



**LAKE COUNTY
EDUCATION SERVICE DISTRICT**

Lakeview, Oregon

Annual Financial Report

June 30, 2025

LAKE COUNTY EDUCATION SERVICE DISTRICT

357 N. L Street
Lakeview, OR 97630
(541) 947-3371

BOARD OF DIRECTORS

WILL CAHILL 357 N. L Street, Lakeview, OR 97630	Board Chair
DALE CHIONO 357 N. L Street, Lakeview, OR 97630	Director
CLAYTON SHARP 357 N. L Street, Lakeview, OR 97630	Director
STEFANI ROSEBERRY 357 N. L Street, Lakeview, OR 97630	Director
JIM HIATT 357 N. L Street, Lakeview, OR 97630	Director
JUDY SPRINGER 357 N. L Street, Lakeview, OR 97630	Director
SAMANTHA HALL 357 N. L Street, Lakeview, OR 97630	Director

ADMINISTRATION

SARA SARENSEN 357 N. L Street, Lakeview, OR 97630	Business Manager
LANE STRATTON 357 N. L Street, Lakeview, OR 97630	Superintendent
TAYLOR HILEMAN 357 N. L Street, Lakeview, OR 97630	Board Secretary

LAKE COUNTY EDUCATION SERVICE DISTRICT

AUDIT REPORT

June 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-9
BASIC FINANCIAL STATEMENTS:	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position	11
Statement of Activities	12
<u>Fund Financial Statements - Governmental Funds:</u>	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	17
<u>Fund Financial Statements - Proprietary Funds:</u>	
Statement of Proprietary Net Position	19
Statement of Revenues, Expenses, and Changes in Proprietary Net Position	20
Statement of Proprietary Fund Cash Flows	21
<u>Notes To The Basic Financial Statements</u>	22-53
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	
General Fund #100	55
Special Revenue Fund #200	56
Schedule of Proportionate Share of the Net Pension Liability	57
Schedule of Employer Contributions	58
Schedule of Proportionate Share of the Net OPEB (RHIA) Liability	59
Schedule of Employer Contributions	60

LAKE COUNTY EDUCATION SERVICE DISTRICT

AUDIT REPORT

June 30, 2025

TABLE OF CONTENTS (Cont.)

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	
Capital Projects Fund #400	62
Enterprise Fund #500	63
OTHER INFORMATION	
Schedule of Long-Term Debt Transactions & Future Requirements	65
Form 581-3211-C	66
Schedule of Expenditures of Federal Awards	67
REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS	
Independent Auditor's Report Required by Oregon State Regulations	69



INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Lake County Education Service District
357 N. L Street Lakeview, OR 97630

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund, of the Lake County Education Service District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Lake County 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 financial position of the governmental activities, the business-type activities, and each major fund, of Lake County Education Service District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lake County 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake County 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.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 the Lake County 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 Lake County 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis schedules of revenues, expenditures and changes in fund balances – budget and actuals, and the pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis and the pension and OPEB schedules in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals 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. The schedules of revenues, expenditures and changes in fund balances – budget and actuals have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenditures, and changes in fund balances – budget and actuals are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake County Education Service District's basic financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Lake County Education Service District.

The supplementary information is the responsibility of management and was derived from and related 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

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

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

The schedule of expenditures of federal awards, as listed in the Table of Contents, is presented for purposes of additional analysis as required by the Oregon Department of Education and is not a required part of the basic financial statements.

Reports on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated November 6, 2025, on our consideration of the Lake County Education Service District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the District's compliance.



Ashraf Lakhani Farishta, CPA
Umpqua Valley Financial, LLC
Roseburg, Oregon
November 6, 2025

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

The discussion and analysis of Lake County Education Service District's financial performance provides an overview of the District's financial activities for the fiscal year that ended June 30, 2025. This discussion and analysis intend to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to better understand the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2025, are as follows:

- In the government-wide statements, the assets and deferred outflow of District resources exceeded its liabilities and deferred inflows of resources at June 30, 2025, by \$425,583. Of this amount, \$162,900 represents the District's net investment in capital assets, \$293,580 is restricted for special programs, and a deficit of (\$30,897) is unrestricted.
- The District's net position began the fiscal year at \$398,977 and increased by \$26,606, ending the year at \$425,583, seven percent higher than the prior year.
- The District's governmental funds reported a combining ending fund balances of \$705,926. This represents a decrease of (\$84,879) from the prior year; a 10.7% decrease in the District's financial position as compared to the prior year.
- The General Fund had a fund balance of \$358,388. This represents an increase of \$55,766 or 18% increase in the District's financial position as compared to the prior year.
- The total liabilities of the governmental funds at year-end were \$1,459,770, primarily due to net pension liability of \$1,345,184.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduce the District's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position, presenting information that includes all of the District's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as the condition of school buildings and other facilities, and changes in the district's enrollment, which dictates the majority of revenue to be collected through the State Funding Formula.

The second government-wide statement is the *Statement of Activities*, which reports on how the District's net position changed during the current fiscal year. All current revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the distinct activities or functions of the District that are primarily supported by intergovernmental revenues, principally state basic school support and property tax revenues. The governmental activities of the District include instruction, instructional support services, operation and maintenance of plants, student transportation, and non-instructional support services.

LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont.)

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of individual budget versus actual statements and combining statements in a later section of this report.

Governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability, focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds (Enterprise) The proprietary fund is used to account for the business-type activities of the District. This fund provides for the revenue and expenses from providing printing services to school districts served by the ESD.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund and the Special Revenue Fund. The required supplementary information immediately follows the notes to the financial statements. Supplementary information includes individual fund statements. These statements and schedules immediately follow the required supplementary information in this report. Other information is also presented to provide additional information the District feels is helpful for the reader to fully understand to District's financial position.

LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net position provides the perspective of the District as a whole and may serve over time as a useful indicator of a government's financial position. In the case of the District, the assets and deferred outflow of District resources exceeded its liabilities and deferred inflows of resources at June 30, 2025, by \$425,583

The following table provides a summary of the District's net position. Comparative information from the previous year is provided.

Summary of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets						
Current and Other Assets	\$ 875,460	\$ 1,025,427	\$ 27,085	\$ 22,379	\$ 902,545	\$ 1,047,806
Capital Assets	158,232	132,081	-	-	158,232	132,081
Total Assets	1,033,692	1,157,508	27,085	22,379	1,060,777	1,179,887
Deferred Outflow of Resources	951,175	757,788	-	-	951,175	757,788
Liabilities						
Long-Term Liabilities	1,351,408	1,244,611	-	-	1,351,408	1,244,611
Other Liabilities	108,362	161,816	-	-	108,362	161,816
Total Liabilities	1,459,770	1,406,427	-	-	1,459,770	1,406,427
Deferred Inflow of Resources	126,599	132,271	-	-	126,599	132,271
Net Position						
Net Investment in Capital Assets	162,900	132,081	-	-	162,900	132,081
Restricted	293,580	421,341	-	-	293,580	421,341
Unrestricted	(57,982)	(176,824)	27,085	22,379	(30,897)	(154,445)
Total Net Position	\$ 398,498	\$ 376,598	\$ 27,085	\$ 22,379	\$ 425,583	\$ 398,977

Capital assets, which consist of the District's land, buildings, building improvements, and equipment, net of accumulated depreciation, represent about 14.9 percent of total assets. The remaining assets consist mainly of investments, cash, grants and property taxes receivable. Of these assets, 85.1 percent are current assets.

The District's largest liability, which represents 92.6 percent of total liabilities, which is mainly their share of the net pension liability. Other liabilities consist primarily of payables on accounts and salaries and benefits as of June 30, 2025.

LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently, these assets are not available for future spending.

The following table shows the changes in net position. Prior-year information is provided for comparative analysis of government-wide revenue and expense information.

	Changes in Net Position						Percentage Change
	Governmental Activities		Business-type Activities		Total		
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	
Revenues							
Program Revenues							
Charges for Services	\$ 239,236	\$ 288,705	\$ 29,340	\$ 42,653	\$ 268,576	\$ 331,358	-19%
Operating Grants and Contributions	784,918	904,682	-	-	784,918	904,682	-13%
General Revenues							
Property Taxes	568,175	583,191	-	-	568,175	583,191	-3%
State Basic School Support	1,035,844	1,062,215	-	-	1,035,844	1,062,215	-2%
Other	99,201	74,765	-	-	99,201	74,765	33%
Total Revenues	2,727,374	2,913,558	29,340	42,653	2,756,714	2,956,211	-7%
Program Expenses							
Instruction	282,140	259,446	-	-	282,140	259,446	9%
Support Services	1,940,685	1,978,006	-	-	1,940,685	1,978,006	-2%
Enterprise and Community Services	3,000	6,000	-	-	3,000	6,000	
Apportionment of Funds by ESD	479,650	441,297			479,650	441,297	9%
Printing Services	-	-	24,634	27,400	24,634	27,400	-10%
Total Program Expenses	2,705,475	2,684,749	24,634	27,400	2,730,109	2,712,149	1%
Change in Net Position	21,899	228,809	4,706	15,253	26,605	244,062	-89%
Beginning Net Position	376,599	147,789	22,379	7,126	398,978	154,915	158%
Ending Net Position	\$ 398,498	\$ 376,598	\$ 27,085	\$ 22,379	\$ 425,583	\$ 398,977	7%

During the current fiscal year, the District's net position in government activities increased by \$21,899. Total revenues in government activities decreased by (\$199,497), which is a result of a decrease in revenue streams. There was a decrease in Charges for Services and also from Operating Grants and Contributions of (\$169,233), mainly from American Rescue Plan Act grants. Expenses saw an increase of \$20,726, mainly due to instructions and apportionment of funds by ESD.

The District's business operations consisted of printing services for county school districts. Total revenues in business-type activities decreased by (\$13,313), while the expenses decreased by (\$2,766).

