

MEDFORD IRRIGATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2023



Medford Irrigation District
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December 31, 2023

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**Medford Irrigation District
District Officials
December 31, 2023**

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>	<u>Address</u>
Sean Naumes, Chairman	December 31, 2025	PO Box 996 Medford, OR 97501
Dennis O'Donoghue, Vice Chairman	December 31, 2024	766 Meridian Road Eagle Point, OR 97524
Angelo Grestoni, Director	December 31, 2023	4184 Bellinger Lane Medford, OR 97501
Dave Urton, Director	December 31, 2023	4287 Old Stage Road Central Point, OR 97502
Henry Vaninetti, Director	December 31, 2024	3502 Britt Avenue Medford, OR 97501
Matthew Borman, Director	December 31, 2024	2500 S. Pacific Highway Medford, OR 97501
Tom Brookins, Director	December 31, 2026	3848 Old Military Road Central Point, OR 97502

ADMINISTRATIVE PERSONNEL

Jack Friend Manager, Secretary Registered Agent	PO Box 70 Jacksonville, OR 97530
Gene Crawford Administrative Assistant/Foreman	PO Box 70 Jacksonville, OR 97530

REGISTERED OFFICE

Medford Irrigation District	5045 Jacksonville Hwy Central Point, OR 97502
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FINANCIAL SECTION



Independent Auditors' Report

Board of Directors
Medford Irrigation District
Jacksonville, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the business-type activities and the aggregate remaining fund information of Medford Irrigation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Medford Irrigation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities and the aggregate remaining fund information of Medford Irrigation District, as of December 31, 2023, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Irrigation District 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Medford Irrigation District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility 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 GAAS 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.

Gerrin P. DeGroot C.P.A ~ Terrence J. Scroggin C.P.A ~ Raymond D. Lang C.P.A

☞ 824 Pine Street ☞ Klamath Falls, OR 97601 ☞ Phone: (541) 884-4164 ☞ Fax: (541) 883-1232 ☞

In performing an audit in accordance with GAAS, 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 Irrigation District’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 Medford Irrigation District’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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

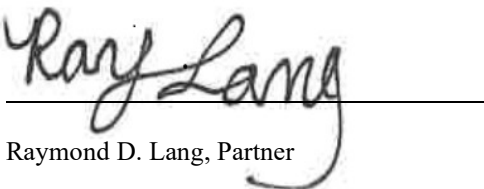
Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Medford Irrigation District’s basic financial statements. The Schedule of Operating Costs and Schedule of Proportionate Share of the Net Pension Liability 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 31, 2024 on our consideration of Medford Irrigation District’s internal control over financial reporting and on our tests of compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe our evaluation of internal control over financial reporting and the scope of our testing of compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance.

Molatore, Scroggin, Peterson & Co. LLP



Raymond D. Lang, Partner

Klamath Falls, Oregon
July 31, 2024

**Medford Irrigation District
Management's Discussion and Analysis
For The Year Ended December 31, 2023**

Results of Operations

There was a \$594,184 decrease in the District's net income from December 31, 2022 to December 31, 2023.

A summary of the total District operations for the years ending December 31, 2023 and 2022 is as follows:

	2023	2022	Amount Inc (Dec)	Percentage
Assets				
Current Assets	\$ 540,920	\$ 916,625	\$ (375,705)	-40.99%
Capital Assets, net of accumulated depreciation	<u>3,768,204</u>	<u>3,760,768</u>	<u>7,436</u>	<u>0.20%</u>
Total Assets	<u>4,309,124</u>	<u>4,677,393</u>	<u>(368,269)</u>	<u>-7.87%</u>
Liabilities				
Current Liabilities	18,761	-	18,761	100.00%
Noncurrent Liabilities	<u>90,508</u>	<u>-</u>	<u>90,508</u>	<u>100.00%</u>
Total Liabilities	<u>109,269</u>	<u>-</u>	<u>109,269</u>	<u>100.00%</u>
Net Position	<u>\$ 4,199,855</u>	<u>\$ 4,677,393</u>	<u>\$ (477,538)</u>	<u>10.21%</u>
	2023	2022	Amount Inc (Dec)	Percentage
Operating Revenue				
Assessments	\$ 1,191,692	\$ 1,167,858	\$ 23,834	2.04%
Other	<u>155,729</u>	<u>132,312</u>	<u>23,417</u>	<u>17.70%</u>
Total Operating Revenue	<u>1,347,421</u>	<u>1,300,170</u>	<u>47,251</u>	<u>3.63%</u>
Operating Expenses				
Wages and salaries	1,005,252	752,096	253,156	33.66%
Administrative cost	140,577	182,525	(41,948)	-22.98%
Water operations and maintenance	417,976	137,506	280,470	203.97%
Depreciation	131,927	130,330	1,597	1.23%
Equipment operations	70,324	56,154	14,170	25.23%
Professional services	93,160	54,433	38,727	71.15%
Occupancy	19,751	21,016	(1,265)	-6.02%
Interest	<u>2,580</u>	<u>34</u>	<u>2,546</u>	<u>7488.24%</u>
Total Operating Expenses	<u>1,881,547</u>	<u>1,334,094</u>	<u>547,453</u>	<u>41.04%</u>
Operating Income (Loss)	<u>(534,126)</u>	<u>(33,924)</u>	<u>(500,202)</u>	<u>1474.48%</u>
Other Income (Expense)				
Grant revenue	10,000	135,000	(125,000)	-92.59%
Investment interest	<u>46,588</u>	<u>15,570</u>	<u>31,018</u>	<u>199.22%</u>
Total Other Income (Expense)	<u>56,588</u>	<u>150,570</u>	<u>(93,982)</u>	<u>-62.42%</u>
Net Income (Loss)	<u>\$ (477,538)</u>	<u>\$ 116,646</u>	<u>\$ (594,184)</u>	<u>509.39%</u>

**Medford Irrigation District
Management's Discussion and Analysis
For The Year Ended December 31, 2023**

Operating revenues of the District are generated principally from one source:

- Assessments paid by District patrons for water deliveries.

During 2023, the decrease in Net Income of \$594,184 can best be explained by the following:

- Revenue from assessments collected increased by approximately \$24,000 due to timing of payments received.
- Investment interest increased by approximately \$31,000 from the previous year.
- Overall expenses were increased throughout the year by approximately \$547,000.
- The District had a one time drought relief grant in 2022 that made up for \$135,000 of the prior year income.

Capital Assets and Long-Term Debt

Capital Assets

Capital assets include land, buildings, equipment and infrastructure such as canals. The District's investment in capital assets for its irrigation activities as of December 31, 2023, is \$3,768,204, net of accumulated depreciation. This is an increase of \$7,436 from the prior year due to asset additions along with depreciation expense.

Additional information on District capital assets is included in Note 4 on page 12 of this report.

Long-Term Debt

As of December 31, 2023, the District had \$109,269 in outstanding debt. This is a 100% increase from the prior year and is due to the financing of capital assets.

Additional information on debt is included in Note 6 on pages 12-13 of this report.

Economic Factors

Significant sources of revenue other than water user fees are sought through a number of grant/cost share programs. The District has been fortunate to be chosen as recipients of these funds to improve fish passage, conserve water within the delivery systems, and water measurement/enhancement projects.

The District's Bureau of Reclamation boundaries remained unchanged. After the State (OWRD) completed our Final Proof Survey (lands watered), boundaries changed accordingly.

Requests for Information

This financial report is designed to provide a general overview to those parties interested in Medford Irrigation District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Medford Irrigation District, PO Box 70, Jacksonville, OR 97530.

