



Annual Comprehensive Financial Report



MEDFORD WATER COMMISSION

For Fiscal Year Ended June 30, 2024

A component unit of the City of Medford, OR

2023-2024



MEDFORD WATER COMMISSION

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year
July 1, 2023 - June 30, 2024

**Prepared by Finance Department
December 2024**

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

Years ended June 30, 2024 and 2023

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(A Component Unit of the City of Medford)

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(A Component Unit of the City of Medford)

Years ended June 30, 2024 and 2023

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INTRODUCTORY SECTION



December 18, 2024

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, 2024. This report has been prepared by Medford Water 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 a comprehensive audit of Medford Water's financial statements for the year ending June 30, 2024. This audit is conducted annually in accordance with Oregon State Law. Additionally, it adheres to the standards applicable to financial audits as outlined in the Government Auditing Standards issued by the Comptroller General of the United States, reinforcing our commitment to transparency and accountability in financial reporting.

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.

FACILITIES



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, the domestic water district of Elk City purchases water from Medford Water. All water services are metered except for fire hydrants.

Medford Water's mission is to safeguard public health by providing a reliable, high quality water supply at the best value. Medford Water has two sources of water: Big Butte Springs and the Rogue River. 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. 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 it emerges 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 is known for its exceptional award-winning quality and taste. In addition to the above treatment facilities, Medford Water has 15 reservoirs, 9 pump stations, 3 pressure control stations, and over 519 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 clear 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 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.

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. It offers beautiful scenery, outdoor adventures, mild climate, and exceptional quality of life. The economy revolves around timber, agriculture, manufacturing, health care and tourism.

LONG TERM FINANCIAL PLANNING

Medford Water strives to improve its current infrastructure through the many projects it completes each year. The largest project in the 2023-24 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.

Medford Water has conducted cost-of-service study annually, historically favoring small annual rate increases over infrequent larger increases. In both March 2023 and March 2024, water rates increased an average of 8%. This was due primarily to the increased cost of operations and construction of capital improvement projects. Rate funding in combination with Water Infrastructure and Improvement Act (WIFIA) loan funding has allowed Medford Water to complete major 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. Additionally, the Comprehensive Financial Management Policy is reviewed annually and 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 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.



AWARDS AND ACKNOWLEDGEMENTS

Status (6/30/24)	Metric	Target (Typical)
2.35	Current Ratio	> 1.0
32%	Age of System	< 50%
176	Water Fund Cash on Hand	90 – 180 days
30	Days' Sales Outstanding	< 30 days

The Current Ratio indicates the extent to which the claims of short-term creditors are covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the liabilities. Medford Water has a target of greater than 1.0.

Age of System is the ratio of accumulated depreciation against the historical value of assets. This ratio measures how old the system is as compared to how much has been depreciated. Infrastructure over 65% depreciated should be watched for aging, while infrastructure less than 50% depreciated is representative of newer systems. Medford Water has a target of less than 50%.

Water Fund Cash on Hand is how long, in days, Medford Water could meet Operating Expenses and Water Fund Capital Expenditures without receiving new income. Medford Water strives to maintain 90 - 180 days cash on hand.

Days Sales Outstanding is the average collection period or days' sales in receivables, measures the number of days that Medford Water is to collect cash from its water sales. This calculation shows the liquidity and efficiency of Medford Water's Customer Collection and Meter Reading Departments. Medford Water has a target of less than 30 days.

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 for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2023. This was the thirteenth consecutive year that Medford Water 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 unflinching support for maintaining the highest standards of professionalism in the management of Medford Water's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'BTaylor', is positioned above a horizontal line.

Brad Taylor
General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Medford Water Commission
Oregon**

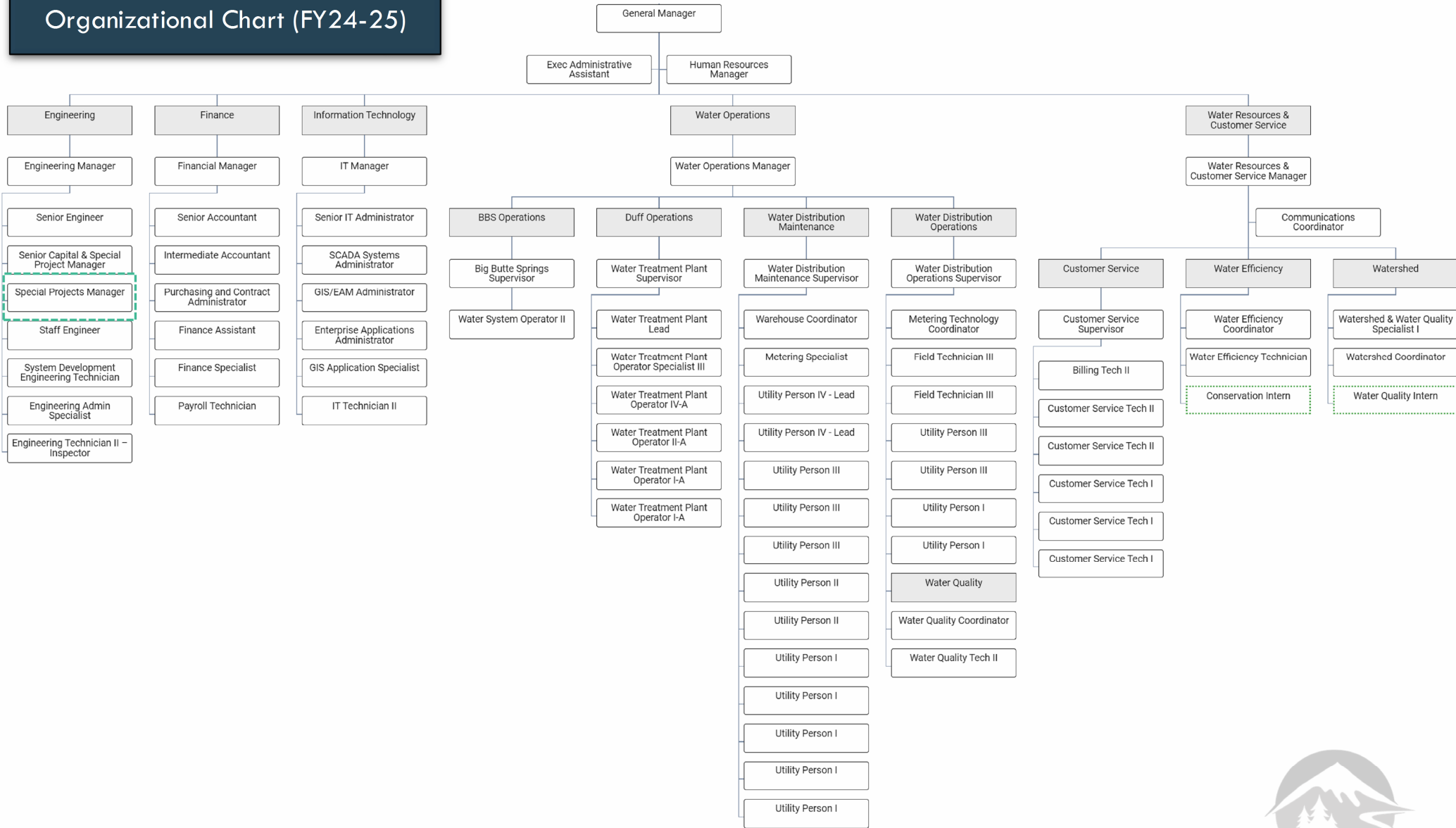
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

Organizational Chart (FY24-25)



Full Time Positions: 73



MEDFORD WATER COMMISSION

(A Component Unit of the City of Medford)

June 30, 2024

MISSION STATEMENT

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

BOARD OF COMMISSIONERS

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

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 Resources & Customer Service Manager	Julie Smitherman

Medford Water

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**

1957

Construction of trunk water main loop encircling city

1957 - 1959

Big Butte Springs transmission line II extended to southeast side of



1967

Conrad Pressure Control Station

1968

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

1959

Capital Hill Reservoir I and II covered

1969

Martin Pressure Control Station

1970

Brookdale Pump Station

1971

Stanford Reservoir

1975

McAndrews Service Center

Vilas Road Transmission line



1977

3 mg addition to Treatment Plant reservoir

1978

Rancheria Pump Station

1980

Archer Pump Station



1981

Second Rogue 36" transmission main

1982

Phoenix receives surplus water from the Commission

1983

Southeast Reservoir



1989

Treatment plant Contact Basin 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 DAN DODGE of the Mail Tribune

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

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

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

Council hires administrator, but name held

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

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

After Mayor Frank P'akarela 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 flocced basins Expansion

Corrosion Study

2020

Rancheria Springs UV Disinfection Facility

Treatment Plant

Lagoons Expansion

Automated sampling at BBS Point of Entry



2021

Backup Power at Treatment Plant

Utility Fiber to BBS

2022



Treatment Plant Engineered Lagoons

BBS Chlorine Monitoring Station

2023

Ozone Generation added at Duff Water Treatment Plant



FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Medford Water Commission
Medford, Oregon

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, 2024 and 2023, 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, 2024 and 2023, 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 Medford Water, 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 and *Government 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 and *Government 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, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of budgeted and actual resources and requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical 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 December 18, 2024, on our consideration of the 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 the 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's 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 December 18, 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
December 18, 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, 2024. 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 \$205,758. Of this amount, \$13,533 (unrestricted net position) may be used to meet our ongoing obligations of providing retail and wholesale water services. Capital assets, net of accumulated depreciation accounts for \$188,934 and the remaining \$3,291 was restricted. Total liabilities increased by 110.1% in FY 2024, and increased by 120.7% in FY 2023. The change in net position was \$13,809 in FY 2024. Several factors contributed 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. Complimenting 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 - Statement of Net Position (in thousands)

	2024	2023	2022	2023-24 Change	% Change
Assets					
Current assets	\$ 29,532	\$ 43,541	\$ 41,967	\$ (14,009)	(32.2)
Capital assets	250,737	180,187	158,621	70,551	39.2
Other noncurrent assets	6,277	7,284	2,024	(1,008)	(13.8)
Total assets	<u>286,547</u>	<u>231,012</u>	<u>202,612</u>	<u>55,535</u>	24.0
Deferred outflow of resources	<u>2,658</u>	<u>2,470</u>	<u>2,350</u>	<u>188</u>	7.6
Liabilities					
Current liabilities	12,614	7,275	3,660	5,339	73.4
Long-term liabilities	<u>69,966</u>	<u>32,026</u>	<u>14,148</u>	<u>37,940</u>	118.5
Total liabilities	<u>82,580</u>	<u>39,301</u>	<u>17,808</u>	<u>43,279</u>	110.1
Deferred inflow of resources	<u>867</u>	<u>2,231</u>	<u>3,789</u>	<u>(1,364)</u>	(61.1)
Net position:					
Invested in capital assets	188,934	154,793	149,094	34,141	22.1
Restricted	3,291	5,639	216	(2,348)	0.0
Unrestricted	<u>13,533</u>	<u>31,517</u>	<u>34,055</u>	<u>(17,984)</u>	(57.1)
Total net position	<u>\$ 205,758</u>	<u>\$ 191,949</u>	<u>\$ 183,365</u>	<u>\$ 13,809</u>	7.2

CAPITAL ASSETS

Capital assets increased by \$70,551 in FY 2024, as compared to an increase of \$21,504 in FY 2023. Major capital additions included Water Quality Improvement Project and the expansion at the Robert A. Duff Water Treatment Plant. Capital contributions from developers were \$4,136 in FY 2024 and \$2,700 in FY 2023. For more detailed information on Medford Water's capital asset activity please refer to note 5 of the financial statements.

LIABILITIES

Total liabilities increased by \$43,279 driven by Medford Water's noncurrent portion of long-term debt increasing by \$37,940 as a result of WIFIA-funded projects. Subscription-based IT arrangements have increased as a result of the addition of Water Smart website and asset management software implemented in FY 2024 (Note 8).

