



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Evergreen State College Residential Services

For the period July 1, 2023 through June 30, 2024

*Published July 3, 2025*

Report No. 1037541



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**Office of the Washington State Auditor  
Pat McCarthy**

July 3, 2025

Board of Trustees  
Evergreen State College Residential Services  
Olympia, Washington

**Report on Financial Statements**

Please find attached our report on the Evergreen State College Residential Services' financial statements.

We are issuing this report in order to provide information on Residential Services' financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### Evergreen State College Residential Services

July 1, 2023 through June 30, 2024

Board of Trustees  
Evergreen State College Residential Services  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Evergreen State College Residential Services (Residential Services), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Residential Services' basic financial statements, and have issued our report thereon dated June 26, 2025.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Residential Services' internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Residential Services' internal controls. Accordingly, we do not express an opinion on the effectiveness of Residential Services' internal controls.

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

Our consideration of internal controls was for the limited purpose described above and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses.


## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Residential Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Residential Services' internal controls, nor on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Residential Services' internal controls and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Evergreen State College Residential Services

July 1, 2023 through June 30, 2024

Board of Trustees  
Evergreen State College Residential Services  
Olympia, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of the Evergreen State College Residential Services (Residential Services), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Residential Services' basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Evergreen State College Residential Services, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Residential Services 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 opinion.

### Matters of Emphasis

As discussed in Note 1, the financial statements of Residential Services, a department of The Evergreen State College, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only the respective portion of the activities of The Evergreen State College that is attributable to the transactions of Residential Services. They do not purport to, and do not, present fairly the financial position of The Evergreen State College as of

June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 11, effective 2024, Residential Services changed the measurement date used for reporting their participation in the The Evergreen State College Retirement Plan, a defined contribution single employer pension plan administered by The Evergreen State College. Our opinion is not modified with respect to this matter.

### **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 controls 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 Residential Services' 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal controls 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 Residential Services' internal controls. 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 Residential Services' ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion nor 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.

Residential Services has omitted the following required supplementary information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements: Schedules of Residential Services' Share of Net Pension Liability – PERS 1 and PERS 2/3, Schedule of Changes in Total Pension Liability – TESC Supplemental Retirement Plan, Schedule of Contributions – PERS 1 and PERS 2/3 and TESC Supplemental Retirement Plan, and Schedule of Changes in Total OPEB Liability. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025 on our consideration of Residential Services' internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Residential Services' internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Residential Services' internal controls over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2025

## **FINANCIAL SECTION**

### **Evergreen State College Residential Services July 1, 2023 through June 30, 2024**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2024

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2024

Statement of Revenues, Expenses and Changes in Net Position – 2024

Statement of Cash Flows – 2024

Notes to Financial Statements – 2024

## The Evergreen State College Residential Services

The following discussion and analysis provides an overview of the financial position and activities of Residential Services at The Evergreen State College (Residential Services) for the fiscal years (FY) ended June 30, 2024 and 2023. Management's Discussion and Analysis (MD&A) provides the readers with an objective and easily readable analysis of Residential Services financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes.

### Reporting Entity

Residential Services, a segment of The Evergreen State College, is home to 594 students (including 32 Live-in student staff) currently with a max capacity of 633 consisting of 14 apartment buildings, and our newly refurbished Building A and Building B Dormitory.

### Using the Financial Statements

Residential Services financial report includes the Statement of Net Position providing information about Residential Services at a moment in time, the June 30 fiscal year end. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about the Residential Services' activities and operations during the fiscal year. The financial statements, in conjunction with the Notes to the Financial Statements, provide a comprehensive way to assess Residential Services' financial health. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. Residential Services' financial statements are presented using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

### Statements of Net Positions

The Statements of Net Positions provides information about Residential Services' financial position, and presents Residential Services' assets, liabilities, deferred inflows, deferred outflows, and net positions at year-end.

