

SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
MEDFORD, OREGON  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025  
WITH  
INDEPENDENT AUDITORS' REPORT

SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
MEDFORD, OREGON  
JUNE 30, 2025

Administrative Office:

101 North Grape Street  
Medford, Oregon 97501

**BOARD OF DIRECTORS**

Mary Middleton Grants Pass, Oregon	Director - Zone 1
Justin Wright Grants Pass, Oregon	Vice-Chair - Zone 2
Robert Moore Klamath County, Oregon	Director - Zone 3
Jessie Hecocta Klamath Falls, Oregon	Director - Zone 4
Rosie Converse Medford, Oregon	Chair - Zone 5
Corbin Morell Medford, Oregon	Director - Zone 6
Maud Powell Jacksonville, Oregon	Director - Zone 7
Annie Valtierra-Sanchez Central Point, Oregon	Director - Zone 8
Ana Mannenbach Eagle Point, Oregon	Director - Zone 9

All board members receive mail at the administrative office.

**ADMINISTRATIVE PERSONNEL**

Scott Beveridge  
Ashland, Oregon

Superintendent – Clerk

Jeanetta Woodside  
Medford, Oregon

Chief Financial Officer – Deputy Clerk

SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
MEDFORD, OREGON  
YEAR ENDED JUNE 30, 2025  
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SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
MEDFORD, OREGON  
YEAR ENDED JUNE 30, 2025  
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Certified Public Accountants  
And Business Advisors

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southern Oregon Education Service District

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oregon Education Service District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Southern Oregon Education Service District'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 cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oregon Education Service District, as of June 30, 2025, and the respective changes in cash basis financial position for the year then ended in accordance with the cash 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Oregon Education Service 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1 and for determining that the 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.

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 Southern Oregon Education Service District'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.

#### ***Auditors' 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 auditors'

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 Southern Oregon Education Service 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 Southern Oregon Education Service 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.

#### **Other Matters**

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southern Oregon Education District's basic financial statements. The management's discussion and analysis, budgetary comparison schedules, schedule of property tax transactions, school district financial accounting summaries, and audit comments and disclosures required by state regulations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The budgetary comparison schedules, schedule of property tax transactions, school district financial accounting summaries, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 the cash basis of accounting. In our opinion, the budgetary comparison schedules, schedule of property tax transactions, school district financial accounting summaries, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, on our consideration of Southern Oregon Education Service District'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 Southern Oregon Education Service District'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 Southern Oregon Education Service District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 14, 2025, on our consideration of compliance with certain provisions of laws and regulations, including the provision 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.

*Isler Medford, LLC*

Isler Medford, LLC

Medford, Oregon

November 14, 2025

By *Carolyn M. Ryder, CPA, CGMA*  
Carolyn M. Ryder, CPA, CGMA

Southern Oregon Education Service District  
Medford, Oregon  
Management's Discussion and Analysis  
June 30, 2025  
(unaudited)

The discussion and analysis of Southern Oregon Education Service District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Using this Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

**Basis of Accounting**

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions. As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the District as a whole**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements (Statement of Net Position – cash basis and Statement of Activities – cash basis) provide information about the activities of the whole District, presenting both an aggregate view of Southern Oregon Education Service District's finances and a longer-term view of those finances. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statements of Fiduciary Net Assets – cash basis at the Fund financial statement level. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Southern Oregon Education Service District, there are no non-major funds. The General Fund is the District's most significant fund.



Southern Oregon Education Service District  
Medford, Oregon  
Management's Discussion and Analysis  
June 30, 2025  
(unaudited - continued)

**Statement of Net Position – cash basis and the Statement of Activities – cash basis**

The Statement of Net Position and the Statement of Activities include all assets and liabilities resulting from the use of the cash basis of accounting.

These two statements report the District's net assets and changes in those assets. Because of the limitations of the cash basis of accounting, the District's net position—the difference between assets and liabilities—is one way to measure the District's financial health or financial position. Over time, increases or decrease in net assets is one indicator of whether the District's financial health is improving or deteriorating. The reported change in financial condition is actually a change in cash position and not a change in the economic condition of the District.

In the Statement of Net Position – cash basis and the Statement of Activities – cash basis, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance, pupil transportation and extracurricular activities.

**Reporting the District's most significant funds**

**Fund Financial Statements**

The analysis of the District's major funds begins on page 12 (Statement of cash basis assets and fund balances – Governmental funds). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Special Revenue Fund, the Federal Programs Fund, and the Capital Projects Fund.

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities reported in the Statement of Net Position – cash basis and the Statement of Activities – cash basis and governmental funds is reconciled in the financial statements.

**The District as a whole**

The following summaries present comparative data for the current and prior fiscal years. The statement of net position, resulting from cash basis transactions, provides the perspective of the District as a whole.

Southern Oregon Education Service District  
Medford, Oregon  
Management's Discussion and Analysis  
June 30, 2025  
(unaudited - continued)

**Statement of Net Position Summary – Cash Basis**

	<u>2024</u>	<u>2025</u>
<b>Assets</b>		
Current and other assets	\$ 12,630,381	\$ 24,350,821
Total assets	<u>\$ 12,630,381</u>	<u>\$ 24,350,821</u>
<b>Net Position</b>		
Restricted for grants and contracts	\$ 1,203,431	\$ 11,524,366
Assigned for operations and student services	6,678,521	6,433,376
Assigned for internal services	3,003,343	4,176,388
Unassigned	1,745,086	2,216,691
Total net position	<u>\$ 12,630,381</u>	<u>\$ 24,350,821</u>

Total net position of governmental activities increased by \$11,720,440.

**Changes in Net Position – Cash Basis**

	<u>2024</u>	<u>2025</u>
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 10,840,760	\$ 10,320,630
Operating grants and contributions	27,412,364	34,669,285
General revenues:		
Property taxes	14,264,714	14,668,730
Grants and entitlements	13,560,814	13,838,961
Other	2,864,313	15,113,631
Total revenues	<u>68,942,965</u>	<u>88,611,237</u>
<b>Program expenses</b>		
Instruction	17,300,345	17,733,955
Support services:		
Students and instructional staff	17,924,359	21,170,092
Administration, fiscal and internal service	13,084,078	11,559,968
Operation and maintenance	1,206,027	2,789,607
Central activities	1,424,860	2,078,248
Building improvement services	3,923,796	8,977,079
Total expenses	<u>54,863,465</u>	<u>64,308,949</u>
Change in net position	14,079,500	24,302,288
Less flow through to other districts	(11,831,706)	(12,581,848)
Change in net position	<u>\$ 2,247,794</u>	<u>\$ 11,720,440</u>

Southern Oregon Education Service District  
Medford, Oregon  
Management's Discussion and Analysis  
June 30, 2025  
(unaudited - continued)

**Governmental Activities**

K-12 education in Oregon is state funded. While the District still levies a fixed amount per \$1,000 of assessed value, this revenue is included in the State's calculation of overall funding. Property taxes made up 16.6% of revenues for governmental activities for the Southern Oregon Education Service District for fiscal year 2025.

Instruction comprises 32.1% of District expenses, support services make up 67.9% of District expense, and building improvement services comprises 14.0% of the total expenses of the District. However, it should be noted that the support service function includes services to students. Some of the services to students included in this function category are nursing, speech therapy, and school psychology.

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. This cost of services summary shows the total cost of services and the net cost of services by identifying the cost of these services supported by tax revenue and unrestricted state entitlements.

**Cost of Services Summary – Cash Basis**

	<b><u>Total Cost of Services 2025</u></b>	<b><u>Net Cost of Services 2025</u></b>
Instruction	\$ 17,733,955	\$ (5,371,936)
Support services:		
Students and instructional staff	21,170,092	(6,538,543)
Administration, fiscal and internal service	11,559,968	(603,050)
Operation and maintenance	2,789,607	(1,841,576)
Central activities	2,078,248	(1,697,240)
Building improvement services	8,977,079	(3,266,689)
Total governmental activities	<b><u>\$ 64,308,949</u></b>	<b><u>\$ (19,319,034)</u></b>

Instruction expense includes activities directly dealing with the teaching of students and the interaction between teacher and student.

Students and instructional staff include the activities involved with assisting staff with the content and process of teaching students.

Administration, fiscal and business include expenses associated with administrative and financial supervision of the District including Medicaid Administrative Claiming, workers compensation, and cooperative purchasing.

Operation and maintenance activities involve keeping the grounds, buildings, and equipment in an effective working condition.

Central activities include expenses related to planning, research, development, and evaluation of support services, as well as the reporting of this information internally and to the public.

Southern Oregon Education Service District  
Medford, Oregon  
Management's Discussion and Analysis  
June 30, 2025  
(unaudited - continued)

**General Fund Budgeting Highlights**

The District's budget is prepared according to Oregon law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. All funds are budgeted but the most significant budgeted funds are the General Fund and the Special Revenue Fund.

**Capital Assets – Cash Basis**

Capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Debt Administration**

Southern Oregon ESD entered into a \$1,365,000 Full Faith and Credit Term Loan at the end of the 2023–2024 fiscal year to finance the acquisition of property located at 711 and 715 SW Ramsey Avenue, Grants Pass, Oregon. The original loan carried a 6.68% interest rate (Non-Bank Qualified) with a 10-year term and 25-year amortization, and included a 1% prepayment penalty under certain conditions.

