	59	61	63	65	71

(1) These positions reflect total authorized positions.

(2) Restructure in 2022-23

(3) Source: Medford Water

MEDFORD WATER - UNAUDITED
Schedule 13

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Medford	75,920	76,330	77,655	78,500	79,590	80,375	81,465	85,824	87,353	88,357
Other Cities										
Central Point	17,315	17,455	17,485	17,585	17,700	17,895	18,365	18,997	19,702	19,785
Eagle Point	8,575	8,666	8,695	8,765	8,930	9,105	9,260	9,686	9,854	9,968
Jacksonville	2,840	2,979	2,880	2,920	2,950	2,980	3,015	3,020	3,080	3,100
Phoenix	4,570	4,580	4,585	4,585	4,605	4,620	4,650	4,475	4,096	4,019
Talent	6,170	6,310	6,270	6,305	6,325	6,380	6,495	6,282	5,737	5,851
Ashland	N/A	20,340	20,405	20,620	20,700	20,815	20,960	21,360	21,554	21,642
Total Population	115,390	136,660	137,975	139,280	140,800	142,170	144,210	149,644	151,376	152,722
Personal Income (Millions of Dollars)	\$ 7,544	\$ 8,188	\$ 8,765	\$ 9,216	\$ 9,647	\$ 10,232	\$ 10,670	\$ 11,497	\$ 12,717	\$ 12,756
Per Capita Personal Income (Dollars)	\$ 36,420	\$ 39,151	\$ 41,374	\$ 42,926	\$ 44,360	\$ 46,603	\$ 48,291	\$ 51,824	\$ 56,842	\$ 57,552

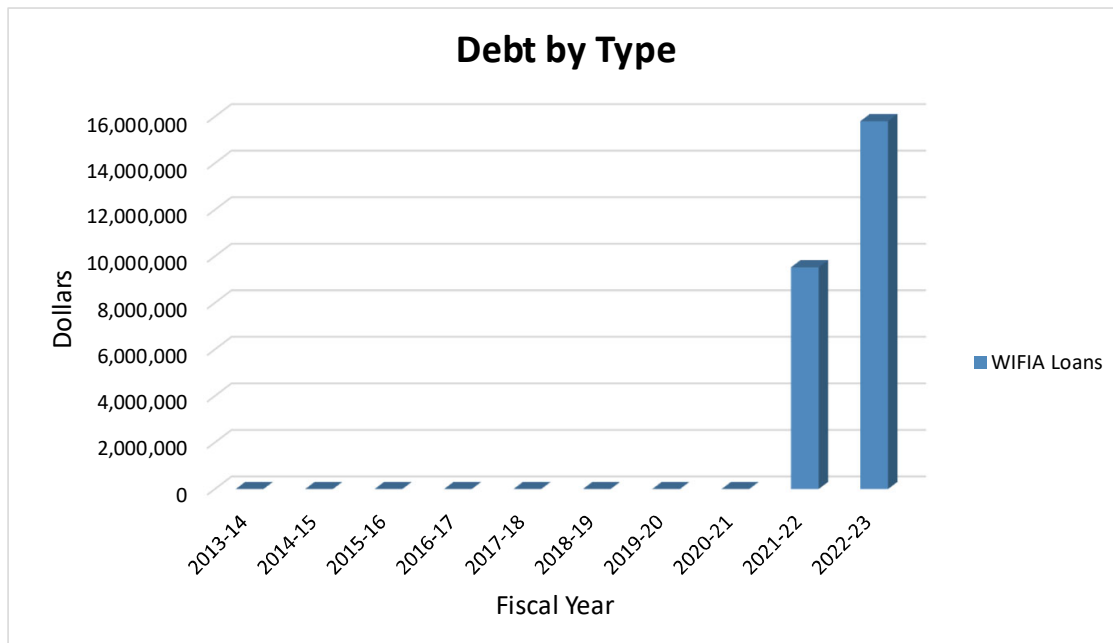
(1) Population numbers are prepared by Population Research Center (www.pdx.edu), PSU.