Medford Water - Changes in Net Position
(in thousands)

	2024	2023	2022	2023-24 Change	% Change
Operating revenues:					
Water sales and customer services	\$ 25,700	\$ 23,675	\$ 21,503	\$ 2,025	8.6
Nonoperating revenues:					
Investment Income	1,758	1,029	124	729	70.9
Other	985	74	851	912	1233.4
Total nonoperating revenues	<u>2,743</u>	<u>1,103</u>	<u>975</u>	<u>1,641</u>	148.8
Total revenues	<u>28,443</u>	<u>24,778</u>	<u>22,478</u>	<u>3,666</u>	14.8
Depreciation & Amortization	4,691	4,238	3,899	453	10.7
Other operating expenses	14,460	14,656	13,226	(196)	(1.3)
Total operating expenses	<u>19,151</u>	<u>18,894</u>	<u>17,125</u>	<u>258</u>	1.4
Increase (decrease) in net position					
before contributions	9,292	5,884	5,353	3,408	57.9
Capital contributions	<u>4,136</u>	<u>2,700</u>	<u>4,264</u>	<u>1,436</u>	53.2
Increase in net position	13,428	8,584	9,617	4,844	56.4
Restatement of net position	381	-	-	-	
Beginning net position	<u>191,949</u>	<u>183,364</u>	<u>173,747</u>	<u>8,585</u>	4.7
Ending net position	<u>\$ 205,758</u>	<u>\$ 191,949</u>	<u>\$ 183,364</u>	<u>\$ 13,809</u>	7.2

Total operating revenues increased by \$2,025 in FY 2024, as compared to a increase of \$2,172 in FY 2023. Medford Water increased water rates approximately 8% effective March 1, 2024, and 8% in March 2023.

Total operating expenses increased by \$258 in FY 2024, compared to an increase of \$1,795 in FY 2023. The largest contributors to the increase in operating costs were purification and source of supply expenses.

Capital contributions increased by \$1,436 in FY 2024, compared to a decrease of \$1,564 in FY 2022.

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, 2024 and 2023

	2024	2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,211,810	\$ 9,766,777
Investments - Short-term	4,597,908	24,570,442
Accounts Receivable, net	3,954,459	2,627,236
Other Receivables	1,401,712	722,958
Inventory	1,976,231	4,853,718
Work in Process	644,950	439,984
Loans and Notes Receivable, Current	157,331	163,265
Prepaid Expenses	587,997	397,050
Total Current Assets	29,532,398	43,541,430
Noncurrent assets:		
Restricted Cash and Cash Equivalents	3,290,889	5,638,856
Regulatory Assets	1,487,711	-
Loans and Notes Receivable, Long-term	1,498,490	1,644,694
Capital - Right-to-use subscription asset, Net of Accumulated Amortization	2,321,928	61,796
Capital - Land, improvements, and construction in progress	91,734,331	37,633,716
Capital- Other Assets, Net of Accumulated Depreciation	156,681,282	142,491,188
Total Non-Current Assets	257,014,631	187,470,250
Total Assets	286,547,029	231,011,680
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	2,657,870	2,470,107
LIABILITIES		
Current Liabilities:		
Accounts Payable and Payroll Payable	10,479,555	5,649,376
Customer Deposits	122,961	91,817
Construction Deposits	845,476	638,730
Due to Other Water Districts for Amounts Billed	25,047	57,447
Miscellaneous Payables	296,555	291,490
Current Portion of Vacation Accrual	644,317	546,559
Current portion of Subscription Liability	200,459	-
Total Current Liabilities	12,614,370	7,275,419
Noncurrent Liabilities:		
Noncurrent Portion of Vacation Accrual	161,079	136,640
Noncurrent Portion of Long Term Debt	60,638,739	25,332,045
Subscription Liability	964,708	51,269
Net Pension Liability	8,201,569	6,506,500
Total Noncurrent Liabilities	69,966,095	32,026,454
Total Liabilities	82,580,465	39,301,873
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Relating to Pensions	866,766	2,231,011
NET POSITION		
Invested in Capital Assets	188,933,635	154,792,859
Restricted- Specific Capital Project	3,290,889	5,638,856
Unrestricted	13,533,144	31,517,188
Total Net Position	\$ 205,757,668	\$ 191,948,903

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, 2024 and 2023

	2024	2023
Operating Revenues:		
Residential Sales Inside Gallonage	\$ 6,410,437	\$ 5,621,031
Residential Sales Outside Gallonage	999,136	987,482
Commercial Sales Inside Gallonage	2,321,833	2,069,922
Commercial Sales Outside Gallonage	474,575	485,530
Industrial Sales Inside Gallonage	94,355	169,522
Industrial Sales Outside Gallonage	1,660,117	1,341,301
High Elevation Charges	487,715	428,207
Fire Services Inside	397,663	363,282
Fire Services Outside	122,002	105,592
Base Charges Inside	7,185,815	6,581,956
Base Charges Outside	1,529,199	1,416,686
Miscellaneous Collections	463,763	444,463
Sales to Other Utilities	2,445,038	2,725,627
Customer Service Connections Revenue	644,514	607,107
Servicing of Customer Installations	464,016	327,483
Total Operating Revenues	25,700,178	23,675,191
Operating Expenses:		
Connections/Installations	1,034,407	900,409
Source of Supply	1,999,121	1,258,313
Supply Pumping	753,321	675,722
Purification	3,159,214	3,312,066
Transmission	297,616	337,444
Distribution Pumping	489,938	471,575
Distribution	3,356,262	4,180,955
Customer Accounts & Collections	2,639,616	2,335,924
Administration & General	587,806	2,049,500
Change in Components of Net Pension Liability	143,061	(865,430)
Depreciation & Amortization	4,691,324	4,237,380
Total Operating Expenses	19,151,686	18,893,858
Operating Income (Loss)	6,548,492	4,781,333
Nonoperating Revenues/Expenses		
Investment Earnings	1,757,914	1,028,658
Grant revenues	463,153	1,222
Income from Forest Products	607,830	-
Miscellaneous Income	584,957	28,629
Loss on Disposition of Assets	(190,000)	44,110
Special one time payment	(480,526)	-
Total Nonoperating Revenues/Expenses	2,743,328	1,102,619
Income (loss) Before Capital Contributions	9,291,820	5,883,952
Capital Contributions:		
Developer Donations	2,615,843	1,738,597
System Development Charges	1,520,300	961,663
Total Capital Contributions	4,136,143	2,700,260
Change in Net Position	13,427,963	8,584,212
Total net position - beginning	191,948,903	183,364,691
Restatement of net position (Note 15)	380,802	-
Net Position - Beginning	192,329,705	183,364,691
Total Net Position - Ending	\$ 205,757,668	\$ 191,948,903

See accompanying notes to financial statements.

MEDFORD WATER

(A Component Unit of the City of Medford)

Statements of Cash Flows
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Received from customers	\$ 24,441,153	\$ 23,256,009
Paid to suppliers for goods and services	(6,661,850)	(7,120,896)
Paid for employee wages, taxes and benefits	<u>(9,194,784)</u>	<u>(9,294,439)</u>
Net cash provided by operating activities	<u>8,584,519</u>	<u>6,840,674</u>
Cash flows provided by noncapital financing activities:		
Grant revenue	463,153	1,222
Proceeds from sale of timber	607,830	-
Special one time payment	<u>(480,526)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>590,457</u>	<u>1,222</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	12,302	44,110
Cash paid to acquire and construct capital assets/SBITAs	(62,724,073)	(22,064,638)
System development fees received	1,520,300	961,663
Proceeds from issuance of debt	<u>34,199,785</u>	<u>15,805,484</u>
Net cash used by capital and related financing activities	<u>(26,991,686)</u>	<u>(5,253,381)</u>
Cash flows from investing activities:		
Investment amounts deposited into cash	21,730,449	(19,437,174)
Principal received on notes	<u>183,327</u>	<u>177,669</u>
Net cash provided (used) by investing activities	<u>21,913,776</u>	<u>(19,259,505)</u>
Net increase (decrease) in cash and cash equivalents	4,097,066	(17,670,990)
Cash and cash equivalents at beginning of year	<u>15,405,633</u>	<u>33,076,623</u>
Cash and cash equivalents at end of year	<u>\$ 19,502,699</u>	<u>\$ 15,405,633</u>
Cash and cash equivalents at end of year are reported as follows:		
Cash and cash equivalents	\$ 16,211,810	\$ 9,766,777
Restricted cash and cash equivalents	<u>3,290,889</u>	<u>5,638,856</u>
Cash and cash equivalents at end of year	<u>\$ 19,502,699</u>	<u>\$ 15,405,633</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 6,548,492	\$ 4,781,333
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and Amortization	4,691,324	4,236,063
Miscellaneous income and charges in lieu of assessments	572,654	28,629
Changes in:		
Trade Accounts Receivable	(1,327,227)	(815,133)
Other Receivables	(678,754)	285,619
Inventory	2,875,677	(3,323,662)
Work in Process	(204,966)	(180,643)
Net pension liability - PERS	143,061	338,835
Prepaid expenses	(189,136)	(151,625)
Other Current Assets	(31,189)	90
Accounts payable	(4,148,169)	1,527,152
Deposits Received	31,144	7,043
Construction Deposits	206,746	104,050
Due to Others, Current	(32,400)	1,799
Lozier note	-	(31,189)
Vacation accrual	122,198	22,543
Miscellaneous payables	5,064	9,770
Net cash provided (used) by operating activities	<u>\$ 8,584,519</u>	<u>\$ 6,840,674</u>
Schedule of noncash capital and related financing activities		
Contributed capital assets	<u>\$ 2,615,843</u>	<u>\$ 1,738,597</u>

See accompanying notes to financial statements.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2024 and 2023

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 152,000 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, 2024 and 2023

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, 2024 and 2023.

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 work orders, 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, interest, 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.

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. Subscription payable.

Medford Water reports a subscription payable for the liability associated with contracts granting Medford Water the right to use a nonfinancial asset such as subscription-based information technology. Medford Water has also recorded an intangible asset for the right to use the nonfinancial asset.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2024 and 2023

Note 1 - Summary of significant accounting policies (continued)

n. Regulatory Assets.

Medford Water meets the criteria for regulatory operations, and accordingly, follows the accounting and reporting requirements applicable to regulated operations. Medford Water's rates are regulated by the Board of Commissioners. Regulatory assets are established by Medford Water through the deferral of interest expenses that may be recovered or paid via future rate adjustments, in compliance with the current rate ordinances. This approach is intended to more accurately reflect the timing of capital cost recovery from customers when the investment is considered both used and useful, in accordance with the principles outlined in the utility basis approach.

o. 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 11.

p. 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.

q. 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, 2024 and 2023

Note 1 - Summary of significant accounting policies (continued)

Note 2 - Cash and investments

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

	<u>2024</u>	<u>2023</u>	S&P rating	<u>Maturity</u>
Cash and cash equivalents:				
Cash on hand	\$ 2,940	\$ 2,940	N/A	N/A
Checking accounts	2,820,725	846,225	N/A	N/A
Deposit with LGIP - unrestricted	<u>13,388,145</u>	<u>8,917,612</u>	Not rated	N/A
Total unrestricted cash and cash equivalents	16,211,810	9,766,777		
Restricted deposit with LGIP	<u>3,290,889</u>	<u>5,638,856</u>	Not rated	N/A
Total cash and cash equivalents	<u>\$ 19,502,699</u>	<u>\$ 15,405,633</u>		
Investment in notes and bonds:				
Federal Home Loan Bank	-	2,974,587	AA+	1-5 years
Federal Farm Credit Bank	999,730	2,595,665	AA+	1-5 years
US Treasuries	3,404,894	18,814,882	N/A	1-5 years
Municipal Bonds	<u>193,284</u>	<u>185,308</u>	AA+	1-5 years
Total	<u>\$ 4,597,908</u>	<u>\$ 24,570,442</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.