LAKE COUNTY EDUCATION SERVICE DISTRICT

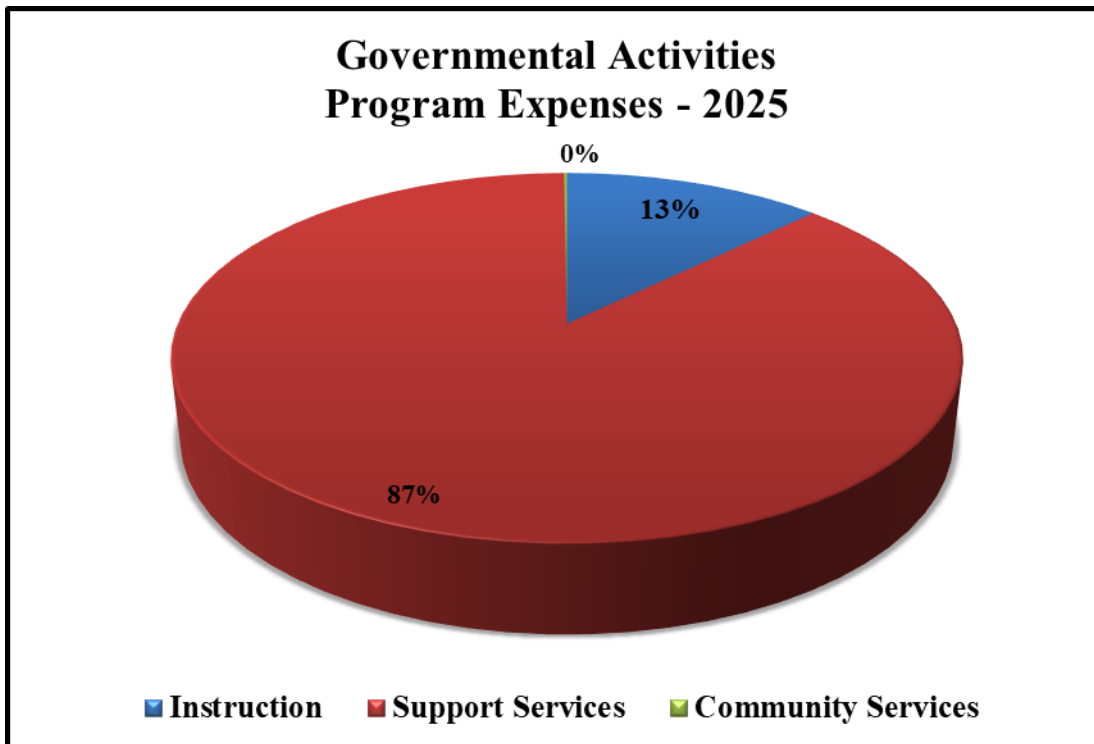
Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the District. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions. Prior-year information is provided for comparative analysis.

Governmental Activities

	2024-25		2023-24	
	Total Cost of Services	Net Cost (Profit) of Services	Total Cost of Services	Net Cost (Profit) of Services
Instruction	\$ 282,140	\$ 157,295	\$ 259,446	\$ 112,114
Support Services	1,940,685	1,041,376	1,978,006	931,951
Enterprise and Community Services	3,000	3,000	6,000	6,000
Apportionment of Funds by ESD	479,650	-	441,297	-
Total Program Expenses	\$ 2,705,475	\$ 1,201,671	\$ 2,684,749	\$ 1,050,065

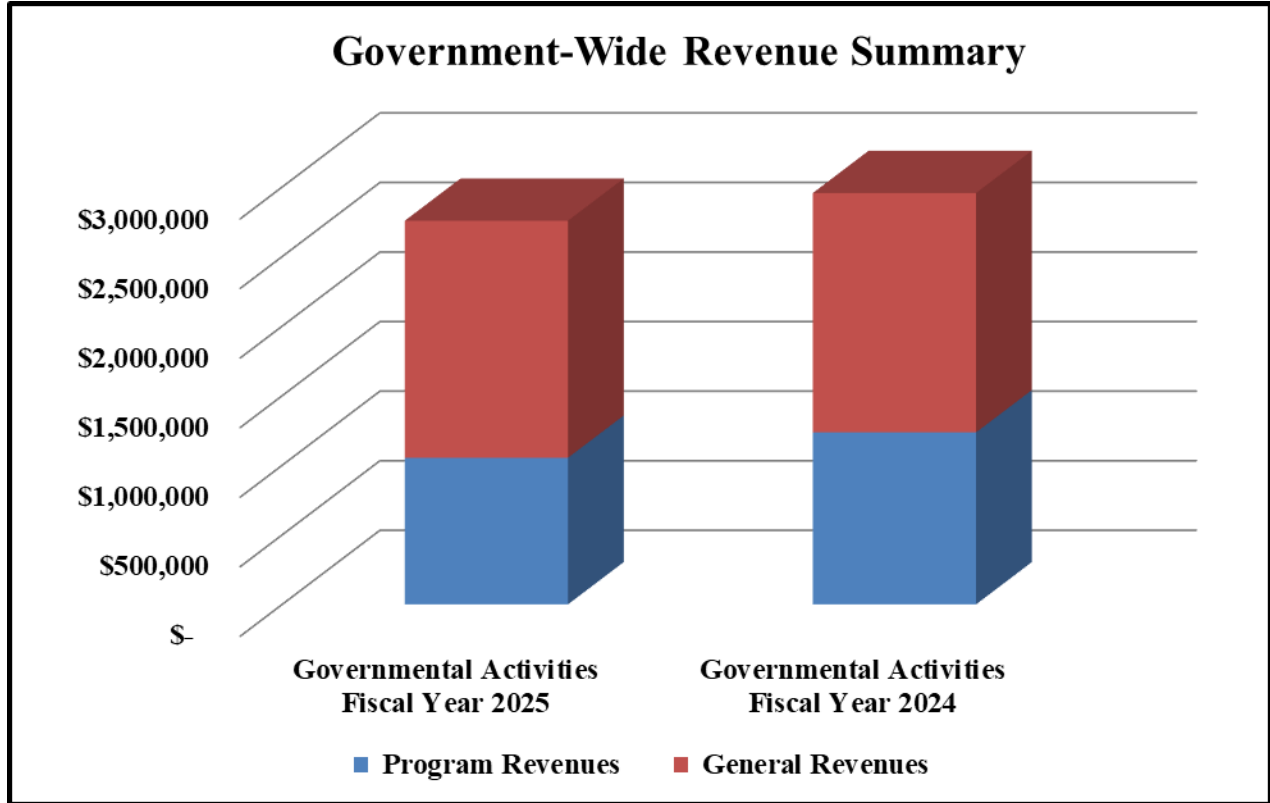
This graph illustrates the expenses of the District's programs by governmental activities. Support Services have the highest expenses, totaling \$1,940,685, compared to Instruction and Community Services, which account for \$282,140 and \$3,000.



LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

The chart compares revenue from governmental activities between the prior year and the current year, reflecting a decrease in revenue of \$199,497 (7%).



The District's business operations mainly consisted of printing services. For comparative analysis, we have provided prior-year information along with a summary of the District's business-type activity.

Business-Type Activities

	2024-25		2023-24	
	Total Cost of Services	Net Cost (Profit) of Services	Total Cost of Services	Net Cost (Profit) of Services
Printing Service	\$ 24,634	\$ 4,706	\$ 27,400	\$ 15,253
Total Program Expenses	\$ 24,634	\$ 4,706	\$ 27,400	\$ 15,253

LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District is reflected in its governmental funds. At the end of the year, the combined fund balance of the governmental funds was \$705,926, which is a decrease of \$84,879 from the previous year. The fund balance is composed of restricted, committed, and unassigned amounts. Out of the current fund balances, \$293,580 is restricted, \$53,958 is committed, and \$358,388 is unassigned and can be used by the District as needed.

The General Fund is the primary operating fund of the District. As of June 2025, fund balance was \$358,388. The fund balance increased by \$55,766 due to decrease in support services expenditures.

The Special Revenue Fund accounts for revenues and expenditures of funds restricted for specific programs, such as state and federal grants. As of June 30, 2025, fund balance was \$293,580. The fund balance decreased by (\$127,761) during the current fiscal year, mainly due to expenditure of American Rescue Plan Grants.

As of June 30, 2025, the Capital Fund balance was \$53,958. The fund balance decreased by (\$12,884) from the prior year, due to on going capital expenditures.

Proprietary Funds

The District's enterprise fund reported a total net position of \$27,085, an increase of \$4,706. This is primarily attributed to the current assets, specifically cash and cash equivalents, and inventory, paper, supplies & commodities. The enterprise fund's net position is unrestricted and available for spending at the District's discretion.

BUDGETARY HIGHLIGHTS

For the fiscal year, the District made only minor changes to its various funds' budgets.

The General Fund had budgeted to collect \$1,859,769 in revenues during the fiscal year, but collected \$1,797,233, which is \$62,536 less than expected. The General Fund expenditure was underspent by \$405,552, mainly because the \$300,000 contingency budget was not required. As a result, the actual ending fund balance was \$358,388.

The Special Revenue Fund had budgeted to collect \$1,003,914 in revenue for the fiscal year and collected \$905,640, which is \$98,274 less than budgeted. The total expenditure of the Special Revenue Fund were \$1,033,401, which was \$129,129 less than anticipated, resulting in an ending fund balance of \$293,580.

LAKE COUNTY EDUCATION SERVICE DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2025

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, the District had invested \$305,219 in capital assets, including buildings, land, vehicles, computers, and other equipment and furnishings, with additions of \$36,581, not including depreciation. No deletions of capital assets occurred during the fiscal year.

Total depreciation expense for the year was \$10,431.

Additional information on the District's capital assets can be found in the Capital Asset Note in the notes to the basic financial statements section of this report.

Long-Term Debt

As of June 30, 2025, the District had minimal long-term debt – A copier lease currently reflects an outstanding balance of \$10,892, after the repayment of \$4,668 in principal during the fiscal year concluding on June 30, 2025.

Additional information on long-term debt can be found in the Long-Term Debt Note in the notes to the basic financial statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Lake County Education Service District continues to focus primarily on the four legislatively mandated service areas: 1) Programs for children with special needs, 2) School improvement services for component school districts, 3) Technology support for component school districts, 4) Administrative and support services for component school districts. Lastly, fiscal management policies for the Lake County Education Service District continue unchanged from the past.

This Budget includes the following noticeable changes:

- An increase in the General Fund revenue of \$175,500 from last year.
- A reduction of approximately \$120,000 of the School Safety Preventions Systems Grant, \$21,000 reduction in Student Success Act Grant,
- The 17% rise in insurance (liability & property) costs and the 3% COLA/\$50 insurance cap increase
- A \$5000 increase to the 1.0 FTE flow through rate.