Medford Irrigation District
Statement of Net Position
Modified Cash Basis
December 31, 2023

Assets	
Current Assets	
Cash and cash equivalents	\$ 540,920
Total Current Assets	540,920
Capital Assets, net of accumulated depreciation	
Land	83,926
Automobiles and trucks	225,119
Machinery and equipment	600,781
Office equipment	159,071
Buildings	69,516
Dams	1,900,669
Irrigation system	4,119,704
Pipelines and siphons	1,888,025
Accumulated depreciation	(5,278,607)
Total Capital Assets, net of accumulated depreciation	3,768,204
Total Assets	4,309,124
Liabilities	
Current Liabilities	
Current portion of long-term note payable	18,761
Total Current Liabilities	18,761
Noncurrent Liabilities	
Note payable	90,508
Total Noncurrent Liabilities	90,508
Total Liabilities	109,269
Net Position	
Net investment in capital assets, net of related debt	3,658,935
Unrestricted	540,920
Total Net Position	\$ 4,199,855

The accompanying notes are an integral part of these financial statements.

Medford Irrigation District
Statement of Revenues, Expenses and Changes in Fund Net Position
Modified Cash Basis
For the Year Ended December 31, 2023

Operating Revenue	
Assessments	\$ 1,191,692
Late fees and interest	57,327
Joint system charges	28,351
Lien search, title transfers	43,179
Miscellaneous revenue	26,872
Total Operating Revenue	1,347,421
Operating Expenses	
Above the drop expense	32,641
BOR expenses	4,957
Computer expenses	12,950
Depreciation	131,927
Drought relief projects	81,064
Dues and memberships	18,162
Employee benefits and retirement	287,754
Equipment rental	293
Fuel and oil	47,171
Insurance	67,355
Interest expense	2,580
Joint systems expense	39,584
Lease expense	3,793
Legal and professional	93,160
Licenses and permits	6,170
Meetings, training, travel	3,748
Office expenses	9,984
Payroll taxes	44,225
Recording fees	6,966
Repairs and maintenance	174,884
Safety of dams	61,295
Salaries and wages	673,273
Supplies	3,842
Talent sytem expense	37,408
Telephone	7,647
Utilities	12,104
Miscellaneous	16,610
Total Operating Expenses	1,881,547
Operating Income	(534,126)
Non-Operating Revenue (Expenses)	
Grant revenue	10,000
Investment interest	46,588
Total Non-Operating Revenue (Expenses)	56,588
Change in Net Position	(477,538)
Total Net Position, Beginning	4,677,393
Total Net Position, Ending	\$ 4,199,855

The accompanying notes are an integral part of these financial statements.

Medford Irrigation District
Statement of Cash Flows
Modified Cash Basis
For the Year Ended December 31, 2023

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,347,421
Payment to suppliers	(744,368)
Payments to employees	<u>(1,005,252)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>(402,199)</u>
 Cash Flows From Capital and Related Financing Activities	
Purchase and construction of depreciable assets	(139,363)
Loan proceeds for purchase of assets	<u>109,269</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(30,094)</u>
 Cash Flows From Noncapital and Related Financing Activities	
Subsidy from grant	<u>10,000</u>
Net Cash Flows Provided by Noncapital and Related Financing Activities	<u>10,000</u>
 Cash Flows From Investing Activities	
Investment interest	<u>46,588</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>46,588</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(375,705)
Cash and Cash Equivalents, Beginning of Year	<u>916,625</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 540,920</u></u>
 Reconciliation of Operating Income (loss) to Net Cash Flows Provided (Used) by Operating Activities	
Operating income	\$ (534,126)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:	
Depreciation expense	<u>131,927</u>
Net Cash Flows Provided (Used) by Operating Activities	<u><u>\$ (402,199)</u></u>

The accompanying notes are an integral part of these financial statements.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting entity

Medford Irrigation District (the District) is an Oregon municipal corporation that was founded in 1917, by order of the Judge of the Jackson County Court, following a special election. The District currently provides water to approximately 12,300 acres of irrigable land along both sides of Bear Creek near Medford, Oregon. The District was organized and operates under the Irrigation District Laws of Oregon, as defined in ORS 545. The District is governed by a board of five officials elected by water users within the area, and its affairs are administered at their direction by a manager who is employed by the Board. There are no other entities over which the District has responsibility or exercises control.