In November 2024, the District refinanced this loan as part of its \$12,000,000 Full Faith and Credit Financing Agreement and Note, Series 2024B, with Webster Bank, N.A. The new financing—authorized under Resolution No. 5 (September 25, 2024)—provided funding for the Phoenix Campus Reconstruction Project and refunded the June 2024 loan used for the Ramsey Avenue properties. The bank waived the prepayment penalty as part of the refinancing. The Series 2024B financing carries annual principal payments due each June 15 (2025–2040) and semiannual interest payments on June 15 and December 15, and is secured by the District's Full Faith and Credit and all lawfully available funds.

Legal counsel confirmed the District's borrowing authority and compliance with Oregon Revised Statutes. Southern Oregon ESD remains committed to meeting the terms of this refinancing while maintaining transparency and fiscal responsibility.

**Current financial issues and concerns**

The funding formula for education service districts require that ninety percent of state school funding be expended on services for component school districts under what is called "resolution services" which is incorporated in a "Local Service Plan." Resolution services are a category of expenditures that require approval of the component school districts by a vote of the component school districts' board of directors. For the 2024-2025 fiscal year 90.39% was provided under resolution services to the component school districts.

SB 529 legislation was passed in 2013 and the legislation allows a component school district, with a vote of the component school district board of directors, to "opt-out" of services provided by the education service district. The opting out component school district then receives ninety percent of the funding their student count generates on behalf of the education service district. The process for a district to opt out is:

- By November 1 the component school district notifies the education service district that they are considering opting out.

Southern Oregon Education Service District  
Medford, Oregon  
Management's Discussion and Analysis  
June 30, 2025  
(unaudited - continued)

**Current financial issues and concerns (continued)**

- By March 1 the component school district, with a two thirds vote of the component school district board of directors, notifies the education service district that they are opting out.
- July 1 the education service district will no longer provide services to the opting out component school district and the component school district will begin to receive their ninety percent of funding as cash in lieu of services.

During the 2017-2018 fiscal year significant discussions occurred with component school districts regarding the Local Service Plan. As a result of those discussions, changes were made to the structure of the Local Service Plan. Previously only special education services were offered on a service selection (menu) approach. With the 2018-2019 fiscal year the service selection (menu) approach was expanded to the other areas of School Improvement Services and Technology & Media Services. As a result of these changes no districts opted to withdraw from the Southern Oregon ESD for the 2024-2025 fiscal year or the upcoming 2025-2026 fiscal year. This menu approach challenges the District to balance the needs of the component school districts with the services selected by those districts.

The complete loss of the District's Phoenix, Oregon facility due to a fire that swept through the southern end of Jackson County in September 2020 has had a significant impact on the District's ability to provide services to component school districts. This fire destroyed thousands of structures, including the homes of several District employees. The District has settled with its insurance company and is rebuilding on the existing site. Construction of the new facility is underway and is expected to be completed in spring 2026. In the meantime, many of the Phoenix Office staff are temporarily housed at the District's Medford, Oregon location, along with additional rented or leased facilities throughout the Southern Oregon area.

**Leadership Transition and Impact on 2025-26**

The District will enter the 2025–26 fiscal year with several new members of its executive leadership team. A new Superintendent has been appointed, and a new Chief Financial Officer, Chief Information Officer, and Chief Human Resources Officer joined the District at the end of the 2024–25 fiscal year. These transitions are expected to provide renewed strategic direction while maintaining continuity in the District's operations. The 2025–26 budget will reflect priorities established by the new leadership team, including ongoing efforts to complete the Phoenix facility rebuild, strengthen business operations, and support high-quality services to component districts.

**Contacting the District's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeanetta Woodside, Chief Financial Officer, Southern Oregon Education Service District, 101 North Grape Street, Medford, Oregon 97501.

## **BASIC FINANCIAL STATEMENTS**

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
**Medford, Oregon**

**Statement of Net Position - Cash Basis**  
**June 30, 2025**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 24,350,821
<b>Total Assets</b>	<u><u>\$ 24,350,821</u></u>
 <b>Net Position</b>	
Restricted	
Grants and contracts	\$ 11,524,366
Operations and student services	6,433,376
Internal services - substitute management, copy, unemployment, and workers compensation costs	4,176,388
Unrestricted	<u>2,216,691</u>
<b>Total Net Position</b>	<u><u>\$ 24,350,821</u></u>

See accompanying notes to financial statements.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
**Medford, Oregon**

**Statement of Activities - Cash Basis**  
**Year Ended June 30, 2025**

Functions/Programs	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
<b>Instruction:</b>				
High school programs	\$ 188,019	\$ -	\$ 169,739	(18,280)
Restrictive programs for disabled students	11,290,095	646,517	5,269,520	(5,374,058)
Early intervention	3,532,011	428,723	3,125,999	22,711
Alternative education	631,036	-	627,074	(3,962)
Migrant education	1,269,104	34,702	1,237,083	2,681
Other special programs	823,690	-	822,662	(1,028)
<b>Support services:</b>				
Attendance and social work services	2,093,792	2,628	1,951,575	(139,589)
Guidance services	1,051,569	149,333	630,150	(272,086)
Health services	118,354	-	-	(118,354)
Psychological services	2,469,007	610,858	157,434	(1,700,715)
Speech pathology and audiology services	868,865	70,213	246,255	(552,397)
Service direction, student support services	3,694,733	168,494	2,010,184	(1,516,055)
Support services-instructional staff	10,873,772	449,864	8,184,561	(2,239,347)
General administration	784,519	-	3,375	(781,144)
Fiscal services	2,320,326	697,453	1,574,320	(48,553)
Operation and maintenance	2,789,607	600,105	347,926	(1,841,576)
Internal services	5,404,466	6,168,899	-	764,433
Central activities	2,078,248	292,841	88,167	(1,697,240)
Supplemental retirement program	23,255	-	23,255	-
Staff services	528,222	-	-	(528,222)
Community services	2,499,180	-	2,489,616	(9,564)
Apportionment - flow through to districts	12,581,848	-	-	(12,581,848)
Facilities acquisition and construction	8,977,079	-	5,710,390	(3,266,689)
<b>Total governmental activities</b>	<b>\$ 76,890,797</b>	<b>\$ 10,320,630</b>	<b>\$ 34,669,285</b>	<b>\$ (31,900,882)</b>
<b>General receipts:</b>				
				14,668,730
				13,838,961
				11,990,545
				14,969
				1,379,034
				1,729,083
				<u>43,621,322</u>
				11,720,440
				<u>12,630,381</u>
				<u>\$ 24,350,821</u>

See accompanying notes to financial statements.



**SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2025**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Federal Programs Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,216,691	\$ 1,677,326	\$ (2,314,465)	\$ 18,594,881	\$ 20,174,433
Total assets	<u>\$ 2,216,691</u>	<u>\$ 1,677,326</u>	<u>\$ (2,314,465)</u>	<u>\$ 18,594,881</u>	<u>\$ 20,174,433</u>
<b>Liabilities</b>					
Deficit cash and cash equivalents	-	-	-	-	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted for grants and contracts	\$ -	\$ -	\$ -	\$ 18,594,881	\$ 18,594,881
Assigned for operations and student services	-	6,433,376	-	-	6,433,376
Unassigned	2,216,691	(4,756,050)	(2,314,465)	-	(4,853,824)
Total fund balances	<u>2,216,691</u>	<u>1,677,326</u>	<u>(2,314,465)</u>	<u>18,594,881</u>	<u>20,174,433</u>
Total liabilities and fund balances	<u>\$ 2,216,691</u>	<u>\$ 1,677,326</u>	<u>\$ (2,314,465)</u>	<u>\$ 18,594,881</u>	<u>\$ 20,174,433</u>

Amounts reported for governmental activities in the statement of net position - cash basis are different because:

An internal service fund is used for providing services to other districts and funds. The assets and liabilities of the internal service fund are included with governmental activities.