The adopted budget for the District's fiscal year ending on June 30, 2025, has increased by \$29,243 compared to the previous year, totaling \$3,478,162. This increase is primarily due to the higher budgeted revenue from State Sources.

The District will levy its maximum permanent property tax rate of \$0.6364 per \$1,000 of assessed property valuation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the Lake County Education Service District at 357 N. L Street, Lakeview, OR 97630.

BASIC FINANCIAL
STATEMENTS

Government-Wide
Financial Statements

LAKE COUNTY EDUCATION SERVICE DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 587,091	\$ 20,305	\$ 607,396
Property Taxes Receivable	55,843	-	55,843
Accounts Receivable	210,870	-	210,870
Inventory-Food, Supplies & Commodities	-	6,780	6,780
Total Current Assets	<u>853,804</u>	<u>27,085</u>	<u>880,889</u>
Restricted Assets:			
Net OPEB Asset (RHIA)	21,656	-	21,656
Total Restricted Assets	<u>21,656</u>	<u>-</u>	<u>21,656</u>
Capital Assets:			
Capital Assets, Non-Depreciable	12,344	-	12,344
Depreciable Capital Assets, Net	<u>145,888</u>	<u>-</u>	<u>145,888</u>
Total Assets	<u>1,033,692</u>	<u>27,085</u>	<u>1,060,777</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension Related Deferrals	942,216	-	942,216
OPEB Related Deferrals - RHIA	<u>8,959</u>	<u>-</u>	<u>8,959</u>
Total Deferred Outflow of Resources	<u>951,175</u>	<u>-</u>	<u>951,175</u>
<u>LIABILITIES:</u>			
Accounts Payable	18,835	-	18,835
Payroll Liabilities	84,859	-	84,859
Leases Payable			
Due within one year	4,668	-	4,668
Due in more than one year	6,224	-	6,224
Net Pension Liability	<u>1,345,184</u>	<u>-</u>	<u>1,345,184</u>
Total Liabilities	<u>1,459,770</u>	<u>-</u>	<u>1,459,770</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Pension Related Deferrals	125,579	-	125,579
OPEB Related Deferrals - RHIA	<u>1,020</u>	<u>-</u>	<u>1,020</u>
Total Deferred Inflow of Resources	<u>126,599</u>	<u>-</u>	<u>126,599</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	162,900		162,900
Restricted for:			
Special Programs	293,580	-	293,580
Unrestricted	<u>(57,982)</u>	<u>27,085</u>	<u>(30,897)</u>
Total Net Position	<u>\$ 398,498</u>	<u>\$ 27,085</u>	<u>\$ 425,583</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY EDUCATION SERVICE DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Change in Net Position</u>		
	<u>(Expenses)</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>GOVERNMENTAL ACTIVITIES:</u>						
Instruction	\$ 282,140	\$ -	\$ 124,845	\$ (157,295)	\$ -	\$ (157,295)
Support Services	1,940,685	239,236	660,073	(1,041,376)	-	(1,041,376)
Enterprise and Community Services	3,000	-	-	(3,000)	-	(3,000)
Apportionment of Funds by ESD	479,650	-	-	(479,650)	-	(479,650)
Total Governmental Activities	<u>2,705,475</u>	<u>239,236</u>	<u>784,918</u>	<u>(1,681,321)</u>	<u>-</u>	<u>(1,681,321)</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>						
Printing Services	24,634	29,340	-	-	4,706	4,706
Total Business-Type Activities	<u>24,634</u>	<u>29,340</u>	<u>-</u>	<u>-</u>	<u>4,706</u>	<u>4,706</u>
Total Primary Government	<u>\$ 2,730,109</u>	<u>\$ 268,576</u>	<u>\$ 784,918</u>	<u>\$ (1,681,321)</u>	<u>\$ 4,706</u>	<u>\$ 9,412</u>
<u>GENERAL REVENUES:</u>						
Property Taxes, Levied for General Purposes				\$ 568,175	\$ -	\$ 568,175
Earnings on Investments				43,344	-	43,344
Unrestricted State and Local Revenue				54,961	-	54,961
Intermediate Sources				896	-	896
State School Fund for Education and Support Services				1,035,844	-	1,035,844
Subtotal - General Revenues				<u>1,703,220</u>	<u>-</u>	<u>1,703,220</u>
Change in Net Position				21,899	4,706	26,605
Net Position, July 1, 2024				<u>376,599</u>	<u>22,379</u>	<u>398,978</u>
Net Position, June 30, 2025				<u>\$ 398,498</u>	<u>\$ 27,085</u>	<u>\$ 425,583</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Governmental Fund
Financial Statements

LAKE COUNTY EDUCATION SERVICE DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2025

	General Fund #100	Special Revenue Fund #200	Capital Projects Fund #400	Total Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 446,037	\$ 87,049	\$ 54,005	\$ 587,091
Property Taxes Receivable	55,843	-	-	55,843
Accounts Receivable	3,761	207,109	-	210,870
Total Assets	<u>\$ 505,641</u>	<u>\$ 294,158</u>	<u>\$ 54,005</u>	<u>\$ 853,804</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>				
LIABILITIES:				
Accounts Payable	\$ 18,210	\$ 578	\$ 47	\$ 18,835
Payroll Liabilities	84,859	-	-	84,859
Total Liabilities	<u>103,069</u>	<u>578</u>	<u>47</u>	<u>103,694</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	44,184	-	-	44,184
Total Deferred Inflows of Resources	<u>44,184</u>	<u>-</u>	<u>-</u>	<u>44,184</u>
FUND BALANCES:				
Restricted for:				
Special Programs	-	293,580	-	293,580
Committed for:				
Capital Construction & Building Maintenance	-	-	53,958	53,958
Unassigned	358,388	-	-	358,388
Total Fund Balances	<u>358,388</u>	<u>293,580</u>	<u>53,958</u>	<u>705,926</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 505,641</u>	<u>\$ 294,158</u>	<u>\$ 54,005</u>	<u>\$ 853,804</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY EDUCATION SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

Total Fund Balances - Governmental Funds		\$ 705,926
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of assets	\$ 305,219	
Accumulated depreciation	<u>(146,987)</u>	
Net Value of Capital Assets		<u>158,232</u>
Property taxes receivable that will not be available to pay for current-period expenditures are deferred in the governmental funds.		
		<u>44,184</u>
Deferred inflows and outflows of pension and OPEB contributions and earnings are not reported in the governmental funds.		
Deferred Pension/OPEB Contributions	951,175	
Deferred Earnings on Pension/OPEB Assets	<u>(126,599)</u>	
Net Value of Deferrals		<u>824,576</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
These liabilities consist of :		
Leases Payable	10,892	
Net Pension Liability	1,345,184	
Net OPEB Obligations	<u>\$ (21,656)</u>	
Total		<u>(1,334,420)</u>
Net Position of Governmental Activities		<u>\$ 398,498</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY EDUCATION SERVICE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2025

	General Fund #100	Special Revenue Fund #200	Capital Projects Fund #400	Total Governmental Funds
<u>REVENUES:</u>				
Taxes	\$ 570,018	\$ -	\$ -	\$ 570,018
Earnings on Investments	43,344	-	-	43,344
Fees and Charges	59	-	-	59
Miscellaneous Revenue	134,263	126,460	26,344	287,067
Intermediate Government Aid	896	103,850	-	104,746
State Aid	1,048,653	557,856	-	1,606,509
Federal Aid	-	117,474	-	117,474
Total Revenues	1,797,233	905,640	26,344	2,729,217
<u>EXPENDITURES:</u>				
Current:				
Instruction	122,501	171,440	-	293,941
Support Services	1,129,316	858,961	12,647	2,000,924
Enterprise and Community Services	-	3,000	-	3,000
Capital Outlay:				
Support Services	-	-	26,661	26,661
Facilities Acquisition and Construction	-	-	9,920	9,920
Total Expenditures	1,251,817	1,033,401	49,228	2,334,446
Excess (Deficiency) of Revenues Over Expenditures	545,416	(127,761)	(22,884)	394,771
<u>OTHER FINANCING SOURCES (USES):</u>				
Interfund Transfers In	-	-	10,000	10,000
Interfund Transfers Out	(10,000)	-	-	(10,000)
Apportionment of Funds by ESD	(479,650)	-	-	(479,650)
Total Other Financing Sources (Uses)	(489,650)	-	10,000	(479,650)
Net Change in Fund Balance	55,766	(127,761)	(12,884)	(84,879)
Beginning Fund Balance	302,622	421,341	66,842	790,805
Ending Fund Balance	\$ 358,388	\$ 293,580	\$ 53,958	\$ 705,926

The accompanying notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY EDUCATION SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Net Changes in Fund Balances - Total Governmental Funds	\$	(84,879)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Less current year depreciation	\$ (10,431)	26,151
Some property tax revenues will not be collected for several months after the District's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue.		
Deferred revenues increased by this amount this year.		(1,843)
Repayment of principal on long term debt and leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Retirement of principal is as follows:		
Leases	4,668	4,668
Government funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense and changes in deferred inflows and outflows related to the net pension asset/(liability) are recorded based upon an actuarial valuation of such activity.		
This is the net change in pension related items.		86,059
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
The activities consist of:		
Increase/(decrease) in accrued OPEB	(8,257)	(8,257)
Change in Net Position of Governmental Activities	\$	21,899

BASIC FINANCIAL
STATEMENTS

Proprietary Fund
Financial Statements

LAKE COUNTY EDUCATION SERVICE DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2025

	<u>Printing Service Fund</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$20,305
Inventory-Food, Supplies & Commodities	<u>6,780</u>
Total Assets	<u>27,085</u>
<u>NET POSITION:</u>	
Unrestricted	<u>27,085</u>
Total Net Position	<u>\$ 27,085</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY EDUCATION SERVICE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION**

PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2025

	Printing Service Fund
<u>OPERATING REVENUES:</u>	
Miscellaneous Revenue	\$ 29,340
Total Operating Revenues	29,340
<u>OPERATING EXPENSES:</u>	
Support Services	24,634
Total Operating Expenses	24,634
Operating Income (Loss)	4,706
Change in Net Position	4,706
Beginning Net Position	22,379
Ending Net Position	\$ 27,085