The following is a summary of significant accounting policies utilized by the District in the preparation of the accompanying financial statements.

Measurement focus, basis of accounting, and financial statement presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues and expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than generally accepted accounting principles (OCBOA).

If the District utilized generally accepted accounting principles, the fund financial statements for proprietary funds would utilize the accrual method of accounting. Under the accrual basis, revenues are recognized when earned. Expenses (including depreciation) are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Operating revenues and operating expenses are intermediate components with the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services provided to others. Significant operating expenses include insurance, labor and payroll, repairs and maintenance, utilities, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major funds:

- The Proprietary Fund accounts for all operating transactions of the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investments consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares. The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies *(continued)*

Capital assets

Capital assets include improvements, equipment and infrastructure assets (e.g. roads, pathways, pipelines, etc.) used in operations that have estimated useful lives in excess of one year and an individual cost of \$5,000 or greater.

As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the District values these capital assets at the estimated fair value of the item at the date of its donation.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by the District. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Assets	Years
Automobiles and trucks	5 to 20
Buildings and improvements	25 to 40
Machinery and equipment	5 to 10
Office equipment	3 to 10
Dams	50 to 99
Irrigation system	25 to 50
Pipelines and siphons	15 to 99

Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures 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.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority and does not lapse at year-end. The District’s highest formal action is approval by the District’s Board of Directors.

Unassigned – Includes General Fund balance which has not been committed by the Board of Directors.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information

Oregon law does not require the District to prepare a budget in accordance with Oregon Local Budget Law unless it assesses, levies, or collects an ad valorem tax (O.R.S. 568.806). However, the District does adopt a budget for management purposes and to determine the annual operation and maintenance charges necessary to operate the District.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 3 – Deposits and Investments

Cash and cash equivalents are comprised of and reflected on the Statement of Net Position at December 31, 2023 as follows:

Cash on hand	\$ 300
Deposit with financial institutions	6,475
State of Oregon Treasurer's Local Government Investment Pool	<u>534,145</u>
Total Cash and Cash Equivalents	<u>\$ 540,920</u>

Credit Risk – Deposits

At year end, the book balance of the District's deposits with financial institutions was \$6,475 and the bank balance was \$43,869. This amount is fully insured by the FDIC.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Oregon law requires governmental deposits made in banks to be protected either by depository insurance or the financial institution is required to maintain, on deposit with a collateral pool manager, securities having a value at least equal to the bank's maximum liability as defined by Oregon law. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager and is clearly designated as security for the benefit of depositors of public funds. When a loss has occurred in a bank, the State Treasurer shall assess the net amount of public funds against the collateral deposited by the bank with the pool manager. If this is not sufficient to cover the loss, the collateral of all other banks in the state shall be assessed, on a proportionate basis. The District follows the Oregon Statutes for custodial credit risk.

Interest rate risk – Investments

The District does not have a policy regarding interest rate risk. The District's investment portfolio consisted of investments in the LGIP.

Credit Risk – Investments

Oregon Revised Statutes, Chapter 294, authorize the government to invest in obligations of the U.S. Treasury, U.S. Government Agencies, banker's acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Local Government Investment Pool, certain high grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others. The District has not adopted a policy for credit risk beyond those required by ORS Chapter 294. The State of Oregon Local Government Investment Pool is unrated.