4,176,388

Net position of governmental activities

\$ 24,350,821

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
Medford, Oregon

**Statement of Revenues Collected, Expenses Paid and Changes in Cash Basis Fund Balances**  
**Governmental Funds**

Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Federal Programs Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues collected</b>					
Local sources:					
Property taxes	\$ 14,668,730	\$ -	\$ -	\$ -	\$ 14,668,730
Investment earnings	1,379,034	-	-	-	1,379,034
Services to districts	126,074	2,591,656	-	-	2,717,730
Contributions	-	231,665	-	-	231,665
Fees charged to grants	-	1,400,463	-	-	1,400,463
Other local sources	200,625	1,561,997	-	-	1,762,622
Intermediate sources					
Revenue for/on behalf of the District	-	336,161	-	-	336,161
State sources					
State school fund general support	13,838,961	-	-	-	13,838,961
State managed county timber	14,969	-	-	-	14,969
Grants	-	5,708,494	-	-	5,708,494
Revenue for/on behalf of the District	-	10,112,113	-	-	10,112,113
Federal sources					
Revenue for/on behalf of the District	-	-	3,990,504	-	3,990,504
Other federal sources	-	120,121	8,459,837	-	8,579,958
Total revenues	<u>30,228,393</u>	<u>22,062,670</u>	<u>12,450,341</u>	<u>-</u>	<u>64,741,404</u>
<b>Expenditures paid</b>					
Current:					
Instruction:					
High school programs	-	18,805	169,214	-	188,019
Restrictive programs for disabled students	5,365,333	2,899,365	3,025,397	-	11,290,095
Early intervention	330,000	2,850,747	351,264	-	3,532,011
Alternative education	-	540,223	90,813	-	631,036
Migrant education	-	34,702	1,234,402	-	1,269,104
Other special programs	-	823,690	-	-	823,690
Support services:					
Attendance and social work services	48,234	1,254,928	790,630	-	2,093,792
Guidance services	261,085	482,825	307,659	-	1,051,569
Health services	118,354	-	-	-	118,354
Psychological services	1,700,715	764,886	3,406	-	2,469,007
Speech pathology and audiology services	552,396	152,527	163,942	-	868,865
Service direction, student support services	1,522,587	1,907,810	264,336	-	3,694,733
Support services-instructional staff	2,045,535	6,911,678	1,916,559	-	10,873,772
General administration	781,144	-	3,375	-	784,519
Fiscal services	-	1,773,665	546,661	-	2,320,326
Operation and maintenance	1,913,625	875,982	-	-	2,789,607
Internal services	13,379	395,234	-	-	408,613
Staff services	524,769	-	3,453	-	528,222
Central activities	1,697,784	380,464	-	-	2,078,248
Supplemental retirement programs	-	23,255	-	-	23,255
Community services	-	1,140,901	1,358,279	-	2,499,180
Facilities acquisition and construction:					
Building acquisition, construction, and improvement	-	2,434,427	-	6,542,652	8,977,079
Total expenditures	<u>16,874,940</u>	<u>25,666,114</u>	<u>10,229,390</u>	<u>6,542,652</u>	<u>59,313,096</u>
Excess (Deficiency) of revenues collected over expenses paid	<u>13,353,453</u>	<u>(3,603,444)</u>	<u>2,220,951</u>	<u>(6,542,652)</u>	<u>5,428,308</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	600,000	-	-	600,000
Transfers out	(300,000)	(300,000)	-	-	(600,000)
Loan receipts	-	1,418,927	-	-	1,418,927
Financing fees	-	-	-	10,571,618	10,571,618
Apportionment	(12,581,848)	-	-	-	(12,581,848)
Sale of or compensation for loss of fixed assets	-	-	-	5,710,390	5,710,390
Total other financing sources and (uses)	<u>(12,881,848)</u>	<u>1,718,927</u>	<u>-</u>	<u>16,282,008</u>	<u>5,119,087</u>
Net change in fund balance	471,605	(1,884,517)	2,220,951	9,739,356	10,547,395
Fund balance beginning of year	1,745,086	3,561,843	(4,535,416)	8,855,525	9,627,038
Fund balance end of year	<u>\$ 2,216,691</u>	<u>\$ 1,677,326</u>	<u>\$ (2,314,465)</u>	<u>\$ 18,594,881</u>	<u>\$ 20,174,433</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon**

**Reconciliation of the Statement of Revenues Collected, Expenses Paid  
and Changes in Cash Basis Fund Balances - Governmental Funds  
to the Statement of Activities - Cash Basis**

**Year Ended June 30, 2025**

Total net change in fund balances - governmental funds	\$ 10,547,395
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Amounts reported for governmental activities in the statement  
of activities - cash basis are different because:

An internal service fund is used for providing services to other districts  
and funds. The net position of the internal service fund are reported  
with governmental activities.

1,173,045

Change in net position of governmental activities

\$ 11,720,440

See accompanying notes to financial statements.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon**

**Statement of Net Position - Cash Basis  
Proprietary Funds  
June 30, 2025**

	<u><b>Internal Service Fund</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,176,388
Total assets	<u>\$ 4,176,388</u>
<b>Net Position</b>	
Unrestricted	\$ 4,176,388
Total net position	<u>\$ 4,176,388</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon**

**Statement of Revenues Collected, Expenses Paid and Changes in Cash Basis Fund Net Position  
Proprietary Funds**

**Year Ended June 30, 2025**

	<b>Internal Service Fund</b>
<b>Revenues collected:</b>	
Local sources	
Services to districts	\$ 4,022,419
Other local sources	2,145,461
Miscellaneous	1,018
Total revenue	<u>6,168,898</u>
<b>Expenses paid:</b>	
Supporting services	<u>4,995,853</u>
Operating income (loss)	<u>1,173,045</u>
Change in net position	1,173,045
Total net position beginning of year	3,003,343
Total net position end of year	<u><u>\$ 4,176,388</u></u>

See accompanying notes to financial statements.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements  
June 30, 2025**

**Note 1 - Significant accounting policies**

**Basis of presentation**

The financial statements of Southern Oregon Education Service District have been prepared on the cash basis of receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Except for the use of the cash basis of accounting, the District complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below.

**Reporting entity**

The District is an Oregon Municipal Corporation governed by a nine-member board of directors. As required by generally accepted accounting principles, these financial statements present the District and its component units, for which the District is considered to be financially accountable. The District has no component units.

**Basic financial statement presentation**

The government-wide financial statements (Statement of Net Position – cash basis and the Statement of Activities – cash basis) display information about the reporting government as a whole. These statements include all the financial activities of the District, resulting from the cash basis of accounting.

The statement of net position – cash basis presents the financial condition of the governmental activities of the District at year-end. The statement of activities – cash basis presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, clearly identifiable to a particular function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program or function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The effect of interfund activity has been removed from these statements.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 1 - Significant accounting policies (continued)**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund and meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Separate fund financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund are fees from other districts and funds. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Organization and fund structure**

The District used the following governmental and proprietary funds to account for its activities:

**Governmental Funds**

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The principal revenue sources are property taxes and the state school support funds from the State of Oregon. The General Fund is always a major fund of the District.

**Capital Projects Fund** - The Capital Projects Fund is used to track the financial resources used to acquire or construct major capital assets. The Capital Projects Fund is a major fund.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources collected that are restricted to expenses paid for specified purposes. Principal revenue sources collected are federal and state grants. Funds included in this category are:

Special Revenue Fund - a major fund  
Federal Programs Fund - a major fund

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 1 - Significant accounting policies (continued)**

**Proprietary Funds**

**Internal Service Fund** - The Internal Service Fund accounts for revenue collected and costs incurred by the District in providing services to other districts and funds. The principal revenue source is fees from other districts and funds.

**Measurement focus and basis of accounting**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement focus**

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined in item b) below.

In the fund financial statements, the current financial resources measurement focus is used.

- a) All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of accounting**

The government-wide statement of net position and statement of activities and the fund financial statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statement for proprietary funds would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.



**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 1 - Significant accounting policies (continued)**

**Cash and cash equivalents**

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Short-term investments are stated at cost which approximates fair value.

**Budget**

The District is required by state law to budget all funds. The District prepares all budgets on the cash method of accounting. The major documents prepared are the tax budget and appropriation resolutions approved by the Board members. Expenditure appropriations may not be legally over expended except in the case of grant receipts, which could not be reasonably estimated at the time the budget was adopted. Appropriations lapse at the end of each fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted that covered the entire fiscal year. The amounts reported as the final budgeted amounts in the budgetary statements represent the final appropriation amounts passed by the Board during the year.

**Inventories**

The District utilizes the "purchases" method of accounting for inventories. Under this method, inventories are recorded as expenditures upon acquisition.

**Restricted assets**

Restricted assets are cash and cash equivalents whose use is limited by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets reported in the government-wide statements include cash and cash equivalents received from private contributions.

**Property taxes**

Ad valorem property taxes are levied on all taxable property as of January 1. Property taxes become a lien on July 1 for personal and real property. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

**Equity classifications**

***Government-wide statements***

Equity is classified as net position, which represents the difference between assets, liabilities, and deferred accounts. Net position is displayed in three components:

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 1 - Significant accounting policies (continued)**

**Equity classifications (continued)**

***Government-wide statements (continued)***

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The District has no capital assets to report.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The District's policy is to first apply restricted resources when an expense is incurred for purpose for which both restricted and unrestricted net position is available.

***Governmental fund financial statements***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision making authority.

Assigned - Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - All amounts not included in other spendable classifications.

The District has adopted a policy that allows the administration to designate fund balance classifications. In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other less restrictive classifications - committed, assigned, and then unassigned fund balances. The District has no formal minimum fund balance policies or any formal stabilization arrangements in place.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 1 - Significant accounting policies (continued)**

**Interfund activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

The preparation of the financial statements in conformity with the other comprehensive basis of accounting used by the District requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2 - Cash and investments**

The District maintains cash and investments with the Local Government Investment Pool and Bank of America that is available for use by all funds. Each fund type's portion of this account is displayed on the Governmental Fund Statement of Cash Basis Assets and Fund Balances as cash and cash equivalents.

Cash and investments are comprised of the following at June 30, 2025:

Petty cash	\$ 5,900
Deposits with financial institutions:	
Demand deposits	1,190,439
Investments	23,154,482
	<hr/>
Total	\$ 24,350,821
	<hr/>

Cash and investments are reflected on the basic financial statements as:

Governmental Funds	
Cash and cash equivalents	\$ 20,174,433
Proprietary Funds	
Cash and cash equivalents	4,176,388
	<hr/>
Total	\$ 24,350,821
	<hr/>

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 2 - Cash and investments (continued)**

**Deposits**

The Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, requires government agencies to disclose an indication of the level of risk assumed by the entity at year-end. If bank deposits at year-end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are held in the name of the District and are comprised of bank demand deposits. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities are designated as subject to the Pledge Agreement between the Depository Bank, Custodian Bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors.

The Office of the State Treasury monitors the banks collateral and issues a list of qualified bank depositories to public officials to verify the banks they do business with comply with State collateralization requirements. The District's financial institution, First Interstate Bank, is on the approved list.