The accompanying notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY EDUCATION SERVICE DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2025

	<u>Enterprise Fund</u> <u>Printing Service</u> <u>Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash Received from User Charges	\$ 36,086
Cash Payments to Suppliers & Service Providers	(26,020)
Net Cash Provided (Used) by Operating Activities	<u>10,066</u>
Cash and Cash Equivalents at July 1, 2024	<u>10,239</u>
Cash and Cash Equivalents at June 30, 2025	<u>\$ 20,305</u>
<u>Reconciliation of Income (Loss) From Operations</u>	
<u>to net cash provided (used) by operating activities:</u>	
Income (loss) from operations	\$ 4,706
Decrease (increase) in accounts receivable	6,746
Decrease (increase) in inventory	(1,386)
Net cash provided (used) by operating activities	<u>\$ 10,066</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Notes to the Basic
Financial Statements

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The administration of Lake County Education Service District is vested in a board of directors, a District superintendent, and a business manager. The district offers two advisory positions. The board of directors' exercise governance responsibilities over all entities related to public elementary and secondary school education within the jurisdiction of Lake County Education Service District as set by the state of Oregon. The board receives funding from local, state, and federal sources; however, the Lake County Education Service District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The basic financial statements of Lake County Education Service District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

Reporting Entity

In determining the financial reporting entity, the Lake County Education Service District complies with Governmental Accounting Standards Board Statement 14 as amended, "The Financial Reporting Entity." The criteria for including organizations as component units within the District's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the District holds the corporate powers of the organization; 3) the District appoints a voting majority of the organization's board; 4) the District is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the District; and 6) there is fiscal dependency by the organization on the District. Based on the aforementioned criteria, the Lake County Education Service District has no component units.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District with most of the interfund activities removed to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities include programs supported primarily by taxes, state school support payments, grants and other intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. The District also reports no fiduciary activities.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented 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.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Basis of Presentation (Cont.)

Fund Financial Statements: The fund financial statements provide information about the District's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District reports the following major governmental funds:

General Fund - is the main operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid by the General Fund.

Special Revenue Fund This fund accounts for the activities of various federal and state grant programs, counseling services, as well as certain Adel School District-specific activities.

Capital Projects Fund The Capital Projects Fund accounts for major capital expenditures relating to buildings and building improvements and related expenditures.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the Statement of Net Position. The District presents the following major proprietary funds:

Printing Service Fund – is used to account for the printing service operations of the District.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; the basis of accounting refers to when transactions are recognized in the financial records and reported on the financial statements. The basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized when the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are reported when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Measurement Focus/Basis of Accounting (Cont.)

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 revenues of the district's Printing Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and support services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The revenues susceptible to accrual are property taxes, charges for services, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when the revenue recognition is met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

Budgeting

The District budgets all funds as required by state law. The District budgets for all funds on a modified accrual basis. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total expenditures are controlled by annual appropriations at the following organizational levels: instruction, support services, community services, facilities acquisition and construction, and other expenditures. Appropriations lapse as of the fiscal year-end. A detailed budget document is required that contains more detailed information for the above-mentioned expenditure categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the District Board of Directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the District Board of Directors.

Cash and Investments

For the statement of cash flows, cash, and cash equivalents include cash on hand, checking, savings, and money market accounts, and any short-term, highly liquid investments with initial maturity dates of three months or less. All cash and investments of the proprietary fund types are pooled with the District's pooled cash and investments.

The District has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the District to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The District's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. The fair value of the LGIP is the same as the District's value in the pool shares.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Cash and Investments (Cont.)

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short-Term Fund (OSTF) which was established by the State Treasurer. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

Receivables

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the District. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently, no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources.

Intergovernmental grant reimbursement and entitlement amounts for which all eligibility requirements imposed by the provider have been met, but which were not received by the fiscal year end, are reported as accounts receivable.

Inventory

The ESD maintains inventory for the printing services. Inventory is valued at cost using the first-in, first-out method.

Restricted Assets and Liabilities

Assets with use restricted to future bond payments and the related liability are segregated in the statements of net position.

Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets are not capitalized, but rather are charged to expenditures in the governmental funds. The District does not possess any infrastructure. The capitalization threshold used by the District as recommended by the State of Oregon is \$5,000.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Capital Assets (Cont.)

In the government-wide financial statements, all reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

<u>Asset Class</u>	<u>Estimated Years of Useful Lives</u>
Building and Improvements	50-100
Equipment	5-30

In the governmental fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized, and related depreciation is not reported in the fund financial statements.

Compensated Absences and Accrued Liabilities:

The District has no provision for accumulated unpaid vacation, sick pay, and other employee benefits. The District's policy is that all vacation must be used by the June 30 fiscal year end, or it is lost. Each employee may accumulate sick leave and carry it over to the succeeding year. In a year when sick leave is used, the employee is paid the regular contract salary during the absence to the extent of sick leave earned. If necessary, substitutes must be hired by the District. When an employee becomes employed by another District, the accumulated sick leave can be transferred to that District, for up to 75 days. If sick leave is not transferred, it is lost and not paid to the employee upon leaving Lake County Education Service District.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred pension contributions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, deferred earnings on pension assets. In the governmental funds' balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Long-Term Debt

All bonds, notes, and capital lease payable are recognized in the government-wide financial statements as liabilities of the District. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

In the governmental fund financial statements, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. Principal and interest payments on long-term debt are recorded as debt service in the expenditure section of the statement and schedules.

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:

- a. 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.
- b. 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.
- c. 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 purposes for which both restricted and unrestricted net position is available.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Equity Classifications (Cont.)

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: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision-making authority, the District Council, and does not lapse at year-end.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the District Council or through the District Council delegating this responsibility to selected staff members or through the budgetary process.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The District's policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

Property Taxes

Real and personal property taxes are attached as an enforceable lien on property as of January 1. All taxes are levied as of the lien date and are payable in three installments on November 15, February 15, and May 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Foreclosure starts three years after taxes become delinquent. The District turns all tax collection duties over to Lake County, Oregon.

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectable taxes has been established. All property tax receivables are due from property owners within the District.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement Fund (OPERF) and the Oregon Public Service Retirement Plan (OPSRP) and additions to/deductions from OPERF's and OPSRP's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Cash and Investments note in the Summary of Significant Accounting Policies section.

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized in the Cash and Investments note in the Summary of Significant Accounting Policies section.

Investments, including amounts held in pool cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

CASH AND INVESTMENTS (Cont.):

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. ORS 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Oregon Public Funds Collateralization Program (PFCP). Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2025, the reported amount of the District's deposits was \$21,438, the bank balance was \$93,249 and the petty cash was \$151. Of the bank balance, the entire amount was insured by the FDIC or covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer.

Investments - Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The District has no credit risk policy or investment policy that would further limit its investment choices.

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2025, the District's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

As of June 30, 2025, the District's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government		
Investment Pool (LGIP)	\$ 585,807	N/A
Total Investments	<u>\$ 585,807</u>	

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a *concentration of credit risk*. The District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the District's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the District's total investment.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2025:

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Assets not being depreciated:				
Land	\$ 12,344	\$ -	\$ -	\$ 12,344
Total assets not being depreciated	12,344	-	-	12,344
Assets being depreciated:				
Building and Building Improvement	175,173	9,920	-	185,093
Machinery and Equipment	81,121	26,661	-	107,782
Total Depreciable Assets	256,294	36,581	-	292,875
Less: Accumulated Depreciation				
Building and Building Improvement	65,166	3,924	-	69,091
Machinery and Equipment	71,390	6,506	-	77,897
Total Accumulated Depreciation	136,557	10,431	-	146,987
Net Value of Capital Assets Being Depreciated	119,737	26,151	-	145,888
Total Governmental Activities -- Net Value of Capital Assets	\$ 132,081	\$ 26,151	\$ -	\$ 158,232
Depreciation expense was charged to governmental functions as follows:				
Support Services	\$ 10,431			
Total Depreciation Expense	\$ 10,431			

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

LONG TERM DEBT:

The following is a summary of debt service transactions for the year ended June 30, 2025:

Canon Copier Lease 2022 - On October 14, 2022, the District entered into a lease agreement with Canon Solutions America for the use of color copiers. The Unified Lease Agreement is #MA31571. The term of the lease is 60 months at \$389 per month. The interest rate is not imputed and is considered to be zero.

The following is a schedule of transactions during the year:

LAKE COUNTY EDUCATION SERVICE DISTRICT

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2025

	Outstanding Balance July 1, 2024	New Issues	Principal Paid	Interest Paid	Outstanding Balance June 30, 2025	Due Within One Year
Leases Payable:						
Canon Copier Lease 2022	\$ 15,560	\$ -	\$ 4,668	\$ -	\$ 10,892	\$ 4,668
Total Leases Payable	<u>\$ 15,560</u>	<u>\$ -</u>	<u>\$ 4,668</u>	<u>\$ -</u>	<u>\$ 10,892</u>	<u>\$ 4,668</u>
Total Long-Term Debt	<u>\$ 15,560</u>	<u>-</u>	<u>\$ 4,668</u>	<u>\$ -</u>	<u>\$ 10,892</u>	<u>\$ 4,668</u>

The future debt service requirements on the above debt are as follows:

Leases Payable:	Due Fiscal Year Ending June 30,	Principal	Interest	Total
	2026	\$ 4,668	\$ -	\$ 4,668
	2027	4,668	-	4,668
	2028	1,556	-	1,556
	Total	<u>\$ 10,892</u>	<u>\$ -</u>	<u>\$ 10,892</u>

The District has no unused lines of credit. The District has no assets that are specifically pledged as collateral for any of the debt. For further details on debt service, see the 'Schedule of Long-Term Debt Transactions' in the Other Information section of this report.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN:

Lake County Education Service District offers various retirement plans to qualified employees as described below.

Cost-sharing Multiple-employer Defined Benefit Pension Plan - The Oregon Public Employees Retirement System (PERS)

Name of Pension Plan

Lake County Education Service District participates with other state agencies in the Oregon Public Employees Retirement System (OPERS) which is a cost-sharing multiple-employer defined benefit pension plan.

Organization

OPERS administers a cost-sharing, multiple-employer defined benefit pension plan (Plan) for units of state government, political subdivisions (including community colleges and school districts), and public universities. The Plan contains multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2024, there were 904 participating employers and more than 415,000 active, inactive, and retired members and beneficiaries.

OPERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Oregon Public Employees Retirement Board (OPERB) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the State Senate. Oregon PERS produces an independently audited comprehensive annual financial report (ACFR) for the funds administered by OPERB. The OPERS ACFR can be found at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

Plan Membership

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to age 58 for Tier One.

As of June 30, 2024, Tier One was comprised of 7,928 active plan members, 127,957 retired plan members or their beneficiaries currently receiving benefits, and 6,927 inactive plan members entitled to but not yet receiving benefits for a total of 142,812 members. For Tier Two, as of June 30, 2024, there were 23,549 active plan members, 24,248 retired plan members or their beneficiaries currently receiving benefits, and 12,332 inactive plan members entitled to but not yet receiving benefits for a total of 60,129.

The 2003 Legislature enacted House Bill 2021, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program and the Individual Account Program. Membership for the OPSRP Pension Program includes public employees hired on or after August 29, 2003. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

As of June 30, 2024, there were 163,367 active OPSRP Pension plan members, 13,931 retired plan members or their beneficiaries currently receiving benefits, 10,596 inactive plan members entitled to but not yet receiving benefits, and 24,658 inactive plan members not eligible for refund or retirement for a total of 212,552 OPSRP Pension Program members.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Plan Benefits

1. OPERS Pension (Chapter 238) – Tier One/Tier Two

a. Pension Benefits

The PERS retirement allowance is payable monthly for life. Members may select from 13 retirement benefit options that are actuarially equivalent to the base benefit.

These options include survivorship benefits and lump-sum refunds. The basic benefit is most commonly based on years of service and final average salary. A percentage (2.0% for Police and Fire employees, 1.67% for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which they are entitled.

Under Senate Bill (SB) 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary is limited for all members beginning in 2021. The limit was equal to \$232,976 as of January 1, 2024, and it is indexed with inflation every year.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if they have contributions in each of five calendar years or have reached at least 50 years of age before ceasing employment with a participating employer (age 45 for Police and Fire members). General Service employees may retire after reaching age 55. Police and Fire members are eligible after reaching age 50. Tier One General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and Fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The plans are closed to new members hired on or after August 29, 2003.

b. Death Benefits

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

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

A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lumpsum and monthly payments, if eligible. The monthly payment must be a minimum of \$200 per month for deaths that occur after July 30, 2003.

In 2019 the Legislature introduced an Optional Spouse Death Benefit (OSDB) that may provide a higher survivor benefit than the standard pre-retirement death benefit described above. To be eligible for the OSDB, the member must have died before retiring, named their spouse or other person who is constitutionally required to be treated in the same manner as the spouse as their pre-retirement beneficiary, and met the following conditions:

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

- Member's date of death must be on or after January 1, 2020.
- Member's account must be eligible for the employer-matching death benefit (as described above).
- Member must have a surviving spouse.
- The surviving spouse must be the member's sole beneficiary as determined by a valid Tier One/Tier Two Preretirement Beneficiary Designation form on file with PERS.

As of January 1, 2024, the Legislature modified the rules such that, in order to be eligible for the Optional Spouse Death Benefit, a surviving spouse must make a written election no later than 60 days after the date of the estimate that PERS provides to a member's spouse. For members who die before their earliest retirement date, the OSDB is the actuarial equivalent of 50% of the service retirement that would have been paid to the member, calculated as if the member became inactive on their date of death and retired at their earliest retirement date. For members who die after their earliest retirement date but before normal retirement age, the OSDB is the actuarial equivalent of the service retirement that would have been paid to the member calculated as if they retired on the first day of the month following their death. For members who die after their normal retirement age, the OSDB is the actuarial equivalent of the benefit that would have been paid to the member, calculated as if the member retired on the first day of the month following their date of death.

The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached the age of their federally required minimum distribution.

c. 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 for General Service members is computed to age 58 (55 for Police and Fire members) when determining the monthly benefit.

d. Benefit Changes After Retirement

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

2. OPSRP Pension Program

a. Pension Benefits

This portion of OPSRP provides a life pension funded primarily by employer contributions and earnings. Benefits are calculated with the following formula for members who attain normal retirement age.

General Service: 1.5% 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.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary is limited for all members beginning in 2020. The limit was equal to \$232,976 as of January 1, 2024 and is indexed with inflation every year.

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, or, if the pension program is terminated, the date on which termination becomes effective.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

b. Death Benefits

Upon the death of a nonretired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50% of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached the age of their federally required minimum distribution.

c. 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 from a job-related injury may receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred. Disability benefits continue until the member is no longer disabled or otherwise no longer qualifies for benefits, reaches normal retirement age, or dies.

d. Benefit Changes After Retirement

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

3. Individual Account Program (IAP)

a. Benefit Terms

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established.

Employers have the option to make employer contributions for a member under ORS 238A.340. Contributions for these accounts are deposited into a separate employer-funded account. The member becomes vested in this optional employer-funded account on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code Section 414(k).

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer-funded account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or an anticipated life-span option. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a \$200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

b. Death Benefits

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

c. Recordkeeping

PERS contracts with Voya Financial to maintain IAP participant records.

4. Postemployment Healthcare Benefits

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to \$60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

To be eligible to receive this monthly payment toward the premium costs, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

For the fiscal year ended June 30, 2024, PERS employers contributed 0.04% of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. A (0.04)% unfunded actuarial liability (UAL) rate was assigned for the RHIA program as it was funded over 100% as of December 31, 2021. Consequently, PERS employers had an effective contribution rate of 0.00% for the RHIA program. Typically, PERS employers contribute an actuarially determined percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 10 years. These rates were based on the December 31, 2021, actuarial valuation.

Contributions

Description of Funding and Contributions for PERS Benefit Plans

OPERS' funding policy provides for periodic member and employer contributions at rates established by the PERS Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

Member Contributions

Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP). Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf.

The Member Reserve represents accumulated member contributions and earnings allocations made prior to January 1, 2004, and subsequent earnings allocations less refunds and amounts transferred to reserves for retirements and disabilities (ORS 238.515). The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

Starting July 1, 2020, Senate Bill 1049 (2019) required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. In 2024, if the member earns more than \$3,688 per month, 0.75% (if OPSRP member) or 2.5% (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the member's Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

a. Employee Pension Stability Accounts (EPSA)

EPSA was created by the Oregon Legislature through Senate Bill 1049 (2019) to address the increasing cost of funding pension benefits. EPSA's function is to help pay for part of an applicable member's lifetime monthly pension benefit when they retire.

EPSA rules apply to most PERS members, but the EPSA redirect is only triggered when the member's gross pay in a month exceeds the monthly salary threshold, which is tied to the annual Consumer Price Index (All Urban Consumers, West Region). EPSA accounts are credited with investment earnings and losses annually and have no guaranteed rate of return.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

b. Target-Date Funds

The Oregon Investment Council, responsible for all PERS fund investments, approved the transition to a target-date fund (TDF) investment methodology for all IAP accounts beginning January 1, 2018. This change in investment methodology reflects an investment best practice that will better protect participants from potential losses as they approach and enter retirement by gradually reducing investment risk as participants age.

Effective January 1, 2021, Senate Bill 1049 (2019) allowed members to elect investment of their IAP account in a TDF other than the default TDF based on their year of birth. PERS now provides members the opportunity to make elections once a year during the month of September, with the change effective the following calendar year.

Employer Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and OPEB plans. Employer contribution rates during fiscal year 2024 were based on the December 31, 2021, actuarial valuation, which became effective July 1, 2023. The state of Oregon and certain schools, community colleges, public universities, and political subdivisions have made supplemental unfunded actuarial liability payments, and their rates have been reduced.

PERS Defined Benefit Plan (ORS 238)

Effective July 1, 2023, the contribution rate for state agencies was 28.88%, the State and Local Government Rate Pool was 29.03%, the School Districts Pool was 28.58%, and the judiciary was 29.01% of PERS-covered salaries. Political subdivisions that have not joined the State and Local Government Rate Pool had an average pension contribution rate of 29.01%.

OPSRP Pension Program (ORS 238A)

All PERS-participating employers with OPSRP Pension Program members are actuarially pooled and share the same contribution rate. The OPSRP Pension Program employer rates effective July 1, 2023, through June 30, 2026, are 11.58% of covered salaries for General Service employees and 16.37% of covered salaries for Police and Fire employees. Each of these rates includes a component related to disability benefits for General Service and Police and Fire members.

Effective January 1, 2021, Senate Bill 1049 (2019) requires employers to pay contributions on reemployed PERS retirees' salaries as if they were active members, excluding IAP (6%) contributions. Reemployed retirees do not accrue additional benefits while they work after retirement.

District Employer Contributions

The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The District's employer contributions for the year ended June 30, 2025 were \$344,531 for Defined Benefits and IAP excluding amounts to fund employer specific liabilities.

The contribution rates in effect for the period July 1, 2023 to June 30, 2025 are: Tier1/Tier2 – 27.87%%, and OPSRP General Service – 25.03%.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

District Member Contributions

Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP). Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf.

During FY 2024-2025, approximately \$56,655 in employee IAP contributions were paid or picked up by the district.

Pension Plan CAFR/ ACFR

Oregon PERS produces an independently audited ACFR which can be found at:
<https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

Actuarial Valuations

The employer contribution rates effective July 1, 2023, through June 30, 2025, were set using the Entry Age Normal actuarial cost method.

For the Tier One/Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years by ongoing Board policy. However, upon passage of Senate Bill 1049, the Legislature directed the PERS Board to enact a one-time re-amortization of Tier 1/Tier 2 UAL over 22 years. This means that, effective with the December 31, 2022 rate-setting valuation, the entire unamortized Tier 1/Tier 2 UAL for each rate pool and independent employer will be re-amortized over a 22 year period as a level percentage of projected future payroll.

For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over the same period of years.

For the Postemployment Healthcare component, the RHIA plan fiduciary net position balance represents the program's accumulation of employer contributions and investment earnings less premium subsidies and administrative expenses. No UAL rate was assigned for the RHIA program as it was funded over 100% as of December 31, 2021. Typically, PERS employers contribute an actuarially determined percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 10 years.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:	
Valuation Date	December 31, 2022
Measurement Date	June 30, 2024
Experience Study	2022, published July 20, 2023
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and the pattern of cost-sharing between the employer and plan members. The December 31, 2022, system-wide actuarial valuation was used to develop the GASB 67 financial reporting results for the Defined Benefit Pension Plan as of June 30, 2024, using standard roll-forward procedures.