A condensed comparison of the Statements of Net Positions as of June 30, 2024 and 2023 follows:

Condensed Statements of Net Positions As of June 30 (in thousands)			
	2024		2023
<b>Assets</b>			
Current Assets	\$	3,632	\$ 6,710
Capital, net		9,663	7,620
Other non-current assets		129	86
<b>Total Assets</b>		<b>13,424</b>	<b>14,416</b>
<b>Deferred Outflows</b>		<b>207</b>	<b>188</b>
<b>Liabilities</b>			
Current liabilities		979	2,079
Other non-current liabilities		831	1,222
<b>Total Liabilities</b>		<b>1,810</b>	<b>3,301</b>
<b>Deferred Inflows</b>		<b>492</b>	<b>524</b>
<b>Total Net Position</b>	<b>\$</b>	<b>11,329</b>	<b>\$ 10,779</b>

**Assets**

The major components of assets are cash, receivables, and capital assets. Total assets decreased by \$992 thousand from FY 2023 to FY 2024.

Current assets consist primarily of cash, short-term investments, receivables, and inventories. Current assets decreased by \$3 million from FY 2023 to FY 2024, primarily the result of a \$3 million decrease in cash and cash equivalents, a \$53 thousand increase in accounts receivables, and a small decrease in inventories.

The decrease in cash was mostly attributed to the renovation of Dorm A and Dorm B. This Construction in Progress will provide additional beds for students. Dorm A was available for occupancy in Fall of 2023 and Dorm B available for occupancy in Fall of 2024.

Net capital assets increased in FY 2024 by \$2.043 million. Net capitalized assets during the year were \$547 thousand in furniture and equipment with an additional \$1.88 million for Dorm A and Dorm B Construction in Progress costs that will be capitalized in FY2025. Depreciation for FY 2024 was in the amount of \$ 385 thousand.

Current assets exceeded current liabilities by \$2.7 million, a decrease of \$2 million from FY 2023. Residential Services has a current ratio of 3.7 to 1, indicating its ability to continue to easily meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of payments and the receipt of deposits and revenue applicable to the next fiscal year.

**Liabilities**

Liabilities include amounts payable to suppliers for goods and services, accrued payroll, leave and related liabilities, debt, deposits held for others, unearned revenue, OPEB and pension liabilities.

Current liabilities decreased by \$1.1 million from FY 2023 to FY 2024. The decrease was primarily due to a decrease in accrued expenses on Dorm A and B.

Noncurrent liabilities decreased by \$391 thousand due to a net increase in pension and OPEB liabilities of \$9 thousand and a decrease in long-term debt of \$400 thousand.

Deferred inflows decreased by \$32 thousand mostly due to changes in actuarial assumptions used to calculate the liabilities and differences between projected and actual investment earnings on applicable plan assets.

**Net Position**

Net position represents the difference between the Residential Services' assets and deferred outflows, less liabilities and deferred inflows. The change in net position measures whether the overall financial condition has improved or deteriorated during the year and is driven by the difference between revenues and expenses. Net position increased by \$550 thousand in FY24, ending at \$11.3 million.

Residential Services reports its net position in three categories:

**Net Investment in Capital Assets**

This is Residential Services total investment in plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets (See Note 4).

**Restricted Net Position-Expendable**

This consists of resources in which Residential Services is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or external parties that have placed time or purpose restrictions on the use of the asset. The only expendable fund for Residential Services is Pension.

**Unrestricted Net Position**

These are all the other funds available to Residential Services for the general obligations to meet current expenses for any lawful purpose. Unrestricted net position assets are not subject to externally imposed stipulations. This is also the net position classification most affected by the implementation of GASB pronouncements regarding accounting and reporting of long-term liabilities.

Residential Services net position as of June 30, 2024 and 2023 are summarized as follows:

Condensed Net Positions As of June 30 (in thousands)			
	2024		2023
Invested in capital assets, net of related debt	\$	8,864	\$ 6,439
Restricted:			
Pension		129	86
Unrestricted:		2,336	4,254
<b>Total Net Position</b>	<b>\$</b>	<b>11,329</b>	<b>\$ 10,779</b>

**Statements of Revenues, Expenses and Changes in Net Positions**

The Statement of Revenues, Expenses and Changes in Net Positions presents the detail of the changes of total net position for Residential Services. The objective of the statement is to provide information about the operating performance of Residential Services by presenting the revenue and expenditures, both operating and non-operating, along with any other revenue, expenses, gains and losses of Residential Services.