*Custodial credit risk* - Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

**Investments**

The District has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during fiscal year 2025. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORD 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. The LGIP is unrated.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at cost, which approximates fair value. State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the U.S. Government and its agencies, certain bonded obligations

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 2 - Cash and investments (continued)**

**Investments (continued)**

of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2025 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

*Credit Risk* - State Statutes authorize the District to invest primarily in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

*Concentration of Credit Risk* - The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

*Interest Rate Risk* - The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The District's investments at June 30, 2025 are comprised of:

	<u>Carrying Amount</u>	<u>Market Value</u>
Investments not subject to categorization:		
State of Oregon Treasurer's		
Local Government Investment Pool	<u>\$23,154,482</u>	<u>\$23,154,482</u>

**Note 3 – Pension plan**

Plan Description - The District contributes to two pension plans administered by the Oregon PERS. The Oregon Public Employees Retirement fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: 1) The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. 2) Beginning January 1, 2004, all PERS (Public Employees Retirement Fund) member contributions are directed into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any subsequent member contributions are deposited into the member's IAP, not the member's PERS account.

Benefits Provided - Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available, independently audited Annual Comprehensive Financial Report. That report may be

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 3 – Pension plan (continued)**

obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by downloading the report from the PERS website, [www.oregon.gov/pers/pages/index.aspx](http://www.oregon.gov/pers/pages/index.aspx).

The ORS Chapter 238 Defined Benefit Plan (OPERF) is closed to new members hired on or after August 29, 2003. This plan offers the following benefits:

**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 year 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.

**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:

- 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.

**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.

**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. The cap on the COLA will vary based on the amount of the annual benefit.

The ORS Chapter 238A Defined Benefit Pension Program (OPSRP) provides benefits to members hired on or after August 29, 2003. This plan offers the following benefits:

**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 and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 3 – Pension plan (continued)**

- 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 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. The cap on the COLA will vary based on the amount of the annual benefit.

**Funding Policy** - Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF (Tier One and Tier Two) rate in effect for the year ended June 30, 2024 was 26.83%. The OPSRP rate in effect for the year ended June 30, 2024 was 23.72%. The contribution requirements for plan members are established by ORS chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the plan, which the District has agreed to pay, in lieu of an equivalent salary increase.

**Annual Pension Cost** - The District's contributions to PERS for the years ending June 30, 2025, 2024 and 2023 were \$6,452,860; \$5,786,040; and \$4,774,260; respectively, which equaled the required contributions for each year.

**Note 4 – Other Postemployment benefits (OPEBs)**

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the fiscal year ended June 30, 2020. Because the District presents its financial statements on the cash basis of accounting, these implementation requirements are disclosed in these Notes to the Basic Financial Statements.

**Early Retirement Program**

**Plan Description** - The District sponsors and administers an Early Retirement Program (ERP) with three main components, as follows:

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 4 – Other Postemployment benefits (OPEBs) (continued)**

**Plan Description (continued)**

- **Stipend Benefits** - Certain retirees are eligible to receive a monthly stipend payable until eligibility for full Social Security benefits, but in no event more than ten years of payments. The stipend amount is generally a flat dollar amount, except for pre-age 60 licensed retirees, whose stipend is based on the current year's substitute rate. This pension-type benefit is required to be valued under GASB Statement 73.
- **Implicit Medical Benefits** - In addition to the explicit medical benefits for certain retirees, continued medical coverage is offered to the District's eligible retirees and their spouses and dependents until Medicare eligibility. The active premium rate (whether paid by the District or by the retiree) still applies. However, in some cases the premium itself does not represent the full cost of covering these retirees (since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population). This additional cost is called the "implicit subsidy", and is required to be valued under GASB Statement No. 75. However, an implicit subsidy does not exist in arrangements that are deemed to be "community rated" by a qualified actuary. In general, a community rated situation is one in which the health care claims experience of the employer is not expected to impact the premiums being charged the employer. For example, the District participates in the Oregon Educators Benefit Board (OEBB) health plans, along with many other school districts, community colleges, and education service districts. For plans in which the District's claims experience represents only a very small percentage of the total claims experience of the plans as a whole, the actuary can deem the arrangement to be community rated. Using participant counts as a proxy for claims, the actuary determined the District's participation in the Providence Health Plans currently constitutes a community rated arrangement, but the District's participation in the ODS plan does not. Therefore, there is an implicit subsidy value for ODS participants.
- **Explicit Medical Benefits** - The District may pay all or a portion of a retiree's medical premium until Medicare eligibility. This explicit benefit is required to be valued under GASB Statement No. 75.

The Total Pension (or OPEB) Liability (TPL/TOL) is determined under GASB Statements 73 and 75. This is equal to the present value of the portion of future expected benefit payments that is considered to have been already earned by participants. The statements require that the TPL/TOL be determined using the Entry Age Normal actuarial funding method.

Further, to illustrate the sensitivity of the TPL/TOL to changes in discount rate, the Statements require that the TPL/TOL be disclosed using a discount rate one percentage point lower and higher than the baseline rate. Similarly, the sensitivity of the TOL to changes in assumed healthcare trend rates must also be disclosed.

**Funding Policy** - The benefits from this program are paid by the District on a pay-as-you-go basis. There is no obligation on the part of the District to fund these benefits in advance.

**Annual Early Retirement Program Cost** - The District's costs for the years ending June 30, 2025, 2024 and 2023 for the Stipend Benefit were \$14,507; \$9,687; and \$26,312; respectively, and the District's costs for the Implicit and Explicit Medical Insurance were (\$43,698); \$75,966; and \$44,151; respectively.



**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 4 – Other Postemployment benefits (OPEBs) (continued)**

**Eligibility** – Administrative and Confidential employees with at least 10 years of service with the District are eligible for the Stipend Benefit and the Explicit Medical Benefit. Licensed employees who have been employed by the District prior to January 1, 2001 are also eligible for the Stipend and Explicit Medical Benefit. Classified employees employed by the District prior to July 1, 2000 are eligible for the Explicit Medical Benefit; Classified employees are not eligible for the Stipend Benefit.

Regarding the Implicit Medical Benefit, all classes of employees are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may also qualify for coverage under the Implicit Medical Benefit.

**Note 5 – Contingencies**

Amounts received from grantor agencies are subject to audit and adjustments by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District, in the regular course of business, is named as a defendant in various lawsuits. Although the likely outcome of these lawsuits is not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

**Note 6 – Deficit fund balance**

The District has a deficit fund balance in its Federal Programs Fund (a Special Revenue Fund) due to unreimbursed Federal program costs. The District has applied for the reimbursements; however, the funds had not been received at June 30, 2025.

**Note 7 – Operating transfers**

The following operating transfers occurred for the year ended June 30, 2025:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
Operating transfers included in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – cash basis	\$ <u>600,000</u>	\$ <u>600,000</u>

Interfund transfers occurred in the amount of \$600,000. The transfer activity is as follows: \$300,000 was transferred out of the General Fund to the Indirect Support account. In the Special Revenue accounts the following transfers occurred: \$300,000 was transferred out of the Special Revenue Fund into the Indirect Support account to address the payments made for the reconstruction loan.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 8 – 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. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2025.

**Note 9 – School funding**

The District is dependent on the State of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the State level, future funding for school districts may be reduced. The ultimate effect of this possible reduction in funding on the District's future operations is not yet determinable.

**Note 10 – Leases payable**

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about the governments' leasing activities. Because the District uses the cash basis of accounting, lease assets and liabilities will not be recognized in the financial statements.

On October 15, 2021 the District entered into a 36-month lease of real property at 918 Chevy Way in Medford, Oregon as Lessee. The lease agreement includes an option to renew the lease for an additional 36 months. The lease term began October 15, 2021 with base rent due of \$4,750 per month for the first year. The base rent will increase 3% annually beginning October 16, 2022.

On May 15, 2021 the District entered into a 38-month lease of office space at 502 W. Main Street, Suite in Medford Oregon. The lease term began June 15, 2021 with prorated rent due until June 30, 2021 of \$4,707. Beginning July 1, 2021 monthly lease payments were due of \$8,414. The base rent increases annually by 2% beginning July 1, 2022. The lease term was extended until January 2026.

On February 28, 2022 the District entered into a 5-year lease as Lessee of real property at 90 NW Glenhart Avenue in Winston, Oregon. The lease term commenced on March 15, 2022 and the initial lease payment of \$772 was due on March 15, 2022 for rent credit until March 31, 2022. Beginning April 1, 2022 monthly fixed lease payments were due of \$1,408. The rent obligation will increase 3% annually beginning April 1, 2023. The lease term was extended until March 2027.

On April 1, 2022 the District entered into a 26-month lease of a warehouse at 2019 Lars Way in Medford, Oregon as Lessee. The lease term began April 1, 2022 with 12 monthly lease payments of \$2,521 due. The monthly lease payments increase 3% to \$2,597 beginning April 1, 2023 until June 30, 2024.

On July 1, 2023 the District entered into a 3-year lease at 2685 Foothills Blvd in Klamath Falls, Oregon. The lease term began July 1, 2023 with lease payments of \$2,641.06 due monthly for the first year. The monthly payment increased 2% to \$2,747.76 per month in year two and \$2,802.76 in year three.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 10 – Leases payable (continued)**

On August 1, 2021 the District entered into a 3-year sublease as Lessee of three classrooms and shared common space at 400 Earhart Street in Medford, Oregon. Beginning August 1, 2021, monthly lease payments were due of \$2,362.50 with a 3% annual increase beginning August 1, 2022. The lease term was extended until July 2026.

On August 1, 2021 the District entered into a 3-year lease of property at 629 Franquette in Medford, Oregon as Lessee. The lease term began August 1, 2021 with lease payments of \$2,400 due monthly for the first year. The monthly payment increased 25% to \$3,000 per month in year two and increased 15% to \$3,450 per month in year three.

On December 1, 2022 the District entered into a 5-year lease of property at 550 SW 6<sup>th</sup> Street, Grants Pass, Oregon as Lessee. The lease term began December 1, 2022 with lease payments of \$5,250 due monthly for the first year. In addition, first and last month's rent is due upon execution of the lease, with a one month rent abatement applied to the second month. The rent obligation will increase 3% annually beginning December 1, 2023.