Discount Rate

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

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency if such an evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

OIC Target and Actual Investment Allocation as of June 30, 2024

<u>Asset Class/Strategy</u>	<u>OIC Policy Range</u>	<u>OIC Target Allocation</u>	<u>Asset Class/Strategy</u>	<u>Actual Allocation²</u>
Debt Securities	20.0% - 30.0%	25.0%	Debt Securities	19.1%
Public Equity	22.5% - 32.5%	27.5%	Public Equity	23.0%
Real Estate	7.5% - 17.5%	12.5%	Real estate	13.2%
Private Equity	15.0% - 27.5%	20.0%	Private Equity	26.9%
Real Assets	2.5% - 10.0%	7.5%	Real Assets	10.1%
Diversifying Strategies	2.5% - 10.0%	7.5%	Diversifying Strategies	5.0%
Opportunity Portfolio ¹	0.0% - 5.0%	0.0%	Opportunity Portfolio	2.7%
Total		<u>100%</u>	Total	<u>100%</u>

¹Opportunity Portfolio is an investment strategy. Up to 5% of total Fund assets may be invested in it.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 the Oregon PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below.

<u>Long Term Expected Rate of Return¹</u>	Annual	20-Year	Annual
<u>Asset Class</u>	Target	Annualized	Standard
	Allocation	Geometric Mean	Deviation
Global Equity	27.50%	8.57%	17.99%
Private Equity	25.50%	12.89%	30.00%
Core Fixed Income	25.00%	4.59%	4.22%
Real Estate	12.25%	6.90%	15.13%
Master Limited Partnerships	0.75%	9.41%	27.04%
Infrastructure	1.50%	7.88%	17.11%
Hedge Fund of Funds - Multistrategy	1.25%	6.81%	9.04%
Hedge Fund Equity - Hedge	0.63%	7.39%	12.04%
Hedge Fund - Macro	5.62%	5.44%	7.49%
Assumed Inflation - Mean		2.35%	1.41%

¹Based on the Oregon Investment Council’s (OIC) Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on January 25, 2023.

²The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

Sensitivity Analysis

The following presents the employer’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	5.90%	6.90%	7.90%
Employer's proportionate share of the net pension liability	\$ 2,121,973	\$ 1,345,184	\$ 694,585

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Changes Since Last Valuation

A summary of key changes implemented after the December 31, 2024 valuation, which was used in the 2024 PERS ACFR. Changes are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2024 Experience Study for the System, which was published on July 22, 2025, which can be found at: https://www.oregon.gov/pers/Documents/Financials/Actuarial/2025/2024_Exp_Study.pdf

Changes in Actuarial Methods and Allocation Procedures

As of June 30, 2024, PERS fully finished and closed the Employer Programs, Salary Limit, Member Choice, Technical Debt, and Work After Retirement projects. House Bill 2296 (2023) extended the sunset of the work after retirement provisions until 2034. The Member Redirect project has an expected completion date of June 2025. PERS received funding for these projects for the 2023-25 biennium.

The timing of the amortization period for Pre-SLGRP liabilities and surpluses for SLGRP employers was revised to align the biennial rate-setting cycle.

Changes in Assumptions

- Adjust mortality assumptions to use the new “Pub-2016” base tables, matched to observed PERS-specific experience.
- Increase the individual member salary increase assumption’s merit/longevity component for one member category based on observations of the last 12 years of experience. The individual member salary increase assumption consists of the sum of inflation, real wage growth, and merit/longevity components, with the latter varying by member. We also recommend maintaining an assumed additional 2% annual increase specifically for calendar year 2025 above the long-term assumptions, which was first adopted in the 2022 Experience Study to reflect significant bargained increases already known at that time.
- Adjust retirement rates for certain member categories and service bands to more closely align with recent and expected future experience.
- Lower assumed rates of ordinary (non-duty) disability incidence to more closely match recent experience.
- Adjust the Tier One/Tier Two unused sick leave assumption for one member category to reflect recently observed experience.
- Decrease the likelihood of program participation for non-disabled and disabled retirees in the RHIA retiree healthcare program.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Mortality Rates

A summary of the current assumed mortality rates and recommended changes is shown below:

Assumption	Used for December 31, 2022 and 2023 Valuations	Recommended December 31, 2024 and 2025 Valuations
Healthy Annuitant Mortality	Pub-2010 Healthy Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale	Pub-2016 Healthy Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
School District male	Blend 80% Teachers and 20% General Employees, no set back	No change
Other General Service male (and male beneficiary)	General Employees, set back 12 months	No change
Police & Fire male	Public Safety, no set back	No change
School District female	Teachers, no set back	No change
Other female (and female beneficiary)	General Employees, no set back	No change
Police & Fire female	Public Safety, set back 12 months	No change
Disabled Retiree Mortality	Pub-2010 Disabled Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale	Pub-2016 Disabled Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
Police & Fire male	Blended 50% Public Safety, 50% Non-Safety, no set back	Blended 20% Public Safety, 80% Non-Safety, no set back
Other General Service male	Non-Safety, set forward 24 months	120% of Non-Safety, no set back
Police & Fire female	Blended 50% Public Safety, 50% Non-Safety, no set back	Blended 20% Public Safety, 80% Non-Safety, no set back
Other General Service female	Non-Safety, set forward 12 months	120% of Non-Safety, no set back
Non-Annuitant Mortality	Pub-2010 Employee, Sex Distinct, Generational Projection with Unisex Social Security Data Scale	Pub-2016 Employee, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
School District male	125% of Employee table with same job category and set back as Non-Disabled Retiree assumption	120% of Employee table with same job category and set back as Non-Disabled Retiree assumption
Other General Service male	115% of Employee table with same job category and set back as Non-Disabled Retiree assumption	120% of Employee table with same job category and set back as Non-Disabled Retiree assumption
Police & Fire male	125% of Employee table with same job category and set back as Non-Disabled Retiree assumption	120% of Employee table with same job category and set back as Non-Disabled Retiree assumption
School District female	100% of Employee table with same job category and set back as Non-Disabled Retiree assumption	120% of Employee table with same job category and set back as Non-Disabled Retiree assumption
Other General Service female	125% of Employee table with same job category and set back as Non-Disabled Retiree assumption	120% of Employee table with same job category and set back as Non-Disabled Retiree assumption
Police & Fire female	100% of Employee table with same job category and set back as Non-Disabled Retiree assumption	120% of Employee table with same job category and set back as Non-Disabled Retiree assumption

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

Changes Subsequent to the Measurement Date

There were no changes subsequent to the measurement date, that we are aware of.

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ending June 30, 2025, employers will report the following deferred items:

- A difference between expected and actual experience, which is being amortized over the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.

Employer Contributions

OPERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position.

Beginning with fiscal year 2016, OPERS will be able to report cash contributions and UAL side account amortization by employer, and will publish this information on the OPERS Website. Prior to fiscal year 2016, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

Elements of Changes in Net Position

This information can be found in the Schedule of Changes in Net Pension Liability found on page 96, of the June 30, 2024 Oregon PERS ACFR. <https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025, the employer reported a liability of \$1,345,184 for its proportionate share of the net pension liability. The net pension liability/(asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2024, the employer's proportion was 0.00605196%.

For the year ended June 30, 2025, the employer recognized pension expense of \$253,329.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

PENSION PLAN (Cont.):

As of June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,690	\$ 3,211
Changes of assumptions	135,245	173
Net difference between projected and actual earnings on investments	85,457	-
Changes in proportionate share	118,969	121,510
Differences between employer contributions and employer's proportionate share of system contributions	178,324	685
(prior to post-measurement date contributions)	\$ 597,685	\$ 125,579
Post-measurement date contributions	344,531	N/A
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 942,216</u>	<u>\$ 125,579</u>
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		<u>\$ 472,106</u>

Contributions of \$344,531 less amortization of the District's Side Account for PERS defined benefits, were made subsequent to the measurement date, but prior to the end of the District's reporting period. These contributions, which are reported as deferred outflows of resources related to pensions, will be included as a reduction of the net pension liability in next fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ 62,300
2nd Fiscal Year	208,706
3rd Fiscal Year	125,442
4th Fiscal Year	65,075
5th Fiscal Year	10,583
Total	<u>\$ 472,106</u>

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA:

Oregon Public Employees Retirement Systems' (OPERS) Retiree Health Insurance Account (RHIA)

Plan Description

The District contributes to the Oregon Public Employees Retirement Systems' (OPERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible OPERS retirees. RHIA post-employment benefits are set by state statute. The plan was closed to new entrants hired on or after August 29, 2003.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Employer contributions are advance-funded on an actuarially determined basis. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs.

A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the OPERS web site at <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Funding Policy

For the fiscal year ended June 30, 2024, PERS Employers had an effective contribution rate of 0.00% for the RHIA program. The unfunded actuarial liability (UAL) rate was assigned for the RHIA program as it was funded over 100% as of December 31, 2021. Consequently, PERS employers contribute an actuarially determined percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 10 years. These rates were based on the December 31, 2021, actuarial valuation.

Contributions

The District's contributions to OPERS' RHIA for the years ended June 30, 2025, 2024, and 2023 were \$0, \$40, and \$194, respectively, which equaled the required contributions for the year.

Actuarial Methods and Assumptions Used in Developing Total (OPEB) RHIA Liability

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost Sharing Multiple Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2024. That independently audited report was dated November 27, 2024 and can be found at: <https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):

Actuarial Methods and Assumptions - OPEB Plans - RHIA	
	RHIA
Valuation Date	December 31, 2022
Measurement Date	June 30, 2024
Experience Study	2022, published July 20, 2023
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Retiree healthcare participation	Healthy retirees: 25.0% Disabled retirees: 15%
Healthcare cost trend rate	Not applicable
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and the pattern of cost-sharing between the employer and plan members. The December 31, 2022, system-wide actuarial valuation was used to develop the GASB 67 financial reporting results for the Defined Benefit Pension Plan as of June 30, 2024, using standard roll-forward procedures.