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.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2024 and 2023

Note 2 - Cash and investments (continued)

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, 2024, Medford Water's deposits with various financial institutions had a bank balance of \$3,302,331. 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.

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Notes to Financial Statements

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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 \$120,000. 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, 2024 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	\$ 1,546,228	\$ (111,823)	\$ 1,434,405	\$ 115,680	\$ 1,318,725
Coker Butte Water District	59,890	(4,195)	55,695	4,651	51,044
Lozier Lane/ JHWD note	201,841	36,120	165,721	37,000	128,721
Totals	<u>\$ 1,807,959</u>	<u>\$ (79,898)</u>	<u>\$ 1,655,821</u>	<u>\$ 157,331</u>	<u>\$ 1,498,490</u>

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>

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Note 4 - Regulatory Assets

Regulatory assets are established by Medford Water through the deferral of interest expenses that may be recovered or paid via future rate adjustments, in compliance with the current rate ordinances. This approach is intended to more accurately reflect the timing of capital cost recovery from customers when the investment is considered both used and useful, in accordance with the principles outlined in the utility basis approach.

Below is a summary of Medford Water's regulatory assets at June 30, 2024:

	2023	Additions	Deductions	2024
Regulatory Asset- Interest	\$ -	\$ 1,487,711	\$ -	\$ 1,487,711

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	2023	Additions	Transfers and Retirements	2024
Capital assets, not being depreciated:				
Land and right of way	\$ 5,056,375	\$ 77,161	\$ -	\$ 5,133,536
Construction in progress	32,577,341	70,776,092	(16,752,638)	86,600,795
Total capital assets, not being depreciated	37,633,716	70,853,253	(16,752,638)	91,734,331
Capital assets, being depreciated:				
Buildings, supply, and distribution system	203,476,921	17,601,263	(559,814)	220,518,370
Equipment and software	10,774,305	1,196,597	-	11,970,902
Right-to-use subscription asset	114,380	2,536,194	(43,284)	2,607,290
Total capital assets being depreciated	214,365,606	21,334,054	(603,098)	235,096,562
Less accumulated depreciation for:				
Buildings, supply, and distribution system	(64,633,315)	(3,989,185)	303,328	(68,319,172)
Equipment and software	(7,126,723)	(426,077)	63,982	(7,488,818)
Right-to-use subscription asset	(52,584)	(276,062)	43,284	(285,362)
Total accumulated depreciation	(71,812,622)	(4,691,324)	410,594	(76,093,352)
Total capital assets, being depreciated, net	142,552,984	16,642,730	(192,504)	159,003,210
Total capital assets, net	\$ 180,186,700	\$ 87,495,983	\$ (16,945,142)	\$ 250,737,541

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June 30, 2024 and 2023

Note 5 - Capital assets (continued)

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
Right-to-use subscription asset	-	114,380	-	114,380
Total capital assets being depreciated	194,507,331	23,024,917	(3,166,642)	214,365,606
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)
Right-to-use subscription asset	-	(52,584)	-	(52,584)
Total accumulated depreciation	(56,507,288)	(17,713,376)	2,408,042	(71,812,622)
Total capital assets, being depreciated, net	138,000,043	5,311,541	(758,600)	142,552,984
Total capital assets, net	\$ 158,620,949	\$ 23,651,728	\$ (2,085,977)	\$ 180,186,700

Note 6 - Accrued vacation

Accrued vacation balances were \$805,396 and \$683,199 for the years ended June 30, 2024 and 2023 respectively. The change in accrued vacation for the year ended June 30, 2024 consists of decreases of \$94,802 and increases of \$217,001. For the year ended June 30, 2023 decreases were \$237,605 and increases were \$260,149. The current portion of compensated absences was \$644,317 and \$546,559 for the years ended June 30, 2024 and 2023.

Note 7 - 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 \$27,381,175 has been drawn down as of June 30, 2024. Under the terms of the agreement, interest is accreted to 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.

On May 5, 2022, Medford Water entered into another loan agreement with the United States Environmental Protection Agency under the Water Infrastructure Finance and Innovation Act (WIFIA lender) to fund Phase 2 of the water supply resiliency project. This project includes the development of the Duff Water Treatment Plant, the reduced pressure zone, and gravity zone reservoirs, and the design and construction of a new Medford Water campus. The loan bears interest at 3.21% and matures July 15, 2046. A maximum amount of \$69,407,135 of

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Notes to Financial Statements

June 30, 2024 and 2023

Note 7 - Long term debt (continued)

principal is available to Medford Water, of which \$31,769,854 has been drawn down as of June 30, 2024. Under the terms of the agreement, interest is accreted to principal until December 31, 2029, at which time interest on the current balance is paid semiannually thereafter. Principal payments on the loan begin on July 15, 2033. 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, 2024, are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ -	\$ -	\$ -
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	340,426	340,426
2030-2034	1,944,905	8,324,626	10,269,531
2035-2039	10,710,241	8,311,135	19,021,376
2040-2044	12,558,855	6,108,655	18,667,510
2045-2049	18,928,837	3,518,099	22,446,936
2050-2054	16,495,901	673,724	17,169,625
Total	<u>\$ 60,638,739</u>	<u>\$ 27,276,665</u>	<u>\$ 87,915,404</u>

A summary of the changes in long-term debt for the year ended June 30, 2024 follows:

	Beginning Balance	Reductions	Principal Borrowed/ interest	Ending Balance	Due Within One Year
WIFIA Loan N20152OR	\$ 22,988,646	\$ -	\$ 5,365,770	\$ 28,354,416	\$ -
WIFIA Loan N20199OR	<u>\$ 2,343,399</u>	<u>\$ -</u>	<u>\$ 29,940,924</u>	<u>\$ 32,284,323</u>	<u>\$ -</u>
Total long-term debt	<u>\$ 25,332,045</u>	<u>\$ -</u>	<u>\$ 35,306,694</u>	<u>\$ 60,638,739</u>	<u>\$ -</u>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 8 - Subscription based IT arrangements (SBITA)

Medford Water subscribes to four 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 31, 2027. The second is for geographic information system (GIS) software. The subscription expires on June 30, 2025. The third is for asset management software. This subscription expires on November 29, 2031. The final subscription is related to software that allows Medford Water and their customers to better track the usage of water. At June 30, 2024 total assets recognized related to subscription assets were \$2,607,290. Related amortization for the period ended June 30, 2024 was \$285,362.

During the fiscal year ended June 30, 2024, the subscription liability increased by \$1,420,392 compared to an increase of \$114,380 during fiscal year ended June 30, 2023. As a result of payments made, the liability decreased by \$306,494 and \$63,111 in the fiscal year ended June 30, 2024 and 2023, respectively.

Future maturities related to the subscription liability are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 200,459	\$ 72,360	\$ 272,819
2026	210,009	59,176	269,185
2027	132,558	45,001	177,559
2028	146,471	36,415	182,886
2029	161,444	26,928	188,372
2030 - 2034	314,226	21,434	335,660
Total	<u>\$ 1,165,167</u>	<u>\$ 261,314</u>	<u>\$ 1,426,481</u>

Note 9 - Related party transactions

Medford Water pays the City of Medford for services, materials/supplies, building permits and utilities. During the year ended June 30, 2024, Medford Water paid the City of Medford a franchise tax, utility charges, fleet costs and other charges amounting to \$683,456 and \$804,541 in the fiscal year ended June 30, 2024 and 2023, respectively. Water sales to the City were \$402,249 and \$380,993 during the year ended June 30, 2024, and 2023, respectively.

Note 10 - 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 11 - 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>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - Pension plan (continued)

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 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

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - Pension plan (continued)

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes after Retirement

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

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - Pension plan (continued)

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation which became effective July 1, 2023. Employer contributions for the year ended June 30, 2024 and June 30, 2023 were \$1,003,073 and \$872,769 respectively. The rates in effect for the fiscal years ended June 30, 2024 were 22.73 percent for Tier One/Tier Two General Service Member, 15.58 percent for OPSRP Pension Program General Service Member, 6 percent for OPSRP Individual Account Program and for June 30, 2023 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.

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

At June 30, 2024, Medford Water reported a liability of \$8,201,569 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023. 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, 2024, Medford Water's proportion was 0.044 percent, which was an increase from its proportion of 0.043 percent at June 30, 2023.

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - Pension plan (continued)

For the year ended June 30, 2024, Medford Water recognized pension expense of \$1,003,073. At June 30, 2024, 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	\$ 401,082	\$ 32,520
Change in assumptions	728,579	5,432
Net difference between projected and actual earnings on investments	147,416	-
Change in proportionate share	535,888	115,261
Differences between Commission contributions and proportionate share of contributions	-	713,553
Total (prior to post-MD contributions)	1,812,965	866,766
Commission contributions subsequent to the measurement date	844,905	-
Total	\$ 2,657,870	\$ 866,766

Deferred outflows of resources related to pensions of \$844,905 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>	
2025	\$ 73,539
2026	(288,552)
2027	813,622
2028	309,461
2029	38,129
Total	\$ 946,199

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - Pension plan (continued)

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 a decrease 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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>\$ 2,470,107</u>	<u>\$ 2,231,011</u>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - 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, 2021
Measurement Date	June 30, 2023
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 January 2023 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/2023-Annual-Comprehensive-Financial-Report.pdf>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - 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, 2024 and 2023

Note 11 - 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, 2024			
Proportionate share of net pension liability	\$ 13,547,455	\$ 8,201,569	\$ 3,727,637

	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

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 12 - 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 13 - 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 \$150,422,856 at June 30, 2024.

Note 14- 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.

Note 15 - Restatement of prior years statements

In the year ended June 30, 2024 the Medford Water elected to capitalize interest from WIFIA loans on related capital projects. It was determined that \$380,802 was eligible for capitalization in FY 2023. This interest was expensed in the June 30, 2023 financial statements. Beginning net position was adjusted to reflect prior year expensed interest that is now being capitalized.

MEDFORD WATER

(A Component Unit of the City of Medford)

Notes to Financial Statements

June 30, 2024 and 2023

Note 16 - Subsequent Events

On July 25, 2024, Medford Water issued \$36,765,000 of Revenue Bonds, maturing on 07/15/2054, with a coupon interest rate of 5%. The issuance aims to support projects including expanding MWC's Duff Water Treatment Plant to 65 million gallons per day (mgd) from 45 mgd to mitigate risk associated with reduced water from the commission's Big Butte Springs (BBS) water source, the commission's primary source of supply, and extending the life and resiliency of the treatment plant by rebuilding various portions of it. The bonds were offered at \$109.29, resulting in gross proceeds of \$40,260,855.70. The issuance of these bonds enhances Medford Water's liquidity and supports its long-term capital structure.

REQUIRED SUPPLEMENTAL INFORMATION

MEDFORD WATER

(A Component Unit of the City of Medford)

Required Supplementary Information

Year Ended June 30, 2024

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.043805 %	0.042500 %	0.037515 %	0.037631 %	0.036060 %	0.032940 %	0.034038 %	0.034703 %	0.038844 %	0.037437 %
Proportionate share of the net pension liability (asset)	\$ 8,201,569	\$ 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)
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
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	146.30 %	130.30 %	93.40 %	185.50 %	140.89 %	125.76 %	115.70 %	131.32 %	56.13 %	(22.59)%
Plan net position as a percentage of the total pension liability	81.70 %	84.50 %	87.60 %	75.80 %	80.20 %	82.10 %	83.10 %	80.53 %	91.90 %	103.59 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,003,073	\$ 872,769	\$ 818,372	\$ 733,283	\$ 672,907	\$ 503,163	\$ 491,051	\$ 349,966	\$ 377,060	\$ 355,534
Contributions in relation to the contractually required contribution	<u>1,003,073</u>	<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>
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	\$ 5,800,133	\$ 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
Contributions as a percentage of covered employee payroll	17.29 %	15.57 %	16.39 %	15.26 %	15.20 %	12.68 %	12.38 %	8.82 %	9.49 %	9.48 %

MEDFORD WATER

(A Component Unit of the City of Medford)
Notes to Required Supplementary Information
Year Ended June 30, 2024

Note I - Measurement Period

Amounts presented are for the measurement period, which for FY 2024 is July 1, 2022 - June 30, 2023.