On August 1, 2024, the District entered into a lease agreement for property located at 3132 State Street, Suite 210. The lease term began on August 1, 2024, and will terminate on August 14, 2026. The District has the option to renew the lease for two additional terms. Monthly lease payments are \$6,800 for the first year and will increase to \$6,936 beginning August 1, 2025.

On August 1, 2024, the District entered into a one-year lease agreement for property located at 310 SW H Street, Grants Pass, Oregon. The lease term began on August 1, 2024, with monthly payments of \$3,978 for the initial year. If the lease is renewed, the monthly rent will increase by the greater of three percent or the change in the Consumer Price Index (CPI) for All Urban Consumers, Western Region.

On August 1, 2022 the District entered into a 24-month lease at 2250 NW Heidi Lane in Grants Pass, Oregon as Lessee. The lease term began August 1, 2022 with lease payments due of \$2,471 due each month until July 31, 2024.

The District rents several copiers in multiple District locations. The lease expense for all copiers in the fiscal year ending June 30, 2025 was \$33,428.

**Southern Oregon Education Service District  
Medford, Oregon  
Notes to Basic Financial Statements (Continued)  
June 30, 2025**

**Note 10 – Leases payable (continued)**

<b>Leases Payable</b>	<b>Original Lease Obligation</b>	<b>Outstanding July 1, 2024</b>	<b>Additions</b>	<b>Decrease</b>	<b>Outstanding June 30, 2025</b>
Real Property:					
918 Chewy Way, Medford Oregon	\$ 176,181	\$ 16,247	\$ 77,748	\$ 61,918	\$ 32,077
502 W Main Street, Medford Oregon	313,709	55,223	136,006	94,668	96,561
90 NW Glenhart Ave, Winston Oregon	90,484	50,890	-	19,558	31,332
2019 Lars Way, Medford Oregon	69,207	32,100	33,060	32,100	33,060
2685 Foothills Blvd, Klamath Falls Oregon	98,299	66,606	-	32,974	33,632
400 Earhart Street, Medford Oregon	87,627	73,574	96,684	98,490	71,768
629 Franquette, Medford Oregon	106,200	37,849	91,650	79,249	50,250
1017, 1021 NW Highland, Grants Pass Oregon	30	12	-	1	11
550 SW 6th Street, Grants Pass Oregon	339,750	222,978	10,666	66,030	167,614
3132 State Street, Medford Oregon	158,032	-	158,032	61,200	96,832
310 SW H Street, Grants Pass Oregon	90,000	-	100,662	47,508	53,154
2250 NW Heidi Lane, Grants Pass Oregon	59,304	20,826	-	20,826	-
Total Lease Liability at June 30, 2025					<u>\$ 666,291</u>

**Future lease requirements for years ending June 30,**

2026	\$ 532,126
2027	104,606
2028	29,551
2029	1
2030	1
Thereafter	6
	<u>\$ 666,291</u>

**SUPPLEMENTARY INFORMATION**

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon**

**General Fund**

**Schedule of Revenues Collected, Expenses Paid and Changes in Cash Basis Fund Balance  
Budget and Actual**

**Year Ended June 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>Revenues collected</b>				
Local sources:				
Property taxes	\$ 14,668,730	\$ 14,668,730	\$ 14,681,013	\$ 12,283
Investment earnings	300,000	300,000	1,379,034	1,079,034
Services to districts	454,135	454,135	126,074	(328,061)
Other local sources	552,665	552,665	188,342	(364,323)
State sources				
State school fund general support	14,292,241	14,292,241	13,838,961	(453,280)
State managed county timber	-	-	14,969	14,969
Total revenues	<u>30,267,771</u>	<u>30,267,771</u>	<u>30,228,393</u>	<u>(39,378)</u>
<b>Expenditures paid</b>				
Instruction:				
Restrictive programs for disabled students	6,157,537	5,657,537	5,365,333	292,204
Early intervention	330,000	330,000	330,000	-
Support services:				
Attendance and social work services	77,840	77,840	48,234	29,606
Guidance services	456,168	456,168	261,085	195,083
Health services	131,470	131,470	118,354	13,116
Psychological services	1,407,536	1,407,536	1,700,715	(293,179)
Speech pathology and audiology services	399,878	399,878	552,396	(152,518)
Service direction, student support services	1,546,763	1,546,763	1,522,587	24,176
Support services-instructional staff	2,946,094	2,289,094	2,045,535	243,559
General administration	749,121	749,121	781,144	(32,023)
Fiscal services	857,843	857,843	-	857,843
Operation and maintenance	959,314	959,314	1,913,625	(954,311)
Internal services	-	-	13,379	(13,379)
Staff services	657,616	657,616	524,769	132,847
Technology services	1,845,300	1,845,300	1,697,784	147,516
Enterprise and community services				
Community services	10,410	10,410	-	10,410
Total expenditures	<u>18,532,890</u>	<u>17,375,890</u>	<u>16,874,940</u>	<u>500,950</u>
Excess of revenues collected over expenses paid	<u>11,734,881</u>	<u>12,891,881</u>	<u>13,353,453</u>	<u>461,572</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(300,000)	(300,000)	(300,000)	-
Apportionment	(11,134,881)	(12,591,881)	(12,581,848)	10,033
Contingency	(300,000)	-	-	-
Total other financing sources (uses)	<u>(11,734,881)</u>	<u>(12,891,881)</u>	<u>(12,881,848)</u>	<u>10,033</u>
Net change in fund balance	-	-	471,605	471,605
Fund balance beginning of year	-	-	1,745,086	1,745,086
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,216,691</u>	<u>\$ 2,216,691</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
Medford, Oregon

**Special Revenue Fund**

**Schedule of Revenues Collected, Expenses Paid and Changes in Cash Basis Fund Balance  
Budget and Actual**

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>Revenues collected</b>				
Local sources				
Services to districts	\$ 12,546,746	\$ 12,546,746	\$ 2,591,656	\$ (9,955,090)
Contributions	-	-	231,665	231,665
Fees charged to grants	-	-	1,400,463	1,400,463
Other local sources	-	-	1,561,997	1,561,997
Intermediate sources				
Revenue on behalf of the District	193,707	193,707	336,161	142,454
State sources				
Grants	18,172,803	20,569,413	5,708,494	(14,860,919)
Revenue for/on behalf of the District	-	-	10,112,113	10,112,113
Federal sources				
Other federal sources	-	-	120,121	120,121
Total revenues	<u>30,913,256</u>	<u>33,309,866</u>	<u>22,062,670</u>	<u>(11,247,196)</u>
<b>Expenditures paid</b>				
Instruction:				
Secondary activities	-	-	18,805	(18,805)
Restrictive programs for disabled students	2,527,610	2,527,610	2,899,365	(371,755)
Early intervention	2,987,229	2,987,229	2,850,747	136,482
Alternative education	1,638,517	1,638,517	540,223	1,098,294
Migrant education	37,950	37,950	34,702	3,248
Other special programs	529,222	529,222	823,690	(294,468)
Support services:				
Attendance and social work services	1,427,802	1,427,802	1,254,928	172,874
Guidance services	514,856	514,856	482,825	32,031
Psychological services	128,777	128,777	764,886	(636,109)
Speech pathology and audiology services	27,243	27,243	152,527	(125,284)
Service direction, student support services	2,169,848	2,169,848	1,907,810	262,038
Support services-instructional staff	9,666,965	9,666,965	6,911,678	2,755,287
General administration	20,703	20,703	-	20,703
Fiscal services	3,209,688	3,209,688	1,773,665	1,436,023
Operation and maintenance	746,013	746,013	875,982	(129,969)
Internal services	1,283,111	1,283,111	395,234	887,877
Staff services	446,329	446,329	205,807	240,522
Central activities	298,934	298,934	110	298,824
Technology services	-	-	174,547	(174,547)
Supplemental retirement program	690,237	690,237	23,255	666,982
Enterprise and community services:				
Community Services	1,651,198	1,651,198	1,140,901	510,297
Facilities acquisition and construction	56,190	56,190	-	56,190
Long term debt:				
Long term debt	229,486	2,626,096	2,434,427	191,669
Total expenditures	<u>30,287,908</u>	<u>32,684,518</u>	<u>25,666,114</u>	<u>7,018,404</u>
Excess (Deficiency) of revenues collected over expenses paid	<u>625,348</u>	<u>625,348</u>	<u>(3,603,444)</u>	<u>(4,228,792)</u>
<b>Other financing sources (uses)</b>				
Transfers in	(597,254)	(597,254)	600,000	1,197,254
Transfers out	-	-	(300,000)	(300,000)
Loan receipts	-	-	1,418,927	1,418,927
Contingency	(28,094)	(28,094)	-	28,094
Total other financing sources (uses)	<u>(625,348)</u>	<u>(625,348)</u>	<u>1,718,927</u>	<u>2,344,275</u>
Net change in fund balance	-	-	(1,884,517)	(1,884,517)
Fund balance beginning of year	-	-	3,561,843	3,561,843
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,677,326</u>	<u>\$ 1,677,326</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
**Medford, Oregon**