Concentration of Credit Risk – Investments

The District does not have a policy regarding concentration of credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The LGIP's collateral requirements are mandated under ORS 295 and are considered to have little or no custodial credit risk exposure. The District has not adopted a policy for custodial credit risk.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 83,926	\$ -	\$ -	\$ 83,926
Total capital assets, not being depreciated	<u>83,926</u>	<u>-</u>	<u>-</u>	<u>83,926</u>
Capital assets, being depreciated:				
Automobiles and trucks	225,119	-	-	225,119
Machinery and equipment	461,418	139,363	-	600,781
Office equipment	159,071	-	-	159,071
Buildings	69,516	-	-	69,516
Dams	1,900,669	-	-	1,900,669
Irrigation equipment	4,119,704	-	-	4,119,704
Pipelines and Siphons	<u>1,888,025</u>	<u>-</u>	<u>-</u>	<u>1,888,025</u>
Total capital assets being depreciated	<u>8,823,522</u>	<u>139,363</u>	<u>-</u>	<u>8,962,885</u>
Less accumulated depreciation for:				
Automobiles and trucks	(171,665)	(15,542)	-	(187,207)
Machinery and equipment	(352,676)	(15,000)	-	(367,676)
Office equipment	(156,730)	(570)	-	(157,300)
Buildings	(69,516)	-	-	(69,516)
Dams	(463,406)	(19,236)	-	(482,642)
Irrigation system	(3,016,755)	(39,826)	-	(3,056,581)
Pipelines and Siphons	<u>(915,932)</u>	<u>(41,753)</u>	<u>-</u>	<u>(957,685)</u>
Total accumulated depreciation	<u>(5,146,680)</u>	<u>(131,927)</u>	<u>-</u>	<u>(5,278,607)</u>
Total capital assets being depreciated, Net of accumulated depreciation	<u>3,676,842</u>	<u>7,436</u>	<u>-</u>	<u>3,684,278</u>
Total capital assets, net of Accumulated depreciation	<u>\$ 3,760,768</u>	<u>\$ 7,436</u>	<u>\$ -</u>	<u>\$ 3,768,204</u>

Note 5 – Related Party

Related parties consist of employees and members of the Board of Directors who own property in the District. In 2023, a total of \$174,170 was collected from related parties for assessments. Board members receive \$25 per board meeting attended. Total board meeting expenses paid in 2023 was \$1,702.

Note 6 – Long-Term Debt

The District financed equipment during the year through John Deere financing. The loan is a 6-year loan with 3.985% annual interest. The loan requires monthly payments in the amount of \$1,897.94. The loan balance was \$109,269 at December 31, 2023.

Long-term activity for the year ended December 31, 2023 is as follows:

	<u>Balance January 01, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>	<u>Amounts Due In One Year</u>
John Deere Finance	\$ -	\$ 121,363	\$ 12,094	\$ 109,269	\$ 18,761

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 6 – Long-Term Debt *(continued)*

Future maturities of long-term debt is as follows:

For the year ended December 31,	
2024	\$ 18,761
2025	19,522
2026	20,315
2027	21,139
2028	21,997
Thereafter	7,535
	<u>\$ 109,269</u>

Note 7 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance for all risks of loss except those discussed below. Settlements have not exceeded coverage for each of the past three fiscal years.

Note 8 – Defined Benefit Pension Plan

Substantially all of the District’s employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS’s fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Plan Description

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to ORS Chapters 238 and 238A.

Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at <https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-CAFR.pdf>. If the link is expired, please contact Oregon PERS for this information.

- (a) **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - (i) **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 (2.0 percent for police and fire employees, and 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.
 - (ii) **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 contributions are met:
 - member was employed by PERS Employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS – covered job, or
 - member was on an official leave of absence from a PERS – covered job at the time of death.
 - (iii) **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 (including PERS judge members) 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 (55 for police and fire members) when determining the monthly benefit.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 8 – Defined Benefit Pension Plan *(continued)*

- (iv) **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 the changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

- (b) **OPSRP Pension Program (OPSRP DB).** The Oregon Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
 - (i) **Pension Benefits.** 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:
 - Police and Fire:** 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police or fire member, the individual must have been employed continuously as a police or fire member for at least five years immediately preceding retirement.
 - 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 pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of the 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.
 - (ii) **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 the life 50 percent of the pension that would otherwise have been paid to the deceased member.
 - (iii) **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.
 - (iv) **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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. The funding policy applies to the PERS Defined Benefit Plan and the Other Post-Employment Benefit Plans. Employer contribution rates during the period were based on the June 30, 2023 actuarial valuation which became effective December 31, 2021. Employer contributions for the year ended December 31, 2023 were \$156,771.