Generally, operating revenues are revenues earned by Residential Services in exchange for providing goods and services. Operating expenses are defined as expenses incurred in the normal operation of Residential Services, including a provision for allowance of depreciation on property and equipment assets. The difference between operating revenues and operating expenses is the operating Income or operating loss.

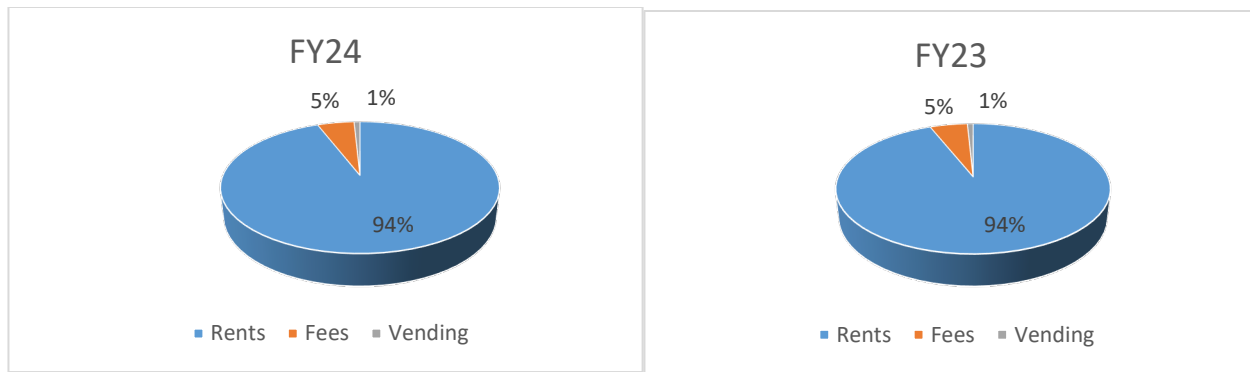
A summary of Residential Services' Statements of Revenues, Expenses, and Changes in Net Positions for the years ended June 30, 2024 and 2023 follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position			
For years ended June 30 (in thousands):		2024	2023
Operating revenues	\$	4,862	\$ 4,137
Non-operating revenues		237	216
<b>Total Revenue</b>		<b>5,099</b>	<b>4,353</b>
Operating expenses		4,157	4,107
Non-operating expenses		60	50
<b>Total Expenses</b>		<b>4,217</b>	<b>4,157</b>
<b>Gain (loss) before special items</b>		<b>882</b>	<b>196</b>
Special Item (Note 14)		(332)	
Other revenues and expenses			
Increase (decrease) net assets		550	196
Net position at beginning of year		10,779	10,583
<b>Net position at end of year</b>	<b>\$</b>	<b>11,329</b>	<b>\$ 10,779</b>

## Operating Revenues

Operating revenues consist primarily of rent. In FY 2024, Residential Services' operating revenue increased by \$725 thousand. This increase reflects higher occupancy.

Residential Services Operating Revenue For years ended June 30 (in thousands):			
		2024	2023
Rents	\$	4,575	\$ 3,886
Fees		247	218
Vending		40	33
<b>Operating Revenue</b>	<b>\$</b>	<b>4,862</b>	<b>\$ 4,137</b>