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.

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, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Resources:				
Water Revenue	\$ 22,000,000	\$ 22,000,000	\$ 24,591,649	\$ 2,591,649
Work Order and Fee Revenue	600,000	600,000	1,144,650	544,650
Investment Earnings	50,000	50,000	462,563	412,563
System development charges	450,000	450,000	1,520,300	1,070,300
Grants	20,000	20,000	463,153	443,153
Forest Product Revenue	500,000	500,000	607,830	107,830
Miscellaneous Income	50,000	50,000	584,957	534,957
Debt Proceeds	<u>25,581,665</u>	<u>25,581,665</u>	<u>32,639,684</u>	<u>7,058,019</u>
Total resources from operations	49,251,665	49,251,665	62,014,786	12,763,121
Transfer from Water Construction Fund	18,500,000	18,500,000	18,980,526	480,526
Total Transfers	18,500,000	18,500,000	18,980,526	480,526
Beginning fund balance available for appropriation	<u>18,863,846</u>	<u>18,863,846</u>	<u>18,474,828</u>	<u>(389,018)</u>
Total resources	<u>\$ 86,615,511</u>	<u>\$ 86,615,511</u>	<u>\$ 99,470,140</u>	<u>\$ 12,854,629</u>
Requirements:				
Operating requirements:				
Source of Supply	\$ 1,562,554	\$ 1,562,554	\$ 1,999,121	\$ (436,567)
Supply Pumping	798,792	798,792	753,321	45,471
Purification	3,019,113	3,019,113	3,159,214	(140,101)
Transmission	331,084	331,084	297,616	33,468
Distribution Pumping	599,406	599,406	489,938	109,468
Distribution	4,713,989	4,713,989	3,356,262	1,357,727
Customer Accounts & Collections	2,633,185	2,633,185	2,748,020	(114,835)
Administrative & General, and franchise taxes	1,027,308	1,027,308	785,836	241,472
Work order and Fee Expense	600,000	600,000	1,034,407	(434,407)
Special one time payment	-	-	480,526	(480,526)
Total operating requirements	15,285,431	15,285,431	15,104,261	181,170
Nonoperating requirements:				
Capital outlay	64,298,000	64,298,000	71,395,929	(7,097,929)
Operating contingencies	250,000	250,000	-	250,000
Transfer to Infrastructure Fund	<u>875,000</u>	<u>875,000</u>	<u>875,000</u>	<u>-</u>
Total nonoperating requirements	<u>65,423,000</u>	<u>65,423,000</u>	<u>72,270,929</u>	<u>(6,847,929)</u>
Unappropriated ending fund balance	<u>5,907,080</u>	<u>5,907,080</u>	<u>12,094,950</u>	<u>(6,187,870)</u>
Total requirements	<u>\$ 86,615,511</u>	<u>\$ 86,615,511</u>	<u>\$ 99,470,140</u>	<u>\$ (12,854,629)</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, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Resources:				
Investment Earnings	\$ 205,000	\$ 205,000	\$ 1,295,351	\$ 1,090,351
Transfer from Water Fund	875,000	875,000	875,000	-
Subtotal	1,080,000	1,080,000	2,170,351	1,090,351
Beginning fund balance available for appropriation	29,401,808	29,401,808	30,244,639	842,831
Total resources	\$ 30,481,808	\$ 30,481,808	\$ 32,414,990	\$ 1,933,182
Requirements:				
Transfer to Water Fund	\$ 18,500,000	\$ 18,500,000	\$ 18,980,526	\$ (480,526)
Unappropriated ending fund balance	11,981,808	11,981,808	13,434,464	(1,452,656)
Total requirements	\$ 30,481,808	\$ 30,481,808	\$ 32,414,990	\$ (1,933,182)

MEDFORD WATER

(A Component Unit of the City of Medford)

Reconciliation of Budget Basis Fund Balance to Net Position

Year Ended June 30, 2024

	<u>2024</u>
Fund balances, budget basis:	
Water Fund	\$ 12,094,950
Construction and Infrastructure Replacement Fund	<u>13,434,464</u>
Total, budget basis	25,529,414
EPA accrual recorded as receivable	(3,948,346)
Deferred outflows related to pensions	2,657,870
Net pension liability	(8,201,569)
Deferred inflows related to pensions	(866,766)
Long-term debt	(60,638,739)
Deferred inflow Jacksonville Highway Water District /Lozier Lane note	165,717
SBITA activity	1,156,765
Regulatory assets	1,487,711
Capital assets net of accumulated depreciation	<u>248,415,611</u>
Net position	<u>\$ 205,757,668</u>

STATISTICAL SECTION

Medford Commission
Introduction to the Statistical Section
(Unaudited)

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

Contents

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Financial Trends

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

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Revenue Capacity

These schedules contain information to help the reader assess Medford Water's most significant local revenue source.

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Operating Information

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

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Demographic and Economic Information

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

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Debt Capacity

These schedules contain information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future.

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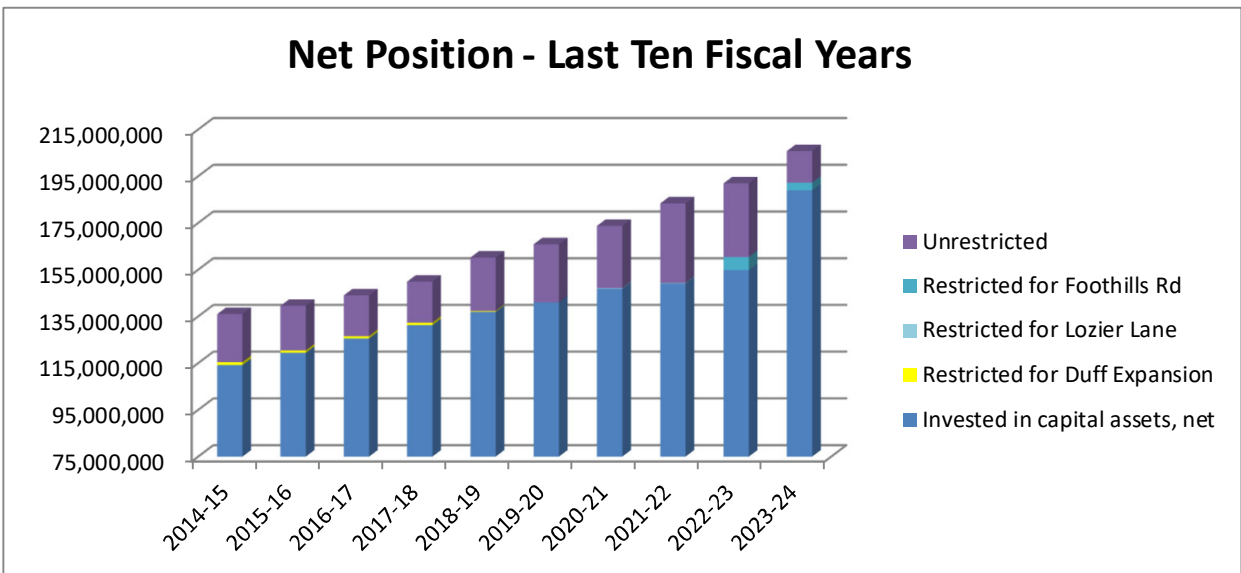
Sources

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

MEDFORD WATER - UNAUDITED
Net Position - Last Ten Fiscal Years

	2014-15	2015-16	2016-17	2017-18	2018-19
Invested in capital assets, net	114,182,987	119,420,089	125,579,757	131,300,433	136,947,817
Restricted for Duff Expansion	1,236,543.00	1,011,148.00	982,000.00	961,226.00	347,939
Restricted for Lozier Lane	-	-	-	-	-
Restricted for Foothills Rd	-	-	-	-	-
Unrestricted	20,560,518	19,108,037	17,437,503	17,601,350	22,876,503
Total	\$ 135,980,048	\$ 139,539,274	\$ 143,999,260	\$ 149,863,009	\$ 160,172,259

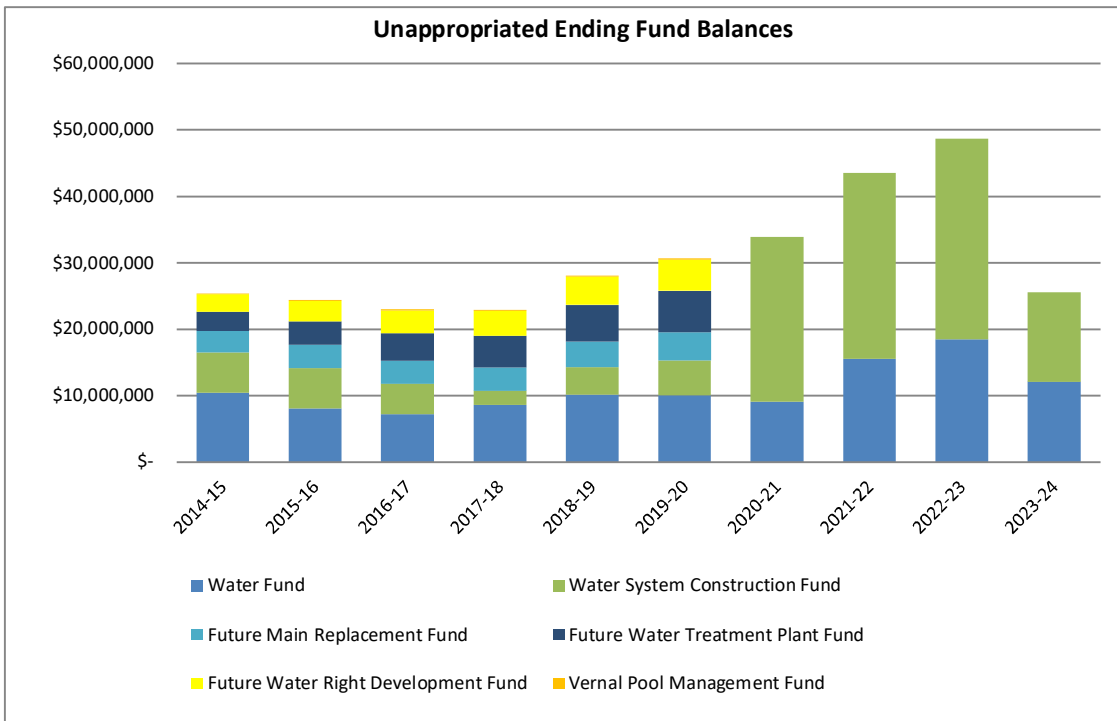
	2019-20	2020-21	2021-22	2022-23	2023-24
Invested in capital assets, net	141,034,855	146,895,052	149,094,388	154,792,859	188,933,635
Restricted for Duff Expansion	-	-	-	-	-
Restricted for Lozier Lane	-	215,795	215,865	-	-
Restricted for Foothills Rd	-	-	-	5,638,856	3,290,889
Unrestricted	24,838,367	26,636,450	34,054,438	31,517,188	13,533,144
Total	\$ 165,873,222	\$ 173,747,297	\$ 183,364,691	\$ 191,948,903	\$ 205,757,668



MEDFORD WATER - UNAUDITED
Unappropriated Ending Fund Balance - Last Ten Fiscal Years