At December 31, 2023, the District would report a net pension liability of \$105,873, its proportionate share, if the entity didn’t use the accounting principles described in Note 1. The pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District’s proportion was 0.00374243 percent.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 8 – Defined Benefit Pension Plan (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 34,280	\$ 2,779
Changes in assumptions	62,271	464
Net difference between project and actual earnings on investments	12,600	-
Changes in proportionate share of contributions	57,883	86,022
Difference between employer contributions and employer's proportionate share of system	18,712	70,904
Total (Prior to post-MD Contributions)	185,746	160,169
Contributions subsequent to the MD	80,296	N/A
Total (Net of contributions)	\$ 266,042	\$ 160,169

Amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense as follows:

Year End	Amount
December 31,	
2023	\$ 13,767
2024	(33,217)
2025	46,474
2026	2,788
2027	(4,235)
Thereafter	-
	\$ 25,577

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS system wide GASB 68 reporting summary dated February 2, 2024.

Note 9 – Other Information

Joint Works

The District participates with Rogue River Valley Irrigation District in developing and maintaining the system of canals and irrigation delivery systems above Bradshaw drop. Costs are recorded to expenditures as incurred. Costs are split one-third to Rogue River Valley Irrigation District and two thirds to Medford Irrigation District.

State Unemployment Assessments

The District has adopted the reimbursement method of contributions to the State Employment Division in lieu of unemployment contributions at a set rate of payroll. Under this method, the District reimburses directly to the Oregon Unemployment Fund the actual amount of regular benefits paid to former District employees. The District paid the State Employment Division \$0 during the year ended December 31, 2023, as reimbursement for actual benefits paid to former District employees.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – Other Information *(continued)*

Cost Sharing Projects

Amounts received from grantor agencies are subject to compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Water Rights

Rogue Basin Water Users Council, Inc. On September 9, 2003, Talent Irrigation District, Medford Irrigation District, and Rogue Valley Irrigation District pooled their resources and created the Rogue Basin Water Users Council, Inc. (“RBWUC”). All three Districts initially funded the RBWUC by contributing \$30,000 each. The District expenses the funds it contributes to the RBWUC when contributed. The District's share of the funds held by the RBWUC at fiscal year-end are not material and have been omitted from the District's balance sheet. The RBWUC and its Joint Fund were established in connection with the Endangered Species Act, Biological Assessment, Biological Opinion, possible litigation with the BOR, and other related issues. The Joint Fund will pay for the legal fees, expenses, expert witnesses, biologists, hydrologists, auditor fees, spokesperson expenses, etc., in the representation of all the Districts.

Klamath Adjudication - RBWUC, Inc.

The Klamath Basin water rights prior to 1905 are currently being adjudicated by the Oregon Water Resources Department. The District, Rogue River Valley Irrigation District, and Talent Irrigation District split the costs equally on matters pertaining to the Four Mile Reservoir and Klamath Adjudication. The District pays 100% for their other water resources that are being adjudicated. There was \$66,134 of legal costs for the fiscal year ended December 31, 2023 including the BIOP expense.

Bureau of Reclamation Safety of Dams (SOD) Program

The Bureau of Reclamation oversees the operation of more than 70 dams in the Pacific Northwest. The Safety of Dams program was created in response to the failure of Teton Dam in 1976. Since then, Reclamation has embarked on a rigorous review of every major dam in the region. Each major structure is periodically reviewed for resistance to seismic stability, overtopping, internal stability, and physical deterioration.