**Federal Programs Fund**

**Schedule of Revenues Collected, Expenses Paid and Changes in Cash Basis Fund Balance**  
**Budget and Actual**

**Year Ended June 30, 2025**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
<b>Revenues collected</b>				
Federal sources				
Revenue for/on behalf of the District	\$ 7,431,662	\$ 7,431,662	\$ 3,990,504	\$ (3,441,158)
Other federal sources	8,223,095	8,223,095	8,459,837	236,742
Total revenue	<u>15,654,757</u>	<u>15,654,757</u>	<u>12,450,341</u>	<u>(3,204,416)</u>
<b>Expenditures paid</b>				
Instruction:				
Secondary activities	268,817	268,817	169,214	99,603
Restrictive programs for disabled students	3,992,055	3,992,055	3,025,397	966,658
Early intervention	408,700	408,700	351,264	57,436
Alternative education	211,174	211,174	90,813	120,361
Migrant Education	1,811,903	1,811,903	1,234,402	577,501
Other special programs	222,834	222,834	-	222,834
Support services:				
Attendance and social work services	1,308,970	1,308,970	790,630	518,340
Guidance services	554,442	554,442	307,659	246,783
Psychological services	3,405	3,405	3,406	(1)
Speech pathology and audiology services	211,305	211,305	163,942	47,363
Service direction, student support services	370,805	370,805	264,336	106,469
Support services-instructional staff	2,946,010	2,946,010	1,916,559	1,029,451
General administration	81,756	81,756	3,375	78,381
Fiscal services	730,230	730,230	546,661	183,569
Central activities	15,242	15,242	-	15,242
Staff services	14,815	14,815	3,453	11,362
Enterprise and community services:				
Community services	<u>2,502,294</u>	<u>2,502,294</u>	<u>1,358,279</u>	<u>1,144,015</u>
Total expenditures	<u>15,654,757</u>	<u>15,654,757</u>	<u>10,229,390</u>	<u>5,425,367</u>
Excess (Deficiency) of revenues collected over expenses paid	<u>-</u>	<u>-</u>	<u>2,220,951</u>	<u>2,220,951</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Contingency	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	2,220,951	2,220,951
Fund balance beginning of year	-	-	(4,535,416)	(4,535,416)
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,314,465)</u>	<u>\$ (2,314,465)</u>

See accompanying notes to financial statements.



**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
**Medford, Oregon**

**Capital Projects Fund**

**Schedule of Revenues Collected, Expenses Paid and Changes in Cash Basis Fund Balance**  
**Budget and Actual**

Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>Revenues collected</b>				
Revenue for/on behalf of the District	\$ 22,000,000	\$ 22,000,000	\$ -	\$(22,000,000)
Total revenue	<u>22,000,000</u>	<u>22,000,000</u>	<u>-</u>	<u>(22,000,000)</u>
<b>Expenditures paid</b>				
Facilities acquisition and construction:				
Building acquisition, construction, and improvement	22,000,000	22,000,000	6,542,652	15,457,348
Total expenditures	<u>22,000,000</u>	<u>22,000,000</u>	<u>6,542,652</u>	<u>15,457,348</u>
Excess (Deficiency) of revenues collected over expenses paid	<u>-</u>	<u>-</u>	<u>(6,542,652)</u>	<u>(6,542,652)</u>
<b>Other financing sources (uses)</b>				
Financing fees	-	-	10,571,618	10,571,618
Sale of or compensation for loss of fixed assets	-	-	5,710,390	5,710,390
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,282,008</u>	<u>16,282,008</u>
Net change in fund balance	-	-	9,739,356	9,739,356
Fund balance beginning of year	-	-	8,855,525	8,855,525
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,594,881</u>	<u>\$ 18,594,881</u>

See accompanying notes to financial statements.

**OTHER SCHEDULES**

SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon

Schedule of Property Tax Transactions

June 30, 2025

<u>Tax Year</u>	<u>Taxes Uncollected June 30, 2024</u>	<u>Amount Added to Rolls &amp; Levy as Extended by Assessor</u>	<u>Add Interest</u>	<u>Add (deduct) Discounts, Cancellations, &amp; Adjustments</u>	<u>Tax &amp; Interest Deduct Collections</u>	<u>Taxes Uncollected June 30, 2025</u>
2024-2025	\$ -	\$ 15,310,877	\$ 5,520	\$ (436,982)	\$ (14,321,309)	\$ 558,106
2023-2024	\$ 415,773	9,783	12,138	(13,850)	(172,984)	250,860
2022-2023	186,302	903	10,443	(1,801)	(72,896)	122,951
2021-2022	2,996	18	10,646	(582)	(49,593)	(36,515)
2020-2021	106,267	-	6,271	(284)	(25,427)	86,827
2019-2020	24,764	-	869	(160)	(2,954)	22,519
2018-2019	(51,240)	-	481	(98)	(1,363)	(52,220)
PRIOR	771,113	21,954	1,237	(13)	(22,204)	772,087
Total Prior Years	<u>1,455,975</u>	<u>32,658</u>	<u>42,085</u>	<u>(16,788)</u>	<u>(347,421)</u>	<u>1,166,509</u>
Total	<u>\$ 1,455,975</u>	<u>\$ 15,343,535</u>	<u>\$ 47,605</u>	<u>\$ (453,770)</u>	<u>\$ (14,668,730)</u>	<u>\$ 1,724,615</u>

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**  
**FINANCIAL ACCOUNTING SUMMARIES**  
**(Forms 581-3211)**

## SUPPLEMENTAL INFORMATION

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.  
Part A is needed for computing Oregon's full allocation for ESSA, Title I & other Federal Funds for Education.

**A. Energy Bill for Heating - All Funds:**

Please enter your expenditures for electricity, heating fuel, and water & sewage for these Functions & Objects.

	Objects 325 & 326 & *327
Function 2540	\$ 126,200.66
Function 2550	\$

**B. Replacement of Equipment – General Fund:**

Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude these functions:

\$85,267.34

- 1113 Elementary Co-curricular Activities
- 1122 Middle School Co-curricular Activities
- 1132 High School Co-curricular Activities
- 1140 Pre-Kindergarten
- 1300 Continuing Education
- 1400 Summer School
- 2550 Pupil Transportation
- 3100 Food Service
- 3300 Community Services
- 4150 Construction

*\*Object code 327 (water and sewage) has been added to Part A to be included in the Function 2540 and 2550 totals.*

**2024 - 25 DISTRICT AUDIT REVENUE SUMMARY**  
**Southern Oregon Education Service District**

**Revenue from Local Sources**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700	Total
1110 Ad Valorem Taxes Levied by District	14,668,730	-	-	-	-	-	-	14,668,730
1120 Local Option Ad Valorem Taxes Levied by District	-	-	-	-	-	-	-	-
1190 Penalties and Interest on Taxes	-	-	-	-	-	-	-	-
1200 Revenue from Local Government Units Other Than Districts	12,283	-	-	-	-	-	-	12,283
1310 Regular Day School Tuition	-	-	-	-	-	-	-	-
1320 Adult/Continuing Education Tuition	-	-	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-	-	-
1400 Transportation Fees	-	-	-	-	-	-	-	-
1500 Earnings on Investments	1,379,034	-	-	-	-	-	-	1,379,034
1600 Food Service	-	-	-	-	-	-	-	-
1700 Extracurricular Activities	-	363	-	-	-	-	-	363
1800 Community Services Activities	-	-	-	-	-	-	-	-
1910 Rentals	-	-	-	-	-	-	-	-
1920 Contributions and Donations From Private Sources	-	231,665	-	-	-	-	-	231,665
1930 Rental or Lease Payments From Private Contractors	-	-	-	-	-	-	-	-
1940 Services Provided Other Local Education Agencies	126,074	2,591,656	-	-	-	4,022,419	-	6,740,149
1950 Textbook Sales and Rentals	-	33,176	-	-	-	-	-	33,176
1960 Recovery of Prior Years' Expenditure	135,259	48,569	-	-	-	(10,279)	-	173,549
1970 Services Provided Other Funds	-	-	-	-	-	2,155,740	-	2,155,740
1980 Fees Charged to Grants	-	1,400,462	-	-	-	-	-	1,400,462
1990 Miscellaneous	53,083	1,479,889	-	-	-	1,018	-	1,533,990
<b>Total Revenue from Local Sources</b>	<b>16,374,463</b>	<b>5,785,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,168,898</b>	<b>-</b>	<b>28,329,141</b>

**Revenue from Intermediate Sources**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700	Total
2101 County School Funds	-	-	-	-	-	-	-	-
2102 General ESD Revenue	-	-	-	-	-	-	-	-
2103 Excess ESD Local Revenue	-	-	-	-	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-	-	-
2200 Restricted Revenue	-	-	-	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	336,161	-	-	-	-	-	336,161
<b>Total Revenue from Intermediate Sources</b>	<b>-</b>	<b>336,161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,161</b>

**Revenue from State Sources**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700	Total
3101 State School Fund - General Support	13,838,961	-	-	-	-	-	-	13,838,961
3102 State School Fund - School Lunch Match	-	-	-	-	-	-	-	-
3103 Common School Fund	-	-	-	-	-	-	-	-
3104 State Managed County Timber	14,969	-	-	-	-	-	-	14,969
3106 State School Fund - Accrual	-	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	-	-	-	-	-	-	-
3204 Driver Education	-	-	-	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	-	5,708,494	-	-	-	-	-	5,708,494
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	10,112,113	-	-	-	-	-	10,112,113
<b>Total Revenue from State Sources</b>	<b>13,853,930</b>	<b>15,820,607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,674,537</b>

