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July 31, 2024

Medford Irrigation District  
5045 Jacksonville Hwy  
Jacksonville, OR 97530

In planning and performing our audit of the basic financial statements of Medford Irrigation District as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Medford Irrigation District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Medford Irrigation District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiency is a deficiency, or combination of deficiencies in internal control over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

*Reasonably possible:* The chance of the future event or events occurring is more than remote but less than likely.

*Probable:* The future event or events are likely to occur.

We consider the following deficiencies in Medford Irrigation District's internal control to be material weaknesses:

During the audit, we identified fixed assets and related debt that was not properly recorded according to the modified cash basis of accounting. This would cause a material understatement of both assets and liabilities by not recording these. There was also related depreciation on fixed assets that had not been recorded, causing an overstatement of income. We recommend recording fixed assets upon purchase in accordance with the capitalization policy and recording depreciation expense based on the depreciation report maintained by the District.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Medford Irrigation District's internal control to be significant deficiencies:


- Medford Irrigation District has an inadequate design of internal control over the preparation of the financial statements being audited.
  - During our audit, we noted that Medford Irrigation District does not have a system in place that would provide for the preparation of financial statements in accordance with the modified cash basis of accounting. Currently, the draft financial statements are prepared for Medford Irrigation District by the auditors. The auditors may prepare the draft financial statements as a matter of convenience, but Medford Irrigation District must be in a position to take responsibility for them.

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- Medford Irrigation District has inadequate internal controls due to insufficient segregation of duties from a limited number of personnel.
    - During our audit, we noted that due to Medford Irrigation District having a limited number of personnel, there are instances where there is not the opportunity for adequate segregation of duties to prevent the misappropriation of cash received by Medford Irrigation District.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Regards,

Molatore, Scroggin, Peterson & Co. LLP

  
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Raymond D. Lang, Partner