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

MEDFORD WATER - UNAUDITED
Schedule 14

Ratio of Outstanding Debt by Type - Last Ten Fiscal Years

Fiscal Year	WIFIA Loans	Total			Percentage of Personal Income
		Total Debt	Per Capita		
2013-14	-	-	-	-	0%
2014-15	-	-	-	-	0%
2015-16	-	-	-	-	0%
2016-17	-	-	-	-	0%
2017-18	-	-	-	-	0%
2018-19	-	-	-	-	0%
2019-20	-	-	-	-	0%
2020-21	-	-	-	-	0%
2021-22	9,526,561	9,526,561	62.93		0.11%
2022-23	15,805,484	25,332,045	165.87		0.29%



- (1) Debt Service for WIFIA Loans scheduled to begin in fiscal year 2028-29.
 (2) Ratio of total outstanding debt to total population of Jackson County/Rogue Valley residents served.

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 ("Medford Water"), as of and for the year ended June 30, 2023, and have issued our report thereon dated April 24, 2024. 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 Medford Water'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 Medford Water 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 Medford Water'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 Medford Water's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Medford Water'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 style with a long, sweeping underline.

By Paul R. Nielson, member of the firm
for Isler CPA
April 24, 2024

COMPLIANCE SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Commissioners
Medford Water

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Medford Water as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Medford Water's basic financial statements, and have issued our report thereon dated April 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Medford Water's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Medford Water's internal control. Accordingly, we do not express an opinion on the effectiveness of Medford Water's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Medford Water's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-01.

Medford Water Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Medford Water's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Medford Water's response was not subjected to the other auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Isler CPA

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

By: Paul Nielson, CPA, a member of the firm
Eugene, Oregon
April 24, 2024



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**Independent Auditors' Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

The Board of Commissioners
Medford Water

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Medford Water's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Medford Water's major federal programs for the year ended June 30, 2023. Medford Water's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Medford Water complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Medford Water and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Medford Water's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Medford Water's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Medford Water's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Medford Water's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Medford Water's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Medford Water's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Medford Water's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-01. Our opinion on each major federal program is not modified with respect to these matters

Government Auditing Standards require the auditor to perform limited procedures on the Commission's response to the noncompliance identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the other auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. However, no material weaknesses were identified.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2023-01 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Isler CPA



By: Paul Nielson, CPA, a member of the firm
Eugene, Oregon
April 24, 2024

MEDFORD WATER

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance?	Yes

Identification of Major Federal Award Programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN</u>
Water Infrastructure Finance and Innovation	66.958

Dollar threshold used to distinguish between type A and type B programs:	\$919,447
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2023-01

Assistance Listing Number: 66.958

Federal Agency: Environmental Protection Agency

Federal Award Year: 2019

Program Title: Water Infrastructure Finance and Innovation (WIFIA)

Repeat finding: No

Criteria: Under 2 CFR 200, costs must not consist of improper payments, including payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.

Condition: A selection of 60 internal time charges billed to the loan were selected for testing. Of these, 3 did not match Medford Water Commission approved work rate schedules amounts. All three discrepancies related to the same employee.

Cause: Clerical error in rate entry within accounting system.

Effect: Drawdowns requested on loan included unallowable costs related to amounts charged for work performed by Medford Water Commission. Known questioned costs are \$514. Estimate of likely questioned costs is \$20,965. Estimate of likely questioned costs was calculated by projecting the known error rate to the remaining population.

Recommendation: Rate changes made in system should be reviewed and documented.

Response: Management concurs with this finding

Section IV – Summary Schedule of Prior Audit Findings

None

MEDFORD WATER

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Program	ALN	Expenditures
Environmental Protection Agency		
Water Infrastructure Finance and Innovation	66.958	\$ 30,459,630
Department of Homeland Security		
Disaster Grants - Public Assistance	97.036	<u>188,604</u>
Total		<u><u>30,648,234</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Medford Water under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operation of Medford Water, it is not intended to and does not present the financial position, changes in financial position, or cash flow for the Medford Water.

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. Expenditures reported on this schedule are recognized following the cost principles in Title 2 US Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, where certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost

The District has not elected to use the 10% *de minimis* cost rate.

4. Loan Balance

The loan balance of the Water Infrastructure Finance and Innovation loans at June 30, 2023 was \$ 25,332,045