	2014-15	2015-16	2016-17	2017-18	2018-19
Water Fund	\$ 10,458,454	\$ 8,051,825	\$ 7,202,158	\$ 8,612,017	\$ 10,106,648
Water System Construction Fund	6,047,418	6,097,423	4,589,958	2,109,100	4,168,102
Future Main Replacement Fund	3,179,579	3,480,870	3,474,188	3,496,807	3,869,635
Future Water Treatment Plant Fund	2,933,676	3,570,931	4,163,777	4,787,315	5,506,283
Future Water Right Development Fund	2,647,365	3,069,032	3,417,650	3,796,059	4,271,984
Vernal Pool Management Fund	127,198	128,250	128,002	128,835	132,440
Total	\$25,393,690	\$24,398,331	\$22,975,733	\$22,930,133	\$28,055,092

	2019-20	2020-21	2021-22	2022-23	2023-24
Water Fund	\$ 10,038,369	\$ 9,035,047	\$ 15,491,840	\$ 18,474,828	\$ 12,094,950
Water System Construction Fund	5,275,318	24,866,726	28,038,931	30,244,639	13,434,464
Future Main Replacement Fund	4,244,174	-	-	-	-
Future Water Treatment Plant Fund	6,218,880	-	-	-	-
Future Water Right Development Fund	4,724,989	-	-	-	-
Vernal Pool Management Fund	135,847	-	-	-	-
Total	\$30,637,577	\$33,901,773	\$43,530,771	\$48,719,467	\$25,529,414



MEDFORD WATER - UNAUDITED

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

	2014-15	2015-16	2016-17	2017-18	2018-19
Operating revenues:					
Residential and commercial water service	\$ 9,398,186	\$ 10,490,631	\$ 11,741,119	\$ 13,638,287	\$ 15,147,212
Sales to other utilities	1,922,434	2,149,518	1,964,918	1,821,633	2,646,870
Service center clearing revenue	-	-	-	-	-
Work Order and Fee Revenue	521,196	754,891	1,009,379	734,350	853,923
Total operating revenues	11,841,816	13,395,040	14,715,416	16,194,271	18,648,005
Operating expenses:					
Operating and maintenance	5,926,413	7,033,438	6,310,326	7,464,053	8,193,851
Administrative and general	1,113,424	2,938,979	1,324,648	1,782,502	1,958,748
Depreciation and Amortization	3,109,984	3,176,900	3,278,607	3,543,423	3,735,733
Change in components of net pension liability	-	-	382,423	588,047	437,717
Work Order and Fee Expense	366,524	655,863	429,163	700,472	693,141
Total operating expenses	10,516,345	13,805,180	11,725,167	14,078,497	15,019,190
Operating income (loss)	1,325,471	(410,140)	2,990,249	2,115,774	3,628,814
Nonoperating revenues (expenses)					
Charges in lieu of assessments	-	-	5,319	-	-
Investment Income	220,789	228,612	173,296	242,037	609,549
Income from forest products	12,131	36,394	-	-	683,598
Grant Revenue	-	-	-	-	-
Miscellaneous income	138,172	73,383	379,858	217,271	122,004
Gain on sale of assets	6,121	11,350	6,622	-	-
Special one time payment	-	-	-	-	-
Total nonoperating revenues (expenses)	377,213	349,739	565,096	459,308	1,415,151
Income before capital contributions	1,702,684	(60,401)	3,555,345	2,575,082	5,043,965
Capital contributions					
Developer donations (capitalized)	856,759	1,819,728	1,213,438	1,663,325	3,994,345
System development charges	3,617,019	1,617,576	1,295,820	991,154	1,270,940
Total capital contributions	4,473,778	3,437,304	2,509,258	2,654,479	5,265,285
Change in net position	6,176,462	3,376,903	6,064,603	5,229,561	10,309,250
Total net position - beginning of year	133,400,213	135,980,048	139,539,274	145,603,877	150,833,438
Restatement of net position	(3,596,627)	182,323	-	-	-
Total net position - end of year	\$ 135,980,048	\$ 139,539,274	\$ 145,603,877	\$ 150,833,438	\$ 161,142,688

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

MEDFORD WATER - UNAUDITED

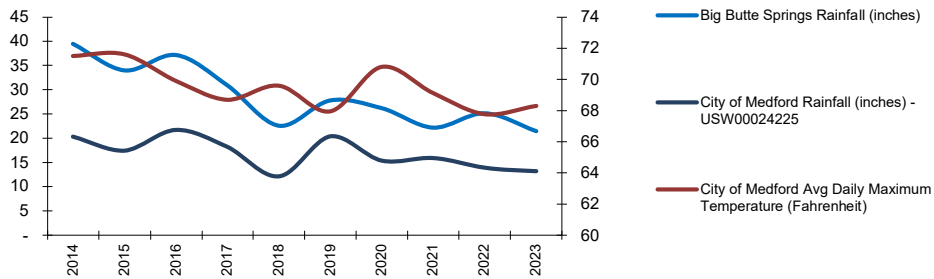
**Statements of Revenues, Expenses and Changes in Net Position - Last Ten Fiscal Years
(Continued)**

	2019-20	2020-21	2021-22	2022-23	2023-24
Operating revenues:					
Residential and commercial water service	\$ 15,549,822	\$ 18,597,709	\$ 17,851,612	\$ 20,014,974	\$ 22,146,610
Sales to other utilities	2,286,742	2,406,487	2,386,465	2,725,627	2,445,038
Service center clearing revenue	-	-	-	-	-
Work Order and Fee Revenue	718,644	755,476	1,264,692	934,590	1,108,530
Total operating revenues	<u>18,555,208</u>	<u>21,759,672</u>	<u>21,502,769</u>	<u>23,675,191</u>	<u>25,700,178</u>
Operating expenses:					
Operating and maintenance	8,960,879	9,625,087	9,983,764	12,571,999	12,695,088
Administrative and general	2,236,485	1,857,241	2,243,847	2,049,500	587,806
Depreciation and Amortization	3,829,677	3,916,304	3,899,340	4,237,380	4,691,324
Change in components of net pension liability	1,044,219	1,324,470	(80,468)	(865,430)	143,061
Work Order and Fee Expense	579,580	740,424	1,078,643	900,409	1,034,407
Total operating expenses	<u>16,650,840</u>	<u>17,463,526</u>	<u>17,125,126</u>	<u>18,893,858</u>	<u>19,151,686</u>
Operating income (loss)	<u>1,904,368</u>	<u>4,296,146</u>	<u>4,377,643</u>	<u>4,781,333</u>	<u>6,548,492</u>
Nonoperating revenues (expenses)					
Charges in lieu of assessments	-	-	-	-	-
Investment Income	714,816	257,864	123,623	1,028,658	1,757,914
Income from forest products	873,050	-	636,682	-	607,830
Grant Revenue	-	-	75,300	1,222	463,153
Miscellaneous income	134,929	356,952	139,860	28,629	584,957
Gain on sale of assets	-	-	-	44,110	(190,000)
Special one time payment	-	-	-	-	(480,526)
Total nonoperating revenues (expenses)	<u>1,722,795</u>	<u>614,816</u>	<u>975,465</u>	<u>1,102,619</u>	<u>2,743,328</u>
Income before capital contributions	3,627,163	4,910,962	5,353,108	5,883,952	9,291,820
Capital contributions					
Developer donations (capitalized)	889,661	1,618,649	2,155,809	1,738,597	2,615,843
System development charges	1,184,139	1,344,464	2,108,477	961,663	1,520,300
Total capital contributions	<u>2,073,800</u>	<u>2,963,113</u>	<u>4,264,286</u>	<u>2,700,260</u>	<u>4,136,143</u>
Change in net position	5,700,963	7,874,075	9,617,394	8,584,212	13,427,963
Total net position - beginning of year	<u>160,172,259</u>	<u>165,873,222</u>	<u>173,747,297</u>	<u>183,364,691</u>	<u>191,948,903</u>
Restatement of net position	-	-	-	-	380,802
Total net position - end of year	<u>\$ 165,873,222</u>	<u>\$ 173,747,297</u>	<u>\$ 183,364,691</u>	<u>\$ 191,948,903</u>	<u>\$ 205,757,668</u>

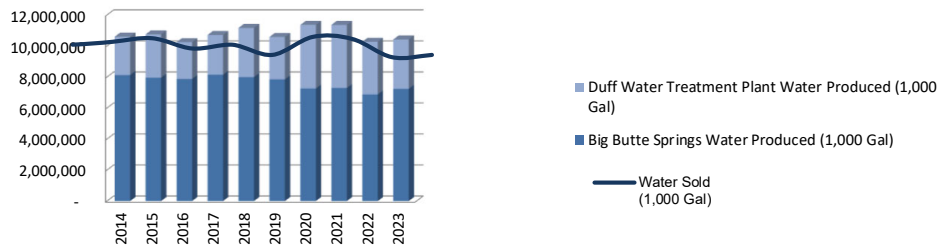
MEDFORD WATER - UNAUDITED
Water Produced and Sold - Last Ten Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Big Butte Springs Water Produced (1,000 Gal)	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	7,234,529
Duff Water Treatment Plant Water Produced (1,000 Gal)	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	3,184,780
Total Production	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	10,419,309
Water Sold (1,000 Gal)	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	8,974,102
Nonrevenue Water (1,000 Gal)	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	1,445,207
Total Production	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	10,419,309
Big Butte Springs Rainfall (inches)	39.48	33.98	37.13	30.87	22.61	27.82	26.20	22.23	25.14	21.50
City of Medford Rainfall (inches) - USW00024225	20.29	17.50	21.73	18.16	12.10	20.33	15.40	15.94	13.91	13.18
City of Medford Avg Daily Maximum Temperature (Fahrenheit)	71.5	71.6	69.9	68.7	69.6	68.0	70.8	69.1	67.8	68.3

Rainfall and Average Temperature



Water Produced and Sold



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

	FY24										
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	%
Inside City											
Residential											
Single Family	21,245	21,170	21,564	21,360	22,012	22,184	22,034	22,606	23,020	23,224	47.7%
Multi-Family	2,351	2,370	2,421	2,434	2,442	2,476	2,607	2,483	2,528	2,593	5.3%
Commercial	2,576	2,624	2,661	2,646	2,711	2,723	2,772	2,753	2,782	2,856	5.9%
Industrial	44	45	44	45	46	47	47	50	50	52	0.1%
Fire Services	403	405	435	448	459	467	480	490	508	537	1.1%
Subtotal	<u>26,619</u>	<u>26,614</u>	<u>27,125</u>	<u>26,933</u>	<u>27,670</u>	<u>27,897</u>	<u>27,940</u>	<u>28,382</u>	<u>28,888</u>	<u>29,262</u>	<u>60.1%</u>
Outside City											
Residential											
Single Family	2,442	2,514	2,833	2,879	2,938	2,955	2,973	3,054	3,080	3,230	6.6%
Multi-Family	58	59	73	73	74	76	72	83	90	95	0.2%
Commercial	209	220	224	223	225	226	206	230	234	252	0.5%
Industrial	83	84	82	88	94	92	91	97	107	120	0.2%
Fire Services	70	72	70	72	72	76	68	77	84	90	0.2%
Subtotal	<u>2,862</u>	<u>2,949</u>	<u>3,282</u>	<u>3,335</u>	<u>3,403</u>	<u>3,425</u>	<u>3,410</u>	<u>3,541</u>	<u>3,595</u>	<u>3,787</u>	<u>7.8%</u>
Water Districts											
Charlotte Ann	196	201	200	200	200	200	197	115	159	-	0.0%
Elk City	102	102	102	103	103	103	103	105	104	103	0.2%
Jacksonville Highway	336	-	-	-	-	-	-	-	-	-	0.0%
Subtotal	<u>634</u>	<u>303</u>	<u>302</u>	<u>303</u>	<u>303</u>	<u>303</u>	<u>300</u>	<u>220</u>	<u>263</u>	<u>103</u>	<u>0.2%</u>
Total Inside/Outside/Water Districts	<u>30,115</u>	<u>29,866</u>	<u>30,709</u>	<u>30,571</u>	<u>31,376</u>	<u>31,625</u>	<u>31,650</u>	<u>32,143</u>	<u>32,746</u>	<u>33,152</u>	<u>68.1%</u>
Self Operating Areas (Cities)											
Central Point, Eagle Point, Talent, Phoenix, Ashland & Jacksonville	14,297	14,433	14,608	14,738	14,915	15,358	15,058	15,261	15,664	15,552	31.9%
Total Water Services	<u>44,412</u>	<u>44,299</u>	<u>45,317</u>	<u>45,309</u>	<u>46,291</u>	<u>46,983</u>	<u>46,708</u>	<u>47,404</u>	<u>48,410</u>	<u>48,704</u>	<u>100.0%</u>