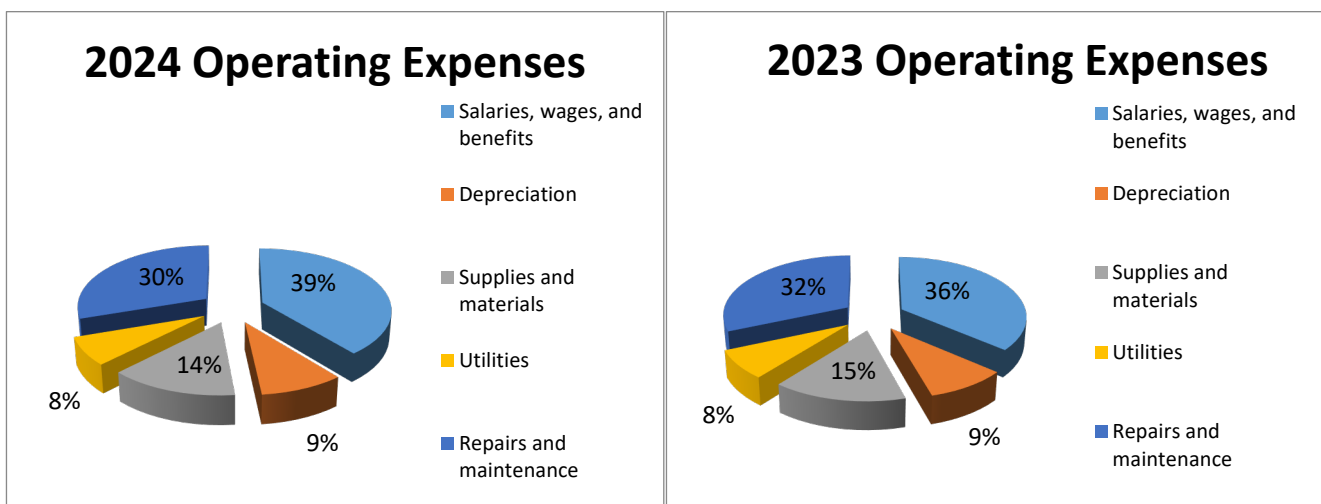


## Operating Expenses

In 2024, Residential Services total operating expenses increased by about \$50 thousand. With the largest increase in wages, benefits and a small increase in depreciation. There are slight decreases in supplies and materials, utilities, repairs and maintenance.

The graph below reflects the percentage of operating expenses by object:

Residential Services Operating Expenses For years ended June 30 (in thousands):			
	2024		2023
Salaries, wages, and benefits	\$ 1,620	\$	1,490
Depreciation and amortization	385		383
Supplies and materials	586		621
Utilities	306		319
Repairs and maintenance	1,260		1,294
<b>Total Operating Expenses</b>	<b>\$ 4,157</b>	<b>\$</b>	<b>4,107</b>



## Capital Assets (Note 4)

During FY24 Residential Services continued to increase its investment in capital assets. Ongoing projects at the end of the year include:

- Continued renovation of Dorm A to be capitalized in FY25.
- Begin renovation Dorm B.

**Debt (Note 7)**

The Board of Trustees authorizes the Residential Services' long-term debt issuance. The Residential Services' debt portfolio consists primarily of fixed-rate debt in the form of General Revenue Bonds. As of June 30, 2024, the Residential Services had \$805 thousand of bonds payable outstanding, a decrease of 32% from June 30, 2023. The Residential Services did not issue new bonds in FY24.

**Financial Summary and Economic Factors That Will Affect the Future**

During the COVID pandemic, from 2020 through 2022, the College experienced decreasing enrollment resulting in reduced demand for on-campus housing and negatively affecting Residential Services' operations. The reduction in demand meant four residence halls located on the Olympia campus remained unoccupied in 2021 and 2022.

Expecting increased enrollment and demand for on-campus housing for the fall of 2023 and understanding how tight and costly the rental market in Thurston County has been, the college invested \$2 million of Residential Services' reserves into renovating Dorm A, one of the original four dormitories. The renovation added 125 beds, which are occupied primarily by traditional first year and out-of-state students.

Expecting continued enrollment growth and a need for more on-campus housing for fall 2024, the college began the renovation of a second dormitory, Dorm B, in the fall/winter of 2023. Renovation was completed and Dorm B was opened in September 2024 adding 90 beds to the housing system.

In the 2024 state legislative session, the College received approval to finance \$4.4 million for the renovation of Dorm C and Dorm D, the remaining two original dormitories, through a Certificate of Participation issued by the Office of the State Treasurer's Office. Dorm D is expected to be ready for occupancy in the fall of 2025. Dorm C is expected to be ready for occupancy in fall 2026.