**Revenue from Federal Sources**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700	Total
4100 Unrestricted Revenue Direct From the Federal Government	-	-	-	-	-	-	-	-
4200 Unrestricted Revenue From the Federal Govt Through the State	-	-	-	-	-	-	-	-
4300 Restricted Revenue From the Federal Government	-	-	-	-	-	-	-	-
4500 Restricted Revenue From the Federal Govt Through the State	-	8,579,958	-	-	-	-	-	8,579,958
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	-	-	-	-	-	-	-	-
4801 Federal Forest Fees	-	-	-	-	-	-	-	-
4802 Impact Aid to School Districts for Operation (PL	-	-	-	-	-	-	-	-
4803 Coos Bay Wagon Road Funds	-	-	-	-	-	-	-	-
4899 Other Revenue in Lieu of Taxes	-	-	-	-	-	-	-	-
4900 Revenue for/on Behalf of the District	-	3,990,504	-	-	-	-	-	3,990,504
<b>Total Revenue from Federal Sources</b>	<b>-</b>	<b>12,570,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,570,462</b>

**Revenue from Other Sources**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700	Total
5100 Long Term Debt Financing Sources	-	1,418,927	-	10,571,618	-	-	-	11,990,545
5200 Interfund Transfers	-	600,000	-	-	-	-	-	600,000
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-	5,710,390	-	-	-	5,710,390
5400 Resources - Beginning Fund Balance	1,745,086	(973,572)	-	8,855,525	-	3,003,343	-	12,630,382
<b>Total Revenue from Other Sources</b>	<b>1,745,086</b>	<b>1,045,355</b>	<b>-</b>	<b>25,137,533</b>	<b>-</b>	<b>3,003,343</b>	<b>-</b>	<b>30,931,317</b>

**Grand Totals**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700	Total
	31,973,479	35,558,365	-	25,137,533	-	9,172,241	-	101,841,618

**Fund: General Fund**

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**2024 - 25 DISTRICT AUDIT EXPENDITURE SUMMARY**  
**Southern Oregon Education Service District**

**Fund: Special Revenue Funds**

**Instruction Expenditures**

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	Total
1111 Primary, K-3	-	-	-	-	-	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	7,245	886	118,293	61,595	-	-	-	188,019
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	3,077,534	2,035,746	785,358	26,124	-	-	-	5,924,762
1250 Less Restrictive Programs for Students with	-	-	-	-	-	-	-	-
1260 Treatment and Habilitation	1,777,714	1,125,735	225,755	72,806	-	-	-	3,202,010
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	25,336	5,102	582,329	15,589	-	-	-	628,356
1291 English Second Language Programs	-	-	-	2,680	-	-	-	2,680
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	109,279	72,198	1,021,728	65,899	-	-	-	1,269,104
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	433,772	315,007	57,921	16,990	-	-	-	823,690
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
<b>Total Instruction Expenditures</b>	<b>5,430,880</b>	<b>3,554,674</b>	<b>2,791,384</b>	<b>261,683</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,038,621</b>

**Support Services Expenditures**

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	Total
2110 Attendance and Social Work Services	611,603	428,123	882,301	123,532	-	-	-	2,045,559
2120 Guidance Services	415,913	246,910	112,875	14,787	-	-	-	790,485
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	433,562	284,108	50,621	-	-	-	-	768,291
2150 Speech Pathology and Audiology Services	89,497	59,666	102,952	44,016	20,337	-	-	316,468
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	1,289,968	780,205	98,870	3,103	-	-	-	2,172,146
2210 Improvement of Instruction Services	1,688,514	914,786	3,392,311	577,541	181,352	-	-	6,754,504
2220 Educational Media Services	79,996	24,937	88,224	-	-	-	-	193,157
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	583,987	218,621	1,034,794	43,176	-	-	-	1,880,578
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	3,375	-	-	-	-	3,375
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	83,288	50,422	210,940	21,779	-	1,953,897	-	2,320,326
2540 Operation and Maintenance of Plant Services	22,052	15,294	753,572	81,069	-	3,994	-	875,981
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	15,302	9,466	40,961	195,906	133,599	-	-	395,234
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	84,713	31,759	62,943	26,392	-	-	-	205,807
2660 Technology Services	2,422	1,076	-	76,920	97,583	-	-	178,001
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	110	-	-	-	110
2700 Supplemental Retirement Program	10,371	12,883	-	-	-	-	-	23,254
<b>Total Support Services Expenditures</b>	<b>5,411,188</b>	<b>3,078,256</b>	<b>6,834,739</b>	<b>1,208,331</b>	<b>432,871</b>	<b>1,957,891</b>	<b>-</b>	<b>18,923,276</b>

**Enterprise and Community Services**

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	Total
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	999,117	675,039	733,759	90,371	-	894	-	2,499,180
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
<b>Total Enterprise and Community Services</b>	<b>999,117</b>	<b>675,039</b>	<b>733,759</b>	<b>90,371</b>	<b>-</b>	<b>894</b>	<b>-</b>	<b>2,499,180</b>

**Facilities Acquisition and Construction**

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	Total
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
<b>Total Facilities Acquisition and</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Other Uses Expenditures**

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	Total
5100 Debt Service	-	-	-	-	-	2,434,427	-	2,434,427
5200 Transfers of Funds	-	-	-	-	-	-	300,000	300,000
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
<b>Total Other Uses Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,434,427</b>	<b>300,000</b>	<b>2,734,427</b>

**Grand Total**

Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	Total
11,841,185	7,307,969	10,359,882	1,560,385	432,871	4,393,212	300,000	36,195,504





**Fund: Internal Service Funds**

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

Oregon Administrative Rules 162-10-050 through 162-10-330, incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the Financial Section of this report. Required comments and disclosures related to our examination of such statements and schedules are set forth in the following pages.



Certified Public Accountants  
And Business Advisors

Independent Auditors' Report  
Required by Oregon State Regulations

We have audited the basic financial statements of Southern Oregon Education Service District as of and for the year ended June 30, 2025, and have issued our report thereon dated November 14, 2025. 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 Southern Oregon Education Service 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 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayment.
- Budgets legally required (ORS Chapter 294).
- 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).
- State school fund factors and calculation.

In connection with our testing nothing came to our attention that caused us to believe Southern Oregon Education Service 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 Southern Oregon Education Service 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

This report is intended solely for the information and use of the board of directors and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

  
Isler Medford, LLC  
Medford, Oregon  
November 14, 2025

**Southern Oregon Education Service District  
Medford, Oregon**

**AUDIT COMMENTS AND DISCLOSURES**

**June 30, 2025**

**I. Internal Control**

See accountant's report on internal control structure related matters noted in a financial statement audit conducted in accordance with *Government Auditing Standards*, pages 46-47.

**II. Accounting Records**

We found the accounting records of the District to be adequate for audit.

**III. Collateral**

Based on the results of our tests, balances on deposit with financial institutions were secured in accordance with the requirements of ORS 295.

**IV. Indebtedness**

The District's bonded indebtedness was in compliance with the provisions of ORS 328.245. Computation of its unused debt margin at June 30, 2025 is as follows:

True cash value of all taxable property within Southern Oregon Education Service District	\$ <u>73,313,080,429</u>
Bonded debt limit – 7.95% of true cash value	\$ 5,828,389,894
Bonded debt, June 30, 2025	<u>(11,258,512)</u>
Debt margin, June 30, 2025	\$ <u>5,817,131,382</u>

**V. Budget Compliance**

We reviewed the preparation, adoption, and execution of the budget for the year ended June 30, 2025 and the preparation and adoption of the budget for the year ending June 30, 2026. The District has complied with statutory requirements for the current and ensuing year's budget. Resolutions authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

**Southern Oregon Education Service District  
Medford, Oregon**

**AUDIT COMMENTS AND DISCLOSURES**

**June 30, 2025**

V. Budget Compliance (continued)

Total instruction, supporting services, community services, facilities acquisition and construction, other uses, and contingencies are the levels of controls. Budgeted amounts are as originally adopted or as amended by the Board of Directors.

VI. Insurance and Fidelity Bond Coverage

We confirmed the District's insurance policies and determined that such policies appeared to be in force at June 30, 2025. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 2025.

VII. Programs Funded From Outside Sources

See accountant's report on and compliance with laws and regulations based on an audit of financial statements performed in accordance with *Government Auditing Standards*, pages 48-49.

VIII. Investments

Based on our review of the District's records it appears the District was in compliance with the legal requirements of ORS Chapter 294 pertaining to the investment of public funds as of June 30, 2025, and for the year then ended.

IX. Public Contracts and Purchasing

The District's procedures for awarding public contracts were reviewed and appear to comply with the legal requirements contained in ORS Chapter 279.

X. State School Fund Distribution Information

We have performed procedures on the state school fund distribution, which is calculated by the Oregon Department of Education (ODE) pursuant to ORS 327.019. We found no instances where the information reported in the financial statements has deviated from ODE's reported distribution amounts.

**SOUTHERN OREGON EDUCATION SERVICE DISTRICT**

**REPORTS AND SCHEDULES REQUIRED BY**

**UNIFORM GUIDANCE**



Certified Public Accountants  
And Business Advisors

**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**

To the Board of Directors  
Southern Oregon Education Service District

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 governmental activities, each major fund, and the aggregate remaining fund information of Southern Oregon Education Service District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Southern Oregon Education Service District's basic financial statements, and have issued our report thereon dated November 14, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southern Oregon Education Service District'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 Southern Oregon Education Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Oregon Education Service District'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 Southern Oregon Education Service District'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 Medford, LLC*

Isler Medford, LLC

Medford, Oregon

November 14, 2025



Certified Public Accountants  
And Business Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

To the Board of Directors  
Southern Oregon Education Service District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Southern Oregon Education Service District'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 Southern Oregon Education Service District's major federal programs for the year ended June 30, 2025. Southern Oregon Education Service District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southern Oregon Education Service District 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, 2025.

***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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southern Oregon Education Service District 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 Southern Oregon Education Service District'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 Southern Oregon Education Service District's federal programs.