(1) Source: Medford Water

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

(3) Effective July 1, 2023, Charlotte Ann Water District was dissolved and customers were divided between the City of Phoenix and the Borrower with the majority of customers transferring to the City of Phoenix

(4) Water Services represents number of water meters

MEDFORD WATER - UNAUDITED
Inside Residential Customer Water Rates - Last Ten Effective Years

Effective Date	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	3/1/2024
Inside Residential										
Base Rates (per month)										
5/8 x 3/4"	8	9.06	10.62	11.62	12.56	13.65	14.52	15.44	16.65	18.09
1"	12.54	14.2	16.65	18.22	19.69	21.4	22.76	24.20	26.10	28.36
1 1/2"	25.68	29.08	34.09	37.3	40.32	43.82	46.61	49.56	53.44	58.06
2"	38.34	43.42	50.9	55.69	60.2	65.42	69.59	74.00	79.80	86.70
Backflow Fee	0.75	0.75	0.94	1.06	0.95	0.9	0.9	0.90	0.90	0.90
below 5,000 GAL										
Gravity (below 1499 ft)	0.46	0.52	0.61	0.67	0.72	0.78	0.83	0.88	0.95	1.03
EL. 1 (1500 - 1649 ft)	0.51	0.58	0.67	0.73	0.78	0.84	0.89	0.95	1.03	1.12
EL. 2 (1650 - 1799 ft)	0.56	0.64	0.73	0.79	0.84	0.90	0.95	1.02	1.11	1.21
EL. 3 (1800 - 1949 ft)	0.61	0.7	0.79	0.85	0.9	0.96	1.01	1.09	1.19	1.30
EL. 4 (1950 - 2099 ft)	0.66	0.76	0.85	0.91	0.96	1.02	1.07	1.16	1.27	1.39
EL. 5 (above 2100 ft)	0.71	0.82	0.91	0.97	1.02	1.08	1.13	1.23	1.35	1.48
5,000 to 25,000 GAL										
Gravity (below 1499 ft)	0.83	0.94	1.1	1.21	1.3	1.41	1.50	1.59	1.72	1.86
EL. 1 (1500 - 1649 ft)	0.88	1	1.16	1.27	1.36	1.47	1.56	1.66	1.80	1.95
EL. 2 (1650 - 1799 ft)	0.93	1.06	1.22	1.33	1.42	1.53	1.62	1.73	1.88	2.04
EL. 3 (1800 - 1949 ft)	0.98	1.12	1.28	1.39	1.48	1.59	1.68	1.80	1.96	2.13
EL. 4 (1950 - 2099 ft)	1.03	1.18	1.34	1.45	1.54	1.65	1.74	1.87	2.04	2.22
EL. 5 (above 2100 ft)	1.08	1.24	1.4	1.51	1.6	1.71	1.80	1.94	2.12	2.31
over 25,000 GAL										
Gravity (below 1499 ft)	1.2	1.36	1.60	1.76	1.89	2.05	2.18	2.31	2.49	2.70
EL. 1 (1500 - 1649 ft)	1.25	1.42	1.66	1.82	1.95	2.11	2.24	2.38	2.57	2.79
EL. 2 (1650 - 1799 ft)	1.3	1.48	1.72	1.88	2.01	2.17	2.30	2.45	2.65	2.88
EL. 3 (1800 - 1949 ft)	1.35	1.54	1.78	1.94	2.07	2.23	2.36	2.52	2.73	2.97
EL. 4 (1950 - 2099 ft)	1.4	1.6	1.84	2.00	2.13	2.29	2.42	2.59	2.81	3.06
EL. 5 (above 2100 ft)	1.45	1.66	1.90	2.06	2.19	2.35	2.48	2.66	2.89	3.15

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

Effective Date	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	3/1/2024
Inside Non-Residential & Multi-Family										
Base Rates (per month)										
5/8 x 3/4"	9.06	10.62	11.62	11.62	12.56	13.65	14.52	15.44	16.65	18.09
1"	14.20	16.65	18.22	18.22	19.69	21.40	22.76	24.20	26.10	28.36
1 1/2"	29.08	34.09	37.30	37.30	40.32	43.82	46.61	49.56	53.44	58.06
2"	43.42	50.90	55.69	55.69	60.20	65.42	69.59	74.00	79.80	86.70
3"	86.19	101.03	110.54	110.54	119.48	129.85	138.13	146.88	158.39	172.09
4"	134.82	158.03	172.91	172.91	186.90	203.12	216.07	229.76	247.77	269.20
6"	258.28	302.75	331.26	331.26	358.06	389.13	413.93	440.16	474.65	515.70
8"	396.99	465.35	509.17	509.17	550.36	598.12	636.24	676.55	729.57	792.67
10"	605.51	709.77	776.60	776.60	839.42	912.27	970.41	1,031.90	1,112.77	1,209.01
Gallage Charge (per 1,000 GAL)										
Winter	0.72	0.88	0.98	0.98	1.08	1.19	1.28	1.37	1.49	1.64
Summer	0.92	1.08	1.18	1.18	1.28	1.39	1.48	1.57	1.69	1.84

- (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) Charlotte Ann Water District was dissolved in 2023
- (5) Source: Medford Water

MEDFORD WATER - UNAUDITED
Outside Customer Water Rates - Last Ten Effective Years

Effective Date	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	3/1/2024
Outside Residential										
Base Rates (per month)										
5/8 x 3/4"	11.13	12.60	14.77	16.16	17.47	18.99	20.20	21.48	23.16	25.16
1"	18.50	20.95	24.56	26.88	29.05	31.57	33.58	35.70	38.50	41.83
1 1/2"	37.20	42.13	49.39	54.04	58.42	63.49	67.53	71.80	77.42	84.11
2"	54.77	62.03	72.72	79.56	86.00	93.46	99.42	105.72	114.01	123.87
3"	115.09	130.29	152.73	167.10	180.65	196.37	208.88	222.12	239.49	260.17
4"	174.90	198.00	232.10	253.94	274.53	298.42	317.43	337.54	363.94	395.37
6"	329.61	373.14	437.40	478.13	516.89	561.86	597.66	635.53	685.24	744.41
8"	495.76	561.24	657.90	719.81	778.16	845.86	899.76	956.77	1,031.60	1,120.68
10"	745.93	844.45	989.88	1,083.04	1,170.84	1,272.71	1,353.80	1,439.59	1,552.18	1,686.22
Backflow Fee	0.75	0.75	0.94	1.06	0.95	0.90	0.90	0.90	0.90	0.90
Gallage Charge (per 1,000 GAL)										
below 5,000 GAL	0.68	0.77	0.90	0.99	1.06	1.15	1.22	1.29	1.39	1.51
5,000 to 25,000 GA	1.23	1.39	1.63	1.79	1.92	2.08	2.21	2.34	2.53	2.74
over 25,000 GAL	1.79	2.03	2.39	2.63	2.82	3.06	3.25	3.44	3.71	4.02
Outside Commercial										
Base Rates (per month)										
5/8 x 3/4"	11.13	12.60	14.77	16.16	17.47	18.99	20.20	21.48	23.16	25.16
1"	18.50	20.95	24.56	26.88	29.05	31.57	33.58	35.70	38.50	41.83
1 1/2"	37.20	42.13	49.39	54.04	58.42	63.49	67.53	71.80	77.42	84.11
2"	54.77	62.03	72.72	79.56	86.00	93.46	99.42	105.72	114.01	123.87
3"	115.09	130.29	152.73	167.10	180.65	196.37	208.88	222.12	239.49	260.17
4"	174.90	198.00	232.10	253.94	274.53	298.42	317.43	337.54	363.94	395.37
6"	329.61	373.14	437.40	478.13	516.89	561.86	597.66	635.53	685.24	744.41
8"	495.76	561.24	657.90	719.81	778.16	845.86	899.76	956.77	1,031.60	1,120.68
10"	745.93	844.45	989.88	1,083.04	1,170.84	1,272.71	1,353.80	1,439.59	1,552.18	1,686.22
Gallage Charge (per 1,000 GAL)										
Winter	0.86	1.02	1.23	1.36	1.49	1.64	1.64	1.88	2.04	2.24
Summer	1.07	1.22	1.43	1.56	1.69	1.84	1.84	2.08	2.24	2.44

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- (5) Source: Medford Water

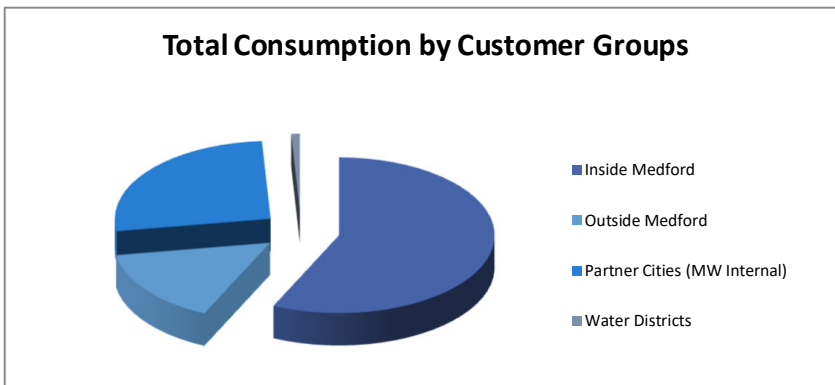
MEDFORD WATER - UNAUDITED
Water District and Partner Cities Water Rates for the Last Ten Effective Years
(Continued)

Effective Date	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	3/1/2024
Water District										
Base Rates (per month)										
5/8 x 3/4"	9.87	8.65	9.80	10.38	10.98	10.96	11.19	9.90	11.08	10.40
1"	15.55	13.63	15.44	16.35	17.30	17.27	17.63	15.60	17.46	16.39
1 1/2"	32.28	28.29	32.05	33.95	35.91	35.84	36.59	32.37	36.23	34.01
2"	48.72	42.70	48.38	51.24	54.20	54.10	55.24	48.87	54.69	51.33
3"	92.03	80.65	91.37	96.78	102.37	102.18	104.32	92.29	103.29	96.95
4"	148.22	129.90	147.17	155.88	164.89	164.59	168.04	148.67	166.39	156.18
6"	287.35	251.83	285.31	302.20	319.67	319.09	325.79	288.23	322.58	302.78
8"	449.32	393.78	446.13	472.53	499.84	498.93	509.40	450.68	504.40	473.44
10"	692.50	606.90	687.59	728.28	770.38	768.98	785.12	694.61	777.40	729.69
Backflow Fee	0.75	0.75	0.94	1.06	0.95	0.90	0.90	0.90	0.90	0.90
Gallorage Charge (per 1,000 GAL)										
Winter	0.83	0.71	0.83	0.89	0.95	0.95	0.95	0.60	0.70	0.65
Summer	1.04	0.91	1.03	1.09	1.15	1.15	1.15	0.80	0.90	0.85
Partner Cities (Central Point, Eagle Point, Jacksonville, Phoenix, Talent and Ashland)										
Base Rates (per month)										
2"	49.07	55.68	54.06	66.12	71.35	74.59	77.06	72.42	87.63	90.88
3"	99.55	112.96	109.67	124.99	134.88	141.00	145.67	136.90	165.65	171.79
4"	154.49	175.30	170.20	193.97	209.31	218.82	226.07	212.45	257.07	266.60
6"	295.94	335.80	326.03	371.56	400.95	419.16	433.04	406.97	472.69	490.22
8"	453.22	514.27	499.31	569.04	614.05	641.93	663.19	623.25	723.90	750.75
10"	689.74	782.65	759.88	866.00	934.50	976.93	1,009.28	948.51	1,101.68	1,142.54
Gallorage Charge (per 1,000 GAL)										
Winter	0.46	0.56	0.54	0.62	0.68	0.72	0.75	0.69	0.77	0.81
Summer	0.64	0.64	0.76	0.74	0.82	0.92	0.95	0.89	0.97	1.01