Each renovated dormitory adds approximately 90 beds and produce net revenue of between \$600 thousand and \$700 thousand annually for Residential Services.



**The Evergreen State College  
Residential Services  
Statement of Net Position  
June 30, 2024**

	<b>2024</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 3,354,473
Accounts receivable, net	222,973
Inventories	54,641
<b>Total Current Assets</b>	<u>3,632,087</u>
<b>Non-Current Assets</b>	
Net Pension Asset (Note 11)	129,053
Capital assets, net of depreciation	9,663,330
<b>Total Non-Current Assets</b>	<u>9,792,383</u>
<b>Total assets</b>	<u>13,424,470</u>
<b>Deferred Outflows of Resources</b>	
Related to pension (Note 11)	165,120
Related to OPEB (Note 12)	36,242
Deferred outflow on refundings	5,331
<b>Total Deferred Outflows</b>	<u>206,693</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	385,584
Compensated absences	34,550
Unearned revenue	148,987
Current portion, Net Pension Liability	1,643
Current portion, OPEB Liability (Note 12)	8,608
Current portion, long-term debt	400,000
<b>Total Current Liabilities</b>	<u>979,372</u>
<b>Non-Current Liabilities</b>	
Net pension liability (Note 1, 11)	92,928
Total OPEB Liability (Note 1, 12)	333,013
Long-term debt (Note 7)	405,000
<b>Total Non-Current Liabilities</b>	<u>830,941</u>
<b>Total liabilities</b>	<u>1,810,313</u>
<b>Deferred Inflows of Resources</b>	
Relating to pension (Note 11)	153,304
Relating to OPEB (Note 12)	338,564
<b>Total Deferred Inflows</b>	<u>491,868</u>
<b>Net Position</b>	
Net investment in capital assets	8,863,661
Restricted, expendable:	
Pensions	129,053
Unrestricted	2,336,268
<b>Total net position</b>	<u><u>\$ 11,328,982</u></u>

**The Evergreen State College**  
**Residential Services**  
**Statements of Revenue, Expenses and Changes in Net Positions**  
**For the Year Ended June 30, 2024**

	<b>2024</b>
<b>Operating Revenues</b>	
Sales of auxiliary services	\$ 4,861,801
<b>Total operating revenue</b>	<u>4,861,801</u>
<b>Operating Expenses</b>	
Salaries and wages	1,361,046
Depreciation	385,195
Supplies and Materials	585,556
Utilities	305,954
Benefits	259,252
Repairs and maintenance	1,260,150
<b>Total operating expenses</b>	<u>4,157,153</u>
<b>Operating income</b>	<u>704,648</u>
<b>Non-Operating Revenue (Expenses)</b>	
Investment income	237,077
Interest on indebtedness and Amortization	(59,614)
<b>Net non-operating revenue (expenses)</b>	<u>177,463</u>
<b>Income (loss) before special items</b>	882,111
Special Item (Note 14)	<u>332,450</u>
<b>Increase (decrease) in net assets</b>	549,661
<b>Net Position</b>	
Net position, beginning of year	<u>10,779,321</u>
Net position, end of year	<u><u>\$ 11,328,982</u></u>

**The Evergreen State College  
Residential Services  
Statements of Cash Flows  
For the Year Ended June 30, 2024**

	<b>2024</b>
<b>Cash Flows from Operating Activities</b>	
Sales of auxiliary services	4,793,842
Payments for employees (salary & benefits)	(1,721,315)
Payments to vendors	(3,268,472)
Special Item (Note 14)	(332,450)
<b>Net cash provided by operating activities</b>	<b>(528,395)</b>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(2,428,423)
Principal payments on long-term debt	(385,000)
Interest payments	(25,395)
<b>Net cash used by capital and related financing activities</b>	<b>(2,838,818)</b>
 <b>Cash Flows from Investing Activities</b>	
Investment income	237,077
<b>Net cash provided by investing activities</b>	<b>237,077</b>
 <b>Net Change in Cash and Cash Equivalents</b>	<b>(3,130,136)</b>
 <b>Cash and Cash Equivalents, Beginning of the Year</b>	<b>6,484,609</b>
 <b>Cash and Cash Equivalents, End of the Year</b>	<b>3,354,473</b>