Discount Rate

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

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Table 31 on page 92 shows Milliman's assumptions for each of the asset classes in which the plans were invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown on page 74. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major class, calculated using both arithmetic and geometric means, see Pension Plan note disclosure above or the PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

Sensitivity Analysis

The following presents the employer's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.90 percent, as well as what the employer's proportionate share of the OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	5.90%	6.90%	7.90%
Employer's proportionate share of the net OPEB liability	\$ (20,047)	\$ (21,656)	\$ (23,042)

OPEB Liabilities/(Assets), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2025, the District reported a net OPEB RHIA liability/(asset) of \$(21,656) for its proportionate share of the net OPEB RHIA liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2024, and the total OPEB RHIA liability/(asset) used to calculate the net OPEB RHIA liability/(asset) was determined by an actuarial valuation as of December 31, 2021. Consistent with GASB Statement No. 75, paragraph 59(a), The District's proportion of the net OPEB RHIA liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2023, the District's proportion was 0.00536166 percent. OPEB RHIA expense/(income) recorded for the year ended June 30, 2025 was \$8,227.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 424
Changes of assumptions	-	274
Net difference between projected and actual earnings on investments	611	-
Changes in proportionate share	8,348	322
(prior to post-measurement date contributions)	\$ 8,959	\$ 1,020
Post-measurement date contributions	-	N/A
Total Deferred Outflow/(Inflow) of Resources	\$ 8,959	\$ 1,020
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		\$ 7,939

Contributions of \$0 were made subsequent to the measurement date, but prior to the end of the District's reporting period. These contributions, which are reported as deferred outflows of resources related to OPEB, will be included as a reduction of the net OPEB liability in the next fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense/(income) as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ 6,040
2nd Fiscal Year	1,498
3rd Fiscal Year	331
4th Fiscal Year	70
Total	\$ 7,939

Changes Subsequent to the Measurement Date

We are not aware of any changes subsequent to the June 30, 2024 Measurement Date that meet this requirement and thus require a brief description under the GASB standard.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

OTHER POST-EMPLOYMENT BENEFITS (OPEB) OEGB:

OEGB Health Insurance Subsidy

Plan Description

The District operates a single employer retiree benefit plan through the Oregon Educators Benefit Board that provides post-employment health, dental vision and life insurance benefits to eligible employees and their spouses. The District is required by Oregon Revised Statutes 243.303 to provide retirees and their dependents with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the Employer. In some cases, the premium itself for retirees, does not represent the full cost of medical coverage (as retirees can be expected to generate higher medical claims and therefore higher premiums than the active population). Providing the same rate to retirees as provided to current employees, raises the medical premium rates for the entire employee group. This additional cost is called the “implicit subsidy” and is required to be valued under GASB 75. This “plan” is not a stand-alone plan, and therefore, does not issue its own financial statements.

Funding Policy

When the District has retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The District will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification.

Actuarial Methods and Assumptions

The District has not engaged an actuary to perform an evaluation of the OPEB OEGB program. If they had, the methodology would be generally based upon those used for valuing pension benefits under Oregon PERS, and developed in consultation with Milliman.

The District has no participating employees or spouses, and no employees eligible for participation for fiscal year ended June 30, 2025. Without an actuarial report, the related liability is not calculable for reporting.

The amount of net OPEB liability (asset) for OEGB is below the threshold for materiality for all opinion units and therefore, will not be reported on the Statement of Net Position.

LAKE COUNTY EDUCATION SERVICE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2025

CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amount, if any, to be immaterial. The District is not currently named as a defendant in any pending or threatened litigation.

RISK:

To reduce the risk of loss from liability, fire, theft, accident, medical costs, and error and omissions, the District maintains various commercial insurance policies.

The District came under the State Unemployment Act as of July 1, 1974. The District has elected to pay State Unemployment insurance to the State to pay for any claims paid to former employees. Any reimbursements are paid by the fund incurring the liability to the Employment Division of the State of Oregon. The estimated liability for unpaid claims is calculated as the present value of expected but unpaid claims based on historical experience and going concern assessments. The District's estimated liability for unpaid unemployment claims is immaterial. Therefore, no liability amount appears on the District's statement of net position or balance sheet.

Certain employees have health care coverage provided by a third-party insurance company. Premiums to the insurance company are paid by employer contributions for eligible employees.

There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund transfers for the year ended June 30, 2025, were as follows:

Fund	Interfund Transfers Out	Interfund Transfers In
General Fund # 100	10,000	-
Capital Projects Fund # 400	-	10,000
Totals	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The transfer from the General Fund allocates additional financial resources to the Capital Projects Fund. This transfer provides the Capital Projects Fund with the necessary funding to undertake various capital projects that may be necessary for the Lake County Education Service District.

REQUIRED
SUPPLEMENTARY
INFORMATION

LAKE COUNTY EDUCATION SERVICE DISTRICT

**Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual**

GENERAL FUND 100

For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Variance with Original Budget-- over (under)	Actual Amounts (Budgetary Basis)	Variance with Final Budget-- over (under)
	Original	Final	Final Budget	(See Note 1)	Actual Amounts
<u>REVENUES:</u>					
Taxes	\$ 576,200	\$ 576,200	\$ -	\$ 570,018	\$ (6,182)
Earnings on Investments	26,000	26,000	-	43,344	17,344
Fees and Charges	300	300	-	59	(241)
Miscellaneous Revenue	142,227	142,227	-	134,263	(7,964)
Intermediate Government Aid	750	750	-	896	146
State Aid	1,113,712	1,113,712	-	1,048,653	(65,059)
Federal Aid	580	580	-	-	(580)
Total Revenues	1,859,769	1,859,769	-	1,797,233	(62,536)
<u>EXPENDITURES:</u>					
Instruction	121,776	124,231	2,455	122,501	(1,730)
Support Services	1,250,593	1,233,138	(17,455)	1,129,316	(103,822)
Contingency	300,000	300,000	-	-	(300,000)
Total Expenditures	1,672,369	1,657,369	(15,000)	1,251,817	(405,552)
Excess (Deficiency) of Revenues Over Expenditures	187,400	202,400	15,000	545,416	343,016
<u>OTHER FINANCING SOURCES (USES):</u>					
Interfund Transfers Out	(10,000)	(10,000)	-	(10,000)	-
Apportionment of Funds by ESD	(477,400)	(492,400)	(15,000)	(479,650)	12,750
Total Other Financing Sources (Uses)	(487,400)	(502,400)	(15,000)	(489,650)	12,750
Net Change in Fund Balance	(300,000)	(300,000)	-	55,766	355,766
Beginning Fund Balance	300,000	300,000	-	302,622	2,622
Ending Fund Balance	\$ -	\$ -	\$ -	\$ 358,388	\$ 358,388

LAKE COUNTY EDUCATION SERVICE DISTRICT

**Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual**

Special Revenue Fund #200

For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Variance with Original Budget-- over (under)	Actual Amounts	Variance with Final Budget-- over (under)
	Original	Final	Final Budget	(Budgetary Basis) (See Note 1)	Actual Amounts
<u>REVENUES:</u>					
Miscellaneous Revenue	\$ 165,863	\$ 165,863	\$ -	\$ 126,460	\$ (39,403)
Intermediate Government Aid	60,000	60,000	-	103,850	43,850
State Aid	648,185	648,185	-	557,856	(90,329)
Federal Aid	129,866	129,866	-	117,474	(12,392)
Total Revenues	1,003,914	1,003,914	-	905,640	(98,274)
<u>EXPENDITURES:</u>					
Instruction	187,803	187,803	-	171,440	(16,363)
Support Services	970,727	970,727	-	858,961	(111,766)
Enterprise and Community Services	4,000	4,000	-	3,000	(1,000)
Total Expenditures	1,162,530	1,162,530	-	1,033,401	(129,129)
Net Change in Fund Balance	(158,616)	(158,616)	-	(127,761)	30,855
Beginning Fund Balance	158,616	158,616	-	421,341	262,725
Ending Fund Balance	\$ -	\$ -	\$ -	\$ 293,580	\$ 293,580

LAKE COUNTY EDUCATION SERVICE DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

PERS

Last 10 Fiscal Years

<u>Fiscal Year Ended June 30,¹</u>	<u>Measurement Date</u>	<u>(a) Employer's proportion of the net pension liability (asset)</u>	<u>(b) Employer's proportionate share of the net pension liability (asset)</u>	<u>(c) Employer's covered payroll as of Measurement Date</u>	<u>(b/c) Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2025	June 30, 2024	0.00605196%	\$ 1,345,184	\$ 940,950	142.96%	79.3%
2024	June 30, 2023	0.00661154%	1,238,387	818,669	151.27%	81.7%
2023	June 30, 2022	0.00561135%	859,210	608,142	141.28%	84.5%
2022	June 30, 2021	0.00602036%	720,425	488,650	147.43%	87.6%
2021	June 30, 2020	0.00547274%	1,194,340	550,740	216.86%	75.8%
2020	June 30, 2019	0.00769143%	1,330,433	515,623	258.02%	80.2%
2019	June 30, 2018	0.00679640%	1,029,565	562,032	183.19%	82.1%
2018	June 30, 2017	0.00726491%	979,313	510,693	191.76%	83.1%
2017	June 30, 2016	0.00904373%	1,357,674	493,416	275.16%	80.5%
2016	June 30, 2015	0.00885203%	508,236	505,946	100.45%	91.9%

¹Measurement date is one year in arrears.