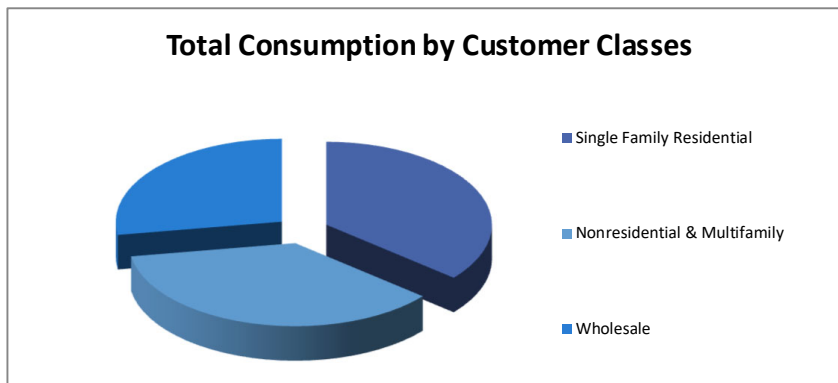
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- (5) Source: Medford Water

MEDFORD WATER - UNAUDITED
Consumption by Customer Groups and Class

Customer Groups	2023-24	
	Consumption (per 1,000 GAL)	% of Total Consumption
Inside Medford	5,164,977	56.9%
Outside Medford	1,409,516	15.5%
Partner Cities (MW Internal)	2,418,670	26.7%
Water District	81,675	0.9%
Total Consumption	9,074,838	100.0%



Customer Classes	2023-24	
	Consumption (per 1,000 GAL)	% of Total Consumption
Single Family Residential	3,271,017	36.0%
Multi-Family Residential	3,303,476	36.4%
Other Cities	2,500,345	27.6%
Total Consumption	9,074,838	100.0%



(1) Source: Medford Water
 (2) MW Internal is Wholesale for Medford Water locations

MEDFORD WATER - UNAUDITED
Pledged Revenue Coverage

Description	FY2020	FY2021	FY2022	FY 2023	FY 2024
<u>Gross Revenues</u> ⁽¹⁾					
Total operating revenues	\$ 18,555,208	\$ 21,759,672	\$ 21,502,769	\$ 23,675,191	\$ 25,700,178
Investment Earnings	714,816	257,864	123,623	1,028,658	1,757,914
Miscellaneous	106,164	356,952	139,860	28,629	584,957
System Development Charges	1,184,139	1,344,464	2,108,477	961,663	1,520,300
Total Gross Revenues	20,560,327	23,718,952	23,874,729	25,694,141	29,563,349
<u>Operating Expenses</u> ⁽²⁾					
Total Operating Expenses	11,776,973	12,222,752	13,306,254	15,521,908	14,317,301
Net Revenues ⁽³⁾	8,783,354	11,496,200	10,568,475	10,172,233	15,246,048
(Less: SDCs)	(1,184,139)	(1,344,464)	(2,108,477)	(961,663)	(1,520,300)
Coverage Revenues ⁽⁴⁾	7,599,215	10,151,736	8,459,998	9,210,570	13,725,748
<u>Debt Service</u>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Debt Service ⁽⁵⁾	-	-	-	-	-
<u>Debt Service & Coverage</u> ⁽⁶⁾					
DSC with Net Revenues	0.00	0.00	0.00	0.00	0.00
DSC with Coverage Revenues	0.00	0.00	0.00	0.00	0.00

Source: Medford Water

Gross Revenues ⁽¹⁾ - Gross Revenues means all fees and charges and other revenues that are properly accrued under generally accepted accounting principles as revenues of the Water System, including revenues from retail and wholesale water sales, System Development Charges, fees for other services provided, and interest earnings on Gross Revenues in the Water Fund

Operating Expenses ⁽²⁾ - Operating Expenses means all costs which are properly treated as expenses of operating and maintaining the Water System under generally accepted accounting principles except certain costs described in the Declaration, including payments of judgments against the Borrower and payments for the settlement of litigation, depreciation and amortization of property values or losses and other non-cash expenses, including non-cash expenses related to pensions and postemployment benefits, all amounts eligible to be treated for accounting purposes as payments for capital expenditures, interest and other debt service payments, paying agent fees, broker-dealer fees and similar charges for the maintenance of borrowings, expenditures made from any liability insurance proceeds, expenditures made from any casualty insurance proceeds used to pay for costs of repairing or replacing portions of the Water System, expenditures made from grant funds regardless of whether such grant funds are dedicated to a specific purpose or available for the general operation, maintenance and repair or replacement of the Water System, and extraordinary non-recurring expenses of the Water System

Net Revenues ⁽³⁾ - Net Revenues is defined as all Gross Revenues less Operating Expenses

Coverage Revenues ⁽⁴⁾ - Net Revenues less System Development Charges

Total Debt Service ⁽⁵⁾ - Debt Service includes principal and interest of revenue bonds, 2022A bonds, and 2022B bonds. Debt service payments are not scheduled to commence on those borrowings until Fiscal Year 2025, Fiscal Year 2029, and Fiscal Year 2031, respectively

Required Minimum Ratios ⁽⁶⁾ - Rate covenant of 1.25 for Net Revenues and a rate covenant of 1.15 for Coverage Revenues

MEDFORD WATER - UNAUDITED
Ten Largest Customers

Customer	Rank	Consumption (in 1,000 Gal.)	% of Consumption
CITY OF CENTRAL POINT	1	1,015,412	11.19%
CITY OF EAGLE POINT	2	602,871	6.64%
T A P (SAMIKE) ⁽¹⁾	3	408,354	4.50%
BIOMASS-ONE	4	249,728	2.75%
CITY OF JACKSONVILLE	5	239,579	2.64%
CITY OF MEDFORD	6	170,937	1.88%
AMY'S KITCHEN	7	112,603	1.24%
CITY OF PHOENIX	8	107,907	1.19%
MEDFORD SCHOOL DIST 549C	9	106,248	1.17%
PACIFIC RENTAL PROPERTIES LLC	10	103,701	1.14%
Top Ten:		3,117,340	34.35%
All Other Consumers:		5,957,498	65.65%
Total All Consumers:		9,074,838	100.00%

(1) TAP meter and pipeline that transport water to the cities of Talent, Ashland and Phoenix

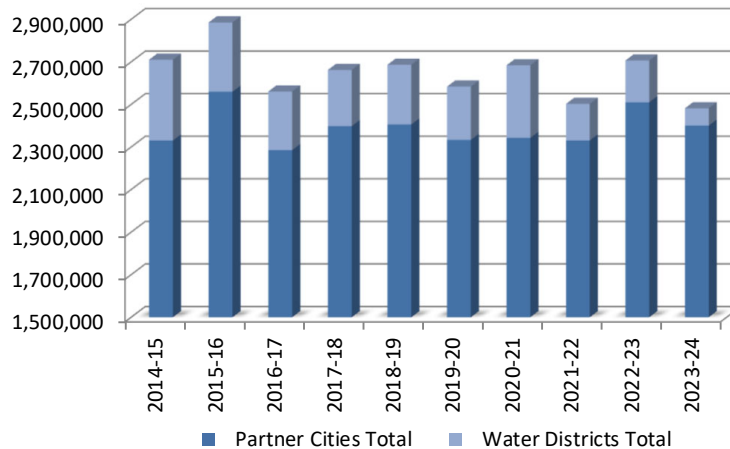
(2) Source: Medford Water

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

Name	2014-15	2015-16	2016-17	2017-18	2018-19
City of Central Point	986,968	1,041,757	964,116	989,331	986,476
City of Eagle Point	544,095	615,479	548,262	587,629	575,722
City of Jacksonville	252,185	259,406	240,179	254,446	265,527
City of Phoenix	149,088	109,463	87,285	104,679	97,212
T.A.P. (Samike)	398,112	533,625	445,401	461,863	481,058
Partner Cities Total	2,330,448	2,559,730	2,285,243	2,397,948	2,405,995
Charlotte Ann Water District	224,534	232,332	215,974	204,077	222,265
Elk City Water District	101,656	93,327	59,530	60,054	58,472
Jacksonville Hwy Water District	53,504	N/A	N/A	N/A	N/A
Water Districts Total	379,694	325,659	275,504	264,131	280,737

Name	2019-20	2020-21	2021-22	2022-23	2023-24
City of Central Point	944,917	1,025,040	961,247	1,033,642	1,014,754
City of Eagle Point	570,114	536,914	554,091	600,535	602,871
City of Jacksonville	255,228	248,110	211,090	245,607	239,579
City of Phoenix	86,040	79,997	84,666	131,070	134,689
T.A.P. (Samike)	477,116	452,858	519,902	499,399	408,354
Partner Cities Total	2,333,415	2,342,919	2,330,996	2,510,253	2,400,247
Charlotte Ann Water District	195,361	230,863	96,724	107,501	9,056
Elk City Water District	55,101	110,200	74,838	88,852	72,619
Jacksonville Hwy Water District	N/A	N/A	N/A	N/A	N/A
Water Districts Total	250,462	341,063	171,562	196,353	81,675

Wholesale Water Sold



- (1) All numbers reflect per 1,000 GAL
- (2) Wholesale consumers are sold surplus water
- (4) Charlotte Ann Water District was dissolved in 2023
- (3) Source: Medford Water

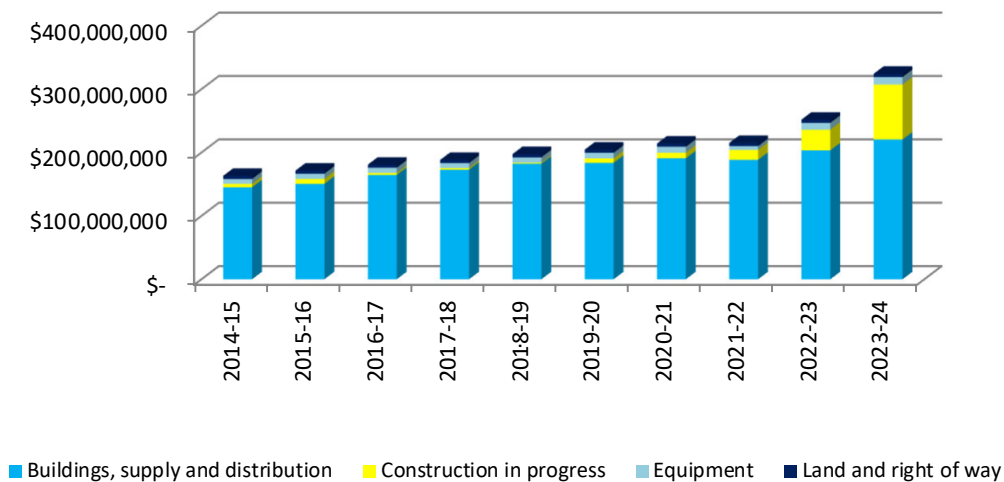
MEDFORD WATER - UNAUDITED
Capital Assets - Last Ten Fiscal Years