Hyatt Dam SOD

The contract between the United States of America and the Medford Irrigation District for the repayment of the Safety of Dams costs was executed on March 27, 2017 as Contract No. 17SD101933. The terms of the contract called for the repayment of the District's portion to be paid in one annual installment in the year 2023, except that the final installment should not exceed the amount necessary to pay the District's Repayment Obligation. The Hyatt Dam SOD accounts are now closed. The final project cost for Hyatt Dam SOD incurred by the United States for the SOD modification work, exclusive of nonreimbursable cultural resources costs, is \$9,172,944.79. The 15 percent Total Reimbursable Cost is \$1,375,941.72, of which \$1,117,264.68 (81.20%) is allocated to the Power purpose and the remaining \$258,677.04 (18.80%) is allocated to Irrigation. Per Article 6 and Article 8 of the contract, the District's adjusted final Repayment Obligation was \$28,894.78 and was paid during the year ending December 31, 2023.

Howard Prairie Dam SOD

The cost of these SOD modifications is estimated at \$12,500,000 with the District's estimated share calculated at \$101,138. Once the project is completed, Reclamation's Contracting Officer will provide the District with the actual cost of the SOD modifications and the District's actual Repayment Obligation.

The contract between the United States of America and the Medford Irrigation District for the repayment of the Safety of Dams costs was executed on January 18, 2018 as Contract No. 18SD101956. The terms of the contract call for the repayment of the District's portion as follows:

Municipal and Industrial (M&I) Use Repayment Obligation

- Approximately 3.34% of the District's irrigated land is considered M&I. According to the Safety of Dams Act, M&I lands are subject to interest during construction and repayment. Prior to substantial completion, the District and the Contracting Officer will work together to revise the M&I use estimate. The Contracting Officer will then include the revision in the written statement modifying the District's Repayment Obligation.

Medford Irrigation District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – Other Information *(continued)*

- The District has the option of repaying the M&I Use Repayment Obligation within one calendar year from the date of the Contracting Officer's written statement or may elect to repay the M&I Use Repayment Obligation by making successive annual installment payments, either in advance of or concurrent with repayment of the District's remaining obligation. Interest will continue to accrue until the M&I Use Repayment Obligation is paid in full.
- Beginning with the fifth year after the Contracting Officer's written statement and every 5 years thereafter, the Contracting Officer will complete a review of the District's water use and may revise the M&I Use Repayment Obligation.

Irrigation Use Repayment Obligation

- Is the remaining amount after the calculation for the M&I Use Repayment Obligation.
- Is not subject to interest.
- Is payable in annual installments beginning after full payment of the Hyatt SOD Repayment Obligation in 2023. Annual installment payments of \$32,764, less concurrent payments toward the M&I Use Repayment Obligation, are due and payable December 31st of each year.
- Beginning with the fifth year after the Contracting Officer's written statement and every five years thereafter, the Contracting Officer will reevaluate the District's ability to pay. If in the opinion of the Contracting Officer, the reevaluation indicates the District has an ability to pay greater than the annual installment of \$32,764, the District will pay the greater amount for the next five-year period, but in no year shall the District pay less than \$32,764. However, in no event shall the repayment period extend beyond 50 years.

Note 10 – Subsequent Events

The District has evaluated subsequent events through July 31, 2024, the date these statements were available to be issued. There were no material subsequent events that required disclosure in these financial statements.