***Auditors' 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 Southern Oregon Education Service District'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 Southern Oregon Education Service District'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 Southern Oregon Education Service District'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 Southern Oregon Education Service District'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 Southern Oregon Education Service District'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 Auditors' 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 Medford, LLC

Medford, Oregon  
November 14, 2025

**Schedule of Federal Awards  
For the Fiscal Year Ended June 30, 2025  
Southern Oregon Education Service District**

Federal Grantor	Program Title	Grant Period	Assistance Listing Number	Grant Amount	2024-25 Revenues	2024-25 Expenditures
Pass-through Grantor						
<b>U.S. Department of Education:</b>						
Passed through Oregon State Department of Education:						
Migrant Program Grants						
208	Title 1-C Migrant Programs:	2024-2025	84.011	1,832,306	713,808.55	832,640.97
209	Title 1-C Migrant Programs:	2023-2024	84.011	1,999,570	1,033,166.67	681,724.70
210	Title 1-C Migrant Programs:	2023-2024	84.011	265,709	167,145.79	203,077.86
211	Title 1-C Migrant Programs:	2024-2025	84.011	215,823	29,892.47	40,220.95
211	Title 1-C Migrant Programs:	2022-2023	84.011	223,021	23,595.78	12,975.39
206	Title 1-C Migrant Programs:	2024-2025	84.011	565,559	-	-
206	Title 1-C Migrant Programs:	2023-2024	84.011	648,655	648,655.00	648,655.00
<b>Total</b>				<b>5,750,643</b>	<b>2,616,264.26</b>	<b>2,419,294.87</b>
<b>Special Education Cluster (IDEA)</b>						
297	Extended Assessment	2023-2024	84.027A	2,747	470.92	-
309	LTCT IDEA 611	2024-2025	84.027A	14,197	-	-
214	IDEA-Special Purpose	2023-2025	84.027A	3,431,123	4,622,773.03	3,431,123.33
272	IDEA Part B - Special Purpose	2023-2025	84.027	379,996	175,393.08	187,166.74
229	Spec. Ed. Technical Assistance	2024-2025	84.027A	135,366	69,631.18	67,682.93
<b>Special Education Cluster (IDEA) Subtotal</b>				<b>3,963,429</b>	<b>4,868,268.21</b>	<b>3,685,973.00</b>
272	IDEA Part B Special Purpose	2023-2025	84.173	82,243	39,381.14	37,893.03
214	IDEA-Special Purpose	2023-2025	84.173A	30,980	30,980.00	30,979.80
<b>Special Education Cluster (IDEA) Subtotal</b>				<b>113,223</b>	<b>70,361.14</b>	<b>68,872.83</b>
<b>Special Education Cluster (IDEA) Total</b>				<b>4,076,652</b>	<b>4,938,629.35</b>	<b>3,754,845.83</b>
Passed through Douglas Education Service District:						
272	IDEA Part C- Special Purpose	2023-2025	84.181	245,563	120,825.84	114,562.23
<b>Total</b>				<b>245,563</b>	<b>120,825.84</b>	<b>114,562.23</b>
Passed through Oregon State Department of Education:						
Vocational Grants						
205	Vocational Education Grants	2024-2025	84.048	727,784	676,933.82	716,256.35
204	Vocational Education Grants	2023-2024	84.048	706,647	59,106.32	28,760.76
285	Perkins Reserve	2023-2024	84.048A	227,564	4,883.49	1,312.89
289	Perkins Reserve	2024-2025	84.048A	260,798	113,295.79	115,161.01
<b>Vocational Grants Total</b>				<b>1,922,793</b>	<b>854,219.42</b>	<b>861,491.01</b>
Passed through Oregon State Department of Education:						
Title I, Part A						
215	Title I, Part A	2021-2024	84.010A	10,500	2,625.00	-
215	Title I, Part A	2023-2025	84.010A	10,500	3,937.50	989.83
<b>Total</b>				<b>21,000</b>	<b>6,562.50</b>	<b>989.83</b>
224	Title II Part A-Teacher and Principal Training	2024-2025	84.367A	15,000	5,306.45	7,472.45
<b>Title II Formula Grants</b>						
212	Title II Formula Grants	2025-2026	16.54	150,000	67,667.37	91,188.34
<b>Neglected and Delinquent</b>						
308	LTCT Title 1-D	2023-2024	84.013A	64,213	33,334.26	-
308	LTCT Title 1-D	2024-2025	84.013A	38,221	19,196.78	27,870.16
<b>Total</b>				<b>38,221</b>	<b>52,531.04</b>	<b>27,870.16</b>
<b>English Language Acquisition Grants</b>						
247	Title III Consortium:	2023-2024	84.365	22,021	14,614.71	6,340.30
248	Title III Consortium:	2024-2025	84.365	25,042	2,845.80	14,272.15
<b>Total</b>				<b>47,063</b>	<b>17,460.51</b>	<b>20,612.45</b>
<b>Student Support and Academic Enrichment Grants</b>						
226	Native Arts Lessons & PD	2023-2025	84.424 A & D	830,000	375,335.52	329,275.02
<b>Education Stabilization Grants:</b>						
319	ESSER III - Building Career Connected Learning Systems to Accelerate Learning	2021-2024	84.425 D & U	1,018,500.00	964,949.46	649,723.48
271	2021 Every Student Succeeds Act Preschool Development American Rescue Plan	2023-2024	84.425V	109,500	85,500.00	84,751.18
270	Elementary Secondary Schools Emergency Relief Fund	2022-2024	84.425U	121,115	121,115.00	-

**Schedule of Federal Awards  
For the Fiscal Year Ended June 30, 2025  
Southern Oregon Education Service District**

Federal Grantor Pass through Grantor	Program Title	Grant Period	Assistance Listing Number	Grant Amount	2024-25 Revenues	2024-25 Expenditures	
312	ESSER III LTCT Discretionary	2022-2024	84.425U	270,000.00	83,912.35	66,958.27	
223	GEER Computer Science	2022-2024	84.425V	488,758.21	187,286.58	150,067.36	
222	School Safety and Prevention Specialist Additional FTE-Federal Funds (formerly GEERf or ad)	2022-2024	84.425V	170,131.41	117,774.03	21,655.63	
220	ESDs for SEL (Social Emotional Learning)	2022-2024	84.425U	375,000.00	119,569.95	86,014.78	
317	ESSER III Title VI Native Education Investment	2022-2024	84.425U	55,400.00	55,400.00	29,503.65	
	<b>Total</b>			<b>2,608,405</b>	<b>1,735,507.37</b>	<b>1,088,674.35</b>	
	<b>Promoting Safe and Stable Families</b>						
234	Early Learning Hub	2023-2025	93.556	65,316	62,668.48	56,305.77	(2)
235	Family Support Services	2023-2025	93.556	72,568	33,879.98	54,861.18	(2)
	<b>Total</b>			<b>137,884</b>	<b>96,548.46</b>	<b>111,166.95</b>	
	<b>Child Care Development Fund Cluster (CCDF):</b>						
261	Child Care Development	2023-2025	93.596	1,300,920	721,030.48	618,281.67	(2)
313	Oregon Council On Disabilities	2023-2025	93.575	68,701	16,530.31	47,127.57	
	<b>CCDF Fund Cluster Total</b>			<b>1,369,621</b>	<b>737,560.79</b>	<b>665,409.24</b>	
<b>Direct Federal Grants:</b>							
218	Indian Education	2024-2025	84.060A	71,452	71,452.00	71,452.00	
<b>Total U.S. Department of Education</b>				<b>17,284,297.12</b>	<b>11,695,670.88</b>	<b>9,564,304.73</b>	
<b>U.S Department of Health and Human Services</b>							
Passed through Oregon Department of Health and Human Services:							
<b>Child Abuse Prevention Grants</b>							
262	Family Support & Connections	2023-2024	93.558	774,114	113,212.02		
262	Family Support & Connections	2024-2025	93.558	774,114	352,225.25	492,160.09	
				<b>774,114</b>	<b>465,437.27</b>	<b>492,160.09</b>	
<b>ACA MIECHV</b>							
311	MIECHV	2023-2025	93.970	70,000	20,894.29	35,089.36	
<b>Direct Federal Grants:</b>							
225	Social Services Research	2022-2024	93.647	840,000	268,138.46	137,836.33	
<b>Total U.S. Department of Health and Human Services</b>				<b>1,684,114</b>	<b>754,470.02</b>	<b>665,085.78</b>	
<b>Total Federal Financial Assistance</b>				<b>18,968,411</b>	<b>12,450,340.90</b>	<b>10,229,390.51</b>	

(1) Passed through Douglas Education Service District  
(2) Passed through Oregon Department of Early Learning & Care  
(3) Passed through Oregon State Department of Education:

Special Ed Cluster (IDE Child Care Development Fund Cluster (CCDF):  
84.027 93.575  
84.173 93.596



SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2025

Section I – Summary of Auditors' Results (continued)

Identification of major programs:

CFDA Numbers

84.027, 84.173  
93.558

Name of Federal Program or Cluster

IDEA Special Education Cluster  
Temporary Assistance for Needy Families

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

       Yes        X   No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Cost

None

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity of Southern Oregon Education Service District under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of Southern Oregon Education Service District, it is not intended to and does not present the net position, changes in net position, or cash flows of Southern Oregon Education Service District.

SOUTHERN OREGON EDUCATION SERVICE DISTRICT  
Medford, Oregon

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2025

Notes to the Schedule of Expenditures of Federal Awards (continued)

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Indirect Cost Rate

Southern Oregon Education Service District has elected not to use the ten percent de minimis indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus are not allowed to use the de minimus rate.