**Reconciliation of Operating Income to Net Cash provided by Operating Activities**

<b>Operating Income</b>	704,648
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	385,195
Changes in assets and liabilities	
Bond discount and issue costs	
Accounts receivable	(52,736)
Inventory	28
Accounts payable and accrued expenses	(1,116,839)
Accrued employee expense	(14,591)
Unearned revenues	(15,223)
Pension and OPEB assets/liability, deferred outflows and inflows of resources	(86,427)
Special Item (Note 14)	(332,450)
<b>Net cash provided by operating activities</b>	<b>(528,395)</b>

## Note 1. Summary of Significant Accounting Policies

### Financial Reporting Entity

Residential Services is a self-supporting auxiliary enterprise fund, and a separate department within The Evergreen State College (College), a comprehensive institution of higher education offering baccalaureate and master's degrees. The College, an agency of the State of Washington, is governed by an eight-member Board of Trustees appointed by the Governor and confirmed by the State Senate. Residential Services provides housing and other associated services for students of the College.

### Financial Statement Presentation

The financial statements for the Residential Services for the year ended June 30, 2024 are prepared in conformity with generally accepted accounting principles (GAAP) and follow guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations, and cash flow of Residential Services. The statements presented are: Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, and Statement of Cash Flow. These financial statements present only a selected portion of the activities of the College. As such, they are not intended to and do not present either the financial positions, results of operations, or changes in the net position of the College.

### Basis of Accounting

For financial reporting purposes, the Residential Services is considered as a special purpose government engaged in business type activities. Accordingly, the Residential Services financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Cash and Cash Equivalents.** Cash and cash equivalents include bank demand deposits, petty cash held at the College, and unit shares in the Local Government Investment Pool. Except for petty cash held at the College, all others are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Accounts Receivable.** Accounts receivable consist primarily of Residential Services charges to students. Accounts receivable is recorded net of the estimated uncollectible amount.

**Inventories.** Inventories consist of consumables held by Residential Services maintenance. They are valued at lower of cost (first in, first out method) or market.

**Capital Assets.** Land, buildings, and equipment are stated at cost or, if donated, at their acquisition value at the date of donation. Additions, replacements, major repairs, and renovations are capitalized.

The capitalization threshold is \$100,000 or greater for buildings and infrastructure but must also meet the requirement of at least 10% of the value of the asset, and \$5,000 or greater for equipment. The purchase of land is capitalized regardless of cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, and 5 to 7 years for equipment.

**Unearned Revenue.** Unearned revenues occur when funds have been collected in advance of an event, such as summer quarter Residential Services rent.

**Compensated Absences.** Employees accrue annual leave at rates based on length of service and sick leave at the rate of one day (8 hours) per month. Both are included in non-current liabilities. Employees are entitled to either the present value of 25% of his/her/their unused sick leave balance upon retirement or 25% of his/her/their net accumulation for the year in which it exceeds 480 hours.

**Deferred Outflows of resources and Deferred Inflows of resources.**

The System classifies gains on retirement of debt as deferred inflows and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Changes in net pension liability and total OPEB liability not included in pension or OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability or total OPEB liability are reported as deferred outflows of resources.

**Net Pension Liability.** Pension liabilities equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans have been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high- quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the measurement period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

**Operating Revenues/Expenses.** Operating revenues consist of auxiliary services such as room and equipment rentals, fees, fines, and washer and dryer income. Operating expenses include salaries, wages, benefits, utilities, supplies and services, and depreciation. All other revenue and expenses are reported as non-operating revenues and expenses including investment income and interest expense.

**Net Position**

**Residential Services net position is classified as follows:**

**Net Investment in capital assets:** This represents the Residential Services total investment in capital assets, less accumulated depreciation (Note 4), and net of outstanding debt obligations related to capital assets (Note 6 and 7).

**Restricted, Expendable:** This represents resources restricted for pensions (Note 11).

**Unrestricted Net Position:** This portion of the net position represents resources derived from operations and investing activities. Unrestricted net position is not subject to externally imposed restrictions, but may be designated for specific purposes by management or the Board of Trustees.