LAKE COUNTY EDUCATION SERVICE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERS

Last 10 Fiscal Years

<u>Year Ended June 30,</u>	<u>(a) Contractually required contribution</u>	<u>(b) Contributions in relation to the contractually required contribution</u>	<u>(a-b) Contribution deficiency (excess)</u>	<u>(c) Employer's covered payroll</u>	<u>(b/c) Contributions as a percent of covered payroll</u>
2025	\$ 344,531	\$ 344,531	\$ -	\$ 935,147	36.84%
2024	344,127	344,127	-	940,950	36.57%
2023	296,710	296,710	-	818,669	36.24%
2022	225,885	225,885	-	608,142	37.14%
2021	179,773	179,773	-	488,650	36.79%
2020	154,474	154,474	-	550,740	28.05%
2019	149,673	149,673	-	515,623	29.03%
2018	131,301	131,301	-	562,032	23.36%
2017	97,005	97,005	-	510,693	18.99%
2016	94,864	94,864	-	493,416	19.23%

LAKE COUNTY EDUCATION SERVICE DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY**

OPEB RHIA

Last 10 Fiscal Years*

Fiscal Year Ended June 30, ¹	Measurement Date	(a) Employer's proportion of the net OPEB liability (asset)	(b) Employer's proportionate share of the net OPEB liability (asset)	(c) Employer's covered payroll as of Measurement Date	(b/c) Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	June 30, 2023	0.00536166%	\$ (21,656)	\$ 940,950	-2.30%	220.6%
2024	June 30, 2023	0.00986323%	(36,116)	818,669	-4.41%	201.6%
2023	June 30, 2022	0.00906316%	(32,205)	608,142	-5.30%	194.6%
2022	June 30, 2021	0.01750988%	(60,129)	488,650	-12.31%	183.9%
2021	June 30, 2020	0.00599911%	(12,224)	550,740	-2.22%	150.1%
2020	June 30, 2019	0.00459007%	(8,870)	515,623	-1.72%	144.4%
2019	June 30, 2018	0.00539959%	(6,027)	562,032	-1.07%	124.0%
2018	June 30, 2017	0.00491133%	(2,050)	510,693	-0.40%	108.9%
2017	June 30, 2016	0.00501075%	1,361	493,416	0.28%	94.2%

¹Measurement date is one year in arrears.

*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

LAKE COUNTY EDUCATION SERVICE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

OPEB RHIA

Last 10 Fiscal Years*

Year Ended June 30,	(a) Contractually required contribution	(b) Contributions in relation to the contractually required contribution	(a-b) Contribution deficiency (excess)	(c) Employer's covered payroll	(b/c) Contributions as a percent of covered payroll
2025	\$ -	\$ -	\$ -	\$ 935,147	0.00%
2024	40	40	-	940,950	0.00%
2023	194	194	-	818,669	0.02%
2022	233	233	-	608,142	0.04%
2021	469	469	-	488,650	0.10%
2020	428	428	-	550,740	0.08%
2019	2,275	2,275	-	515,623	0.44%
2018	2,615	2,615	-	562,032	0.47%
2017	2,452	2,452	-	510,693	0.48%
2016	2,442	2,442	-	493,416	0.49%

*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

SUPPLEMENTARY
INFORMATION
Capital Projects Fund
&
Enterprise Fund

LAKE COUNTY EDUCATION SERVICE DISTRICT

**Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual**

Capital Projects Fund #400

For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Variance with Original Budget-- over (under)	Actual Amounts	Variance with Final Budget-- over (under)
	Original	Final	Final Budget	(Budgetary Basis) (See Note 1)	Actual Amounts
<u>REVENUES:</u>					
Miscellaneous Revenue	\$ 20,000	\$ 26,000	\$ 6,000	\$ 26,344	\$ 344
Total Revenues	20,000	26,000	6,000	26,344	344
<u>EXPENDITURES:</u>					
Support Services	36,800	44,272	7,472	39,308	(4,964)
Facilities Acquisition and Construction	58,570	58,570	-	9,920	(48,650)
Total Expenditures	95,370	102,842	7,472	49,228	(53,614)
Excess (Deficiency) of Revenues Over Expenditures	(75,370)	(76,842)	(1,472)	(22,884)	53,958
<u>OTHER FINANCING SOURCES (USES):</u>					
Interfund Transfers In	10,000	10,000	-	10,000	-
Total Other Financing Sources (Uses)	10,000	10,000	-	10,000	-
Net Change in Fund Balance	(65,370)	(66,842)	(1,472)	(12,884)	53,958
Beginning Fund Balance	65,370	66,842	1,472	66,842	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ 53,958	\$ 53,958

LAKE COUNTY EDUCATION SERVICE DISTRICT

**Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual**

Enterprise Fund #500

For the Fiscal Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Variance with</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Original Budget--</u> <u>over (under)</u> <u>Final Budget</u>	<u>Amounts</u> <u>Budgetary Basis</u> <u>(See Note 1)</u>	<u>Final Budget--</u> <u>over (under)</u> <u>Actual Amounts</u>
<u>REVENUES:</u>					
Miscellaneous Revenue	\$ 31,250	\$ 31,250	\$ -	\$29,340	\$ (1,910)
Total Revenues	31,250	31,250	-	29,340	(1,910)
<u>EXPENDITURES:</u>					
Support Services	31,250	31,250	-	24,634	(6,616)
Total Expenditures	31,250	31,250	-	24,634	(6,616)
Net Change in Fund Balance	-	-		4,706	4,706
Beginning Fund Balance	-	-	-	22,379	22,379
Ending Fund Balance	\$ -	\$ -	\$ -	\$27,085	\$ 27,085

OTHER INFORMATION

LAKE COUNTY EDUCATION SERVICE DISTRICT

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2025

Canon Copier Lease 2022

On October 14, 2022, the District entered into a lease agreement with Canon Solutions America for the use of color copiers. The Unified Lease Agreement is #MA31571. The term of the lease is 60 months at \$389 per month. Interest rate is imputed and considered to be zero.

Current Year Activity:

	Outstanding Balance July 1, 2024	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2025	Due Within One Year
Principal	\$ 15,560	\$ -	\$ 4,668	\$ 10,892	\$ 4,668
Total	\$ 15,560	\$ -	\$ 4,668	\$ 10,892	\$ 4,668

Future Requirements:

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2026	\$ 4,668	\$ -	\$ 4,668	0.00%
	2027	4,668	-	4,668	0.00%
	2028	1,556	-	1,556	0.00%
Total		\$ 10,892	\$ -	\$ 10,892	

LAKE COUNTY EDUCATION SERVICE DISTRICT

Oregon Department of Education Form 581-3211-C

For the Fiscal Year Ended June 30, 2025

SUPPLEMENTAL INFORMATION 2024-2025

Part A is needed for computing Oregon's full allocation for ESEA, Title 1 & other Federal Funds for Education

B. Energy Bills 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	\$ 7,449
Function 2550	\$ -

C. Replacement of Equipment - General Fund:

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

Exclude these functions:

- 1113,1122 & 1132
- 1140
- 1300
- 1400

- Extra-curricular Activities
- Pre-Kindergarten
- Continuing Education
- Summer School

Exclude these functions:

- 4150 Construction
- 2550 Pupil Transportation
- 3100 Food Service
- 3300 Community Services

\$ -

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

LAKE COUNTY EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing (AL) #		Additional Award Identification	Federal Program Name	Cluster Name	Grant Fund	Assistance Listing Number	Grant Period	Original Program or Grant Amount	(Receivable)/	Cash Received	Amount Expended	(Receivable)
	Federal Awarding Agency Prefix	AL Three-Digit Extension								Deferred Revenue June 30, 2024			/ Deferred Revenue June 30, 2025
US. DEPARTMENT OF EDUCATION													
Passed Through Oregon Department of Education:													
				Elementary and Secondary School Emergency Relief Fund	Educational Stabilization Fund								
ARP Emergency Assistance for Non-Public Schools Total Elementary & Secondary School Relief Fund	84	425	COVID-19- 84.425			246	84.425	2022-24	\$ 143,287	\$ (37,235)	\$ 44,857	\$ 7,621	\$ -
									143,287	(37,235)	44,857	7,621	-
Title I-A - Grants to Local Education Agencies Total Title IA	84	010				255	84.010	2023-25	10,500	(250)	250	-	-
									10,500	(250)	250	-	-
IDEA - Special Education Grants to States(Part B Sec. 611) Total IDEA	84	027				215	84.027	2024-25	85,239	(14,545)	27,141	21,097	(8,501)
									85,239	(14,545)	27,141	21,097	(8,501)
Total Passed through Oregon Department of Education									\$ 239,026	\$ (52,030)	\$ 72,248	\$ 28,718	\$ (8,501)
Passed Through Douglas Education Service District													
IDEA - Special Education Grants to States(Part B Sec.611)	84	027				294	84.027A	2023-25	\$ 11,108	\$ (2,309)	\$ 12,927	\$ 14,157	\$ (3,539)
IDEA - Special Education Grants to States(Part B Sec.619)	84	173				294	84.173A	2023-25	2,297	(498)	2,912	3,219	(805)
IDEA - Special Ed Grants to States(Part C)	84	181				295	84.181	2023-25	6,824	(1,706)	3,503	2,395	(599)
Total Passed through Intermediate Sources									\$ 20,229	\$ (4,513)	\$ 19,341	\$ 19,771	\$ (4,943)
Total U.S. Department of Education									\$ 259,255	\$ (56,542)	\$ 91,590	\$ 48,490	\$ (13,444)
U.S. DEPARTMENT OF JUSTICE													
Passed Through Friends of the Mentor Program													
Coronavirus State Fiscal Recovery Fund Total Passed through Friends of the Mentor Program	21	027				216	21.027	2023-24	\$ 161,901	\$ 68,670	\$ -	\$ 68,670	\$ -
									161,901	68,670	-	68,670	-
Total U. S. Department of Justice									\$ 161,901	\$ 68,670	\$ -	\$ 68,670	\$ -
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES													
Passed Through Oregon Health Authority													
Grants to States for Medicaid Total Passed through Oregon Health Authority	93	778				294	93.778	2024-25	-	-	65	65	-
									-	-	65	65	-
Total U. S. Department of Health and Human Services									\$ -	\$ -	\$ 65	\$ 65	\$ -
TOTALS									\$ 421,156	\$ 12,128	\$ 91,655	\$ 117,225	\$ (13,444)

This schedule is prepared using the modified accrual basis of accounting.

RECONCILIATION TO REVENUE:	
Cash Receipts per Schedule Above	\$ 91,655
Grants Receivable/Deferred Revenue Beginning of Year	12,128
Grants Receivable/Deferred Revenue End of Year	13,444
Federal Revenue Recognized per Financial Statements	\$ 117,226

REPORT ON LEGAL
AND
OTHER REGULATORY REQUIREMENTS

LAKE COUNTY EDUCATION SERVICE DISTRICT

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

As of June 30, 2025

To the Governing Body of the Lake County Education Service District
Lake County, Oregon

We have audited the basic financial statements of the Lake County Education Service District as of and for the year ended June 30, 2025, and have issued our report thereon dated November 6, 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 the 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **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 the 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 the 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 Lake County Education Service District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Ashraf Lakhani Farishta, CPA
Umpqua Valley Financial, LLC
Roseburg, Oregon
November 6, 2025