OTHER SUPPLEMENTARY INFORMATION

Medford Irrigation District
Schedule of Operating Costs
Modified Cash Basis
For The Year Ended December 31, 2023

	Water		Equipment Operations	Total
	Operations and Maintenance	Administration		
Above the drop expense	\$ 32,641	\$ -	\$ -	\$ 32,641
BOR expenses	4,957	-	-	4,957
Computer expenses	-	12,950	-	12,950
Depreciation	100,815	570	30,542	131,927
Drought relief projects	81,064	-	-	81,064
Dues and memberships	-	18,162	-	18,162
Employee benefits and retirement	-	287,754	-	287,754
Equipment rental	-	-	293	293
Fuel and oil	-	-	47,171	47,171
Insurance	-	67,355	-	67,355
Interest expense	-	2,580	-	2,580
Joint systems expense	39,584	-	-	39,584
Lease expense	-	3,793	-	3,793
Legal and professional	-	93,160	-	93,160
Licenses and permits	-	6,170	-	6,170
Meetings, training, travel	-	3,748	-	3,748
Office expenses	-	9,984	-	9,984
Payroll taxes	-	44,225	-	44,225
Recording fees	-	6,966	-	6,966
Repairs and maintenance	144,570	7,454	22,860	174,884
Safety of dams	61,295	-	-	61,295
Salaries and wages, crew	444,856	-	-	444,856
Salaries and wages, manager and foreman	-	120,432	-	120,432
Salaries and wages, office	-	107,985	-	107,985
Supplies	2,745	1,097	-	3,842
Talent sytem expense	37,408	-	-	37,408
Telephone	-	7,647	-	7,647
Utilities	-	12,104	-	12,104
Miscellaneous	13,712	2,898	-	16,610
Total Operating Expenses	<u>\$ 963,647</u>	<u>\$ 817,034</u>	<u>\$ 100,866</u>	<u>\$ 1,881,547</u>

Medford Irrigation District
Schedule of Proportionate Share of the Net Pension Liability
For The Year Ended December 31, 2023

Year Ended June 30,	Proportion of the net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.00530186%	\$ 304,404	\$ 416,840	73.03%	103.60%
2016	0.00445394%	668,640	330,977	202.02%	91.88%
2017	0.00492598%	664,024	320,620	207.11%	80.52%
2018	0.00291555%	441,667	322,907	136.78%	83.10%
2019	0.00328318%	567,912	425,979	133.32%	82.10%
2020	0.00408251%	890,944	463,060	192.40%	75.80%
2021	0.00444706%	532,157	431,549	123.31%	81.09%
2022	0.00443313%	678,801	488,408	138.98%	0%
2023	0.00374243%	700,983	650,353	107.78%	0%

Schedule of Contributions

Year Ended June 30,	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent of Covered Payroll
2015	\$ 66,986	\$ 66,986	\$ -	\$ 416,840	16.1%
2016	59,934	59,934	-	330,977	18.1%
2017	60,246	60,246	-	320,620	18.8%
2018	75,765	75,765	-	322,907	23.5%
2019	60,653	60,653	-	425,979	14.2%
2020	80,695	80,695	-	463,060	17.4%
2021	109,154	109,154	-	431,549	25.3%
2022	115,639	115,639	-	488,408	23.7%
2023	156,771	156,771	-	650,353	24.1%

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS SECTION**



Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Standards*

Independent Auditors' Report

Board of Directors
Medford Irrigation District
Jacksonville, Oregon

We have audited the basic financial statements of Medford Irrigation District as of and for the year ended December 31, 2023, and have issued our report thereon dated July 31, 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 Irrigation District's financial statements are free of material misstatement, we performed tests of its 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, noncompliance with which could have direct and material effect on the determination of financial statements 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)
- Indebtedness limitations, restrictions and repayment
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe Medford Irrigation District 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.

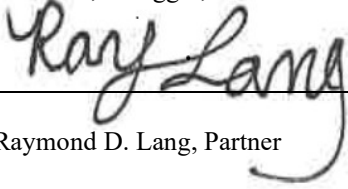
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Medford Irrigation District'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 Irrigation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Medford Irrigation District's internal control over financial reporting.

Restriction on Use

This report is intended solely for the information and use of District Board Members, management, and the State of Oregon, Secretary of State, Audits Division and is not intended to be and should not be used by anyone other than those specified parties.

Molatore, Scroggin, Peterson & Co. LLP



Raymond D. Lang, Partner

Klamath Falls, Oregon

July 31, 2024