	2014-15	2015-16	2016-17	2017-18	2018-19
Capital assets, not being depreciated					
Land and right of way	4,877,749	4,925,439	4,925,439	4,925,439	5,056,375
Construction in progress	5,185,940	7,721,975	2,991,633	2,555,349	1,718,939
Total capital assets, not being depreciated:	10,063,689	12,647,414	7,917,072	7,480,788	6,775,314
Capital assets being depreciated:					
Buildings, supply and distribution systems	145,206,888	150,626,388	164,668,518	172,971,126	182,303,912
Equipment	7,895,296	8,226,052	8,302,608	7,847,672	8,402,770
Right-to-use subscription asset	-	-	-	-	-
Total capital assets being depreciated:	153,102,184	158,852,440	172,971,126	180,818,798	190,706,682
Less accumulated depreciation for:					
Buildings, supply and distribution	(44,574,962)	(47,210,514)	(49,926,593)	(51,794,674)	(54,942,746)
Equipment	(4,407,924)	(4,869,251)	(5,381,848)	(5,144,443)	(5,591,433)
Right-to-use subscription asset	-	-	-	-	-
Total accumulated depreciation	(48,982,886)	(52,079,765)	(55,308,441)	(56,939,117)	(60,534,179)
Total capital assets, being depreciated, net	104,119,298	106,772,675	117,662,685	123,879,682	130,172,503
Total capital assets, net	\$ 114,182,987	\$ 119,420,089	\$ 125,579,757	\$ 131,360,470	\$ 136,947,817

MEDFORD WATER - UNAUDITED
Capital Assets - Last Ten Fiscal Years
(Continued)

	2019-20	2020-21	2021-22	2022-23	2023-24
Capital assets, not being depreciated					
Land and right of way	5,056,375	5,056,375	5,056,375	5,056,375	5,133,536
Construction in progress	7,088,533	8,749,419	15,564,531	32,577,341	86,600,795
Total capital assets, not being depreciated:	12,144,908	13,805,794	20,620,906	37,633,716	91,734,331
Capital assets being depreciated:					
Buildings, supply and distribution systems	183,731,480	190,969,672	188,584,172	203,476,921	220,518,370
Equipment	8,697,504	9,352,276	5,923,159	10,774,305	11,970,902
Right-to-use subscription asset	-	-	-	114,380	2,607,290
Total capital assets being depreciated:	192,428,984	200,321,948	194,507,331	214,365,606	235,096,562
Less accumulated depreciation for:					
Buildings, supply and distribution	(57,406,309)	(60,617,545)	(54,297,553)	(64,633,315)	(68,319,172)
Equipment	(6,132,728)	(6,615,145)	(2,209,735)	(7,126,723)	(7,488,818)
Right-to-use subscription asset	-	-	-	(52,584)	(285,362)
Total accumulated depreciation	(63,539,037)	(67,232,690)	(56,507,288)	(71,812,622)	(76,093,352)
Total capital assets, being depreciated, net	128,889,947	133,089,258	138,000,043	142,552,984	159,003,210
Total capital assets, net	\$ 141,034,855	\$ 146,895,052	\$ 158,620,949	\$ 180,186,700	\$ 250,737,541

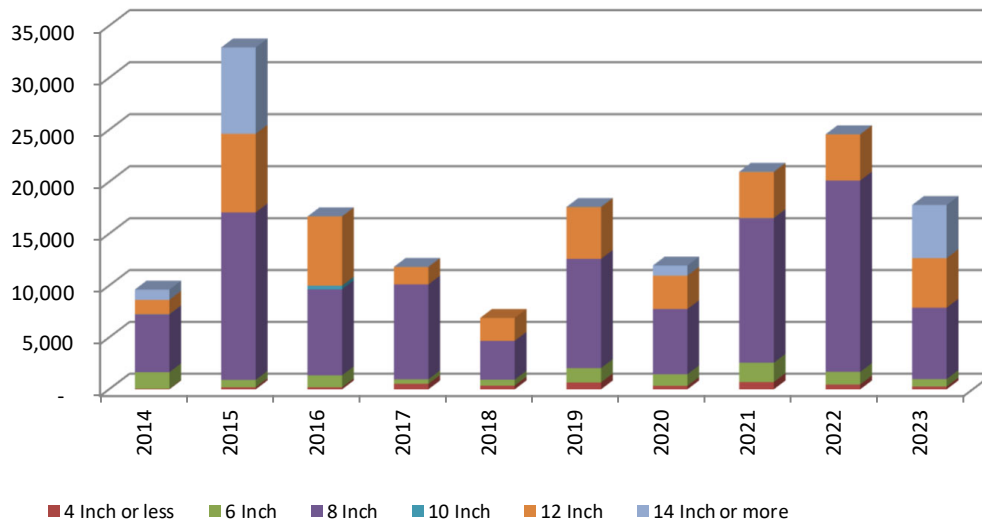
Capital Assets



MEDFORD WATER - UNAUDITED
Annual New Pipeline Summary - Last Ten Calendar Years

Pipeline Size (inch)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
4 Inch or less	52	203	192	532	366	672	335	708	475	265
6 Inch	1,604	711	1,166	437	568	1,380	1,126	1,858	1,209	731
8 Inch	5,572	16,153	8,291	9,151	3,750	10,539	6,283	13,941	18,455	6,878
10 Inch	20	-	356	-	-	-	-	27	2	-
12 Inch	1,389	7,562	6,677	1,692	2,208	5,006	3,221	4,424	4,441	4,787
14 Inch or more	992	8,292	-	-	-	-	976	20	-	5,118
Total Pipe (inch)	9,629	32,921	16,682	11,812	6,892	17,597	11,941	20,978	24,582	17,779

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

Number of Full Time Equivalent Employees - Last Ten Fiscal Years

	2014- 15	2015- 16	2016- 17	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23	2023- 24
Administration	6	5	5	4	4	4	4	3	3	3
Big Butte Springs Operations	1	1	1	1	1	1	1	2	2	2
Engineering	6	7	8	8	8	8	9	6	8	8
Finance	3	3	3	3	3	5	5	5	6	6
Information Technology	2	2	2	2	2	3	4	5	7	7
Water Distribution Maintenance	14	14	14	14	13	13	12	14	14	15
Water Distribution Operations	9	9	9	9	9	9	10	9	10	10
Water Resources & Customer Service	7	7	7	7	7	7	7	10	13	13
Duff Operations	8	8	8	10	12	11	11	11	8	8
TOTAL	56	56	57	58	59	61	63	65	71	72

By Location

Big Butte Springs	1	1	1	1	1	1	1	2	2	2
Lausmann Annex	24	24	25	24	24	27	29	29	35	34
Robert A. Duff WTP	9	9	9	11	12	12	12	11	11	13
Service Center	23	23	23	23	23	22	22	23	23	23
TOTAL	56	56	57	58	59	61	63	65	71	72

(1) Full-time equivalent employment is calculated by dividing total labor hours by 2080.

(2) Restructure 2022-2023

- Technical Services is now Information Technology
- Water Maintenance is now Water Distribution Maintenance
- Water Meters/Controls in now Water Distribution Operations
- Water Treatment is now Duff Operations

(3) Source: Medford Water

MEDFORD WATER - UNAUDITED

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Medford	76,330	77,655	78,500	79,590	80,375	81,465	85,824	87,353	88,357	90,887
Other Cities										
Central Point	17,455	17,485	17,585	17,700	17,895	18,365	18,997	19,702	19,785	19,666
Eagle Point	8,666	8,695	8,765	8,930	9,105	9,260	9,686	9,854	9,968	9,955
Jacksonville	2,979	2,880	2,920	2,950	2,980	3,015	3,020	3,080	3,100	3,197
Phoenix	4,580	4,585	4,585	4,605	4,620	4,650	4,475	4,096	4,019	3,773
Talent	6,310	6,270	6,305	6,325	6,380	6,495	6,282	5,737	5,851	5,406
Ashland	20,340	20,405	20,620	20,700	20,815	20,960	21,360	21,554	21,642	21,457
Total Population	136,660	137,975	139,280	140,800	142,170	144,210	149,644	151,376	152,722	154,341
Personal Income (Millions of Dollars)	\$ 8,188	\$ 8,765	\$ 9,216	\$ 9,647	\$ 10,232	\$ 10,670	\$ 11,497	\$ 12,717	\$ 12,756	\$ 13,807
Per Capita Personal Income (Dollars)	\$ 39,151	\$ 41,374	\$ 42,926	\$ 44,360	\$ 46,603	\$ 48,291	\$ 51,824	\$ 56,842	\$ 57,552	\$ 62,541

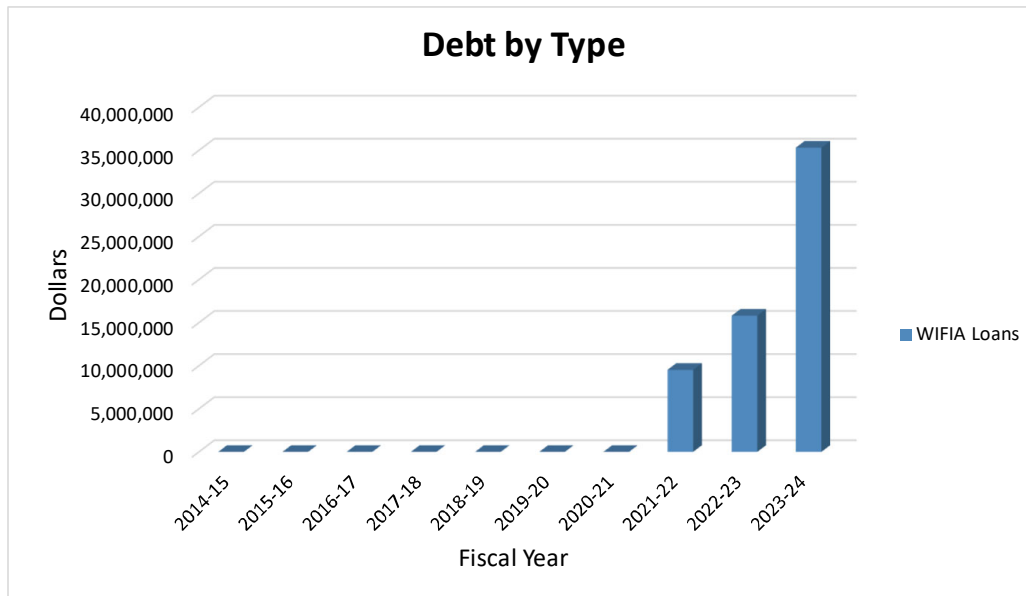
(1) Population numbers are prepared by Population Research Center (www.pdx.edu), PSU

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

MEDFORD WATER - UNAUDITED

Ratio of Outstanding Debt by Type - Last Ten Fiscal Years

Fiscal Year	WIFIA Loans	Total		
		Total Debt	Per Capita	Percentage of Personal Income
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%
2023-24	35,306,694	60,638,739	392.89	0.63%



- (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
- (3) WIFIA Loans restated to include capitalized interest 2021-22 and 2022-23

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, 2024, and have issued our report thereon dated December 18, 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)
- Programs funded from outside sources

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.

Paul R. Nielson

By Paul R. Nielson, member of the firm
for Isler CPA
December 18, 2024

COMPLIANCE SECTION



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

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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, 2024, and the related notes to the financial statements, which collectively comprise Medford Water's basic financial statements, and have issued our report thereon dated December 18, 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Medford Water's financial statements are free from 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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" at the end.

By: Paul Nielson, CPA, a member of the firm
Eugene, Oregon
December 18, 2024



**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

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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, 2024. 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, 2024.

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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified

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.

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
December 18, 2024

MEDFORD WATER

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

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?	No
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?	No

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:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

2023-01; corrective action was taken.

MEDFORD WATER

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

<u>Program</u>	<u>ALN</u>	<u>Expenditures</u>
Environmental Protection Agency		
Water Infrastructure Finance and Innovation	66.958	\$ 35,606,373
Drinking Water State Revolving Fund	66.468	<u>24,287</u>
Total		<u>\$ 35,630,660</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, 2024. 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, 2024 was \$60,638,739