**Tax Exemption.** As a part of the College, the operations of Residential Services are exempt from federal income tax on related income under the provisions of Section 115(a) of the Internal Revenue Code.

**Note 2. Cash and Cash Equivalents**

Cash and cash equivalents include bank demand deposits, petty cash held at the College, and unit shares in the Local Government Investment Pool administered by the Washington State Treasurer. Except for petty cash held at the College, all others are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit

Protection Commission (PDPC). Residential Services does not invest its funds separately from the College, therefore, the amount reported in Cash and cash equivalents are considered as cash in the bank.

### Note 3. Accounts Receivable

Accounts receivable are primarily room and board charges to students. The receivable balance, net of the uncollectible balance, as of June 30, 2024 is as follows:

<u>2024</u>	
Student receivables	\$ 229,867
Allowance for uncollectable	(6,894)
Net accounts receivable	<u>\$ 222,973</u>

### Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2024 is summarized as below:

Capital Assets	Balance June 30, 2023	Additions/ Transfers	Retirements & Adjustments	Balance June 30, 2024
Construction in Progress	\$ 1,689,596	\$ 1,881,363	\$ -	\$ 3,570,959
<b>Total non-depreciable assets</b>	1,689,596	1,881,363	-	3,570,959
Infrastructure	1,214,644	-	-	1,214,644
Improvements other than buildings	475,125	-	-	475,125
Buildings	23,846,557	-	-	23,846,557
Furniture, fixtures and equipment	2,923,110	547,060	-	3,470,170
<b>Total depreciable assets</b>	28,459,436	547,060	-	\$ 29,006,496
<b>Less accumulated depreciation</b>				
Infrastructure	1,199,240	4,402	-	1,203,642
Improvements other than buildings	57,806	9,502	-	67,308
Buildings	18,695,320	284,874	-	18,980,194
Furniture, fixtures, and equipment	2,576,564	86,417	-	2,662,981
<b>Total accumulated depreciation</b>	22,528,930	385,195	-	22,914,125
<b>Net capital assets</b>	\$ 7,620,102	\$ 2,043,228	\$ -	\$ 9,663,330

### Note 5. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by Residential Services employees are accrued when earned. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. Accrued vacation leave totaled \$ 31,027 and sick leave totaled \$ 3,523 at June 30, 2024.

**Note 6. Liabilities**

The table below shows the changes in accrued leave liabilities and Bonds payable for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion	Long-Term Portion
<b>Long-Term Liabilities</b>						
Compensated absences	\$ 49,141	\$ 69,624	\$ 84,215	\$ 34,550	\$ 34,550	\$ -
Net pension liability	112,263	-	17,692	94,571	1,643	92,928
Total OPEB liability	314,013	27,608	-	341,621	8,608	333,013
Bonds payable	1,190,000	-	385,000	805,000	400,000	405,000
Total	\$ 1,665,417	\$ 97,232	\$ 486,907	\$ 1,275,742	\$ 444,801	\$ 830,941

**Note 7. Bonds Payable**

On September 1, 2015, the College refinanced the 2006 series bond in order to obtain a lower finance rate. The bond was refinanced for \$4.13 million and will mature in 2026. The 2006 bonds carried interest rates ranging from 3.75% to 4.25%, the refinanced rate is 2.39%. The proceeds from the original bond, which was refinanced in 2015, were used to fund the building of housing dorms.

Residential Services Revenue Bond Series - 2015			
	Interest Rate	Original Issue	Balance June 30, 2024
	2.39%	\$ 4,130,000	\$ 805,000
Debt Service Requirements			
The scheduled maturities of system revenue bonds are as follows:			
Fiscal Year	Principal	Interest	Total
2025	\$ 400,000	\$ 19,240	\$ 419,240
2026	405,000	9,680	414,680
	\$ 805,000	\$ 28,920	\$ 833,920

Internal Revenue Code regulations prohibit investing the proceeds from the issuance of debt, whose interest is exempt for income tax purpose at a higher rate of return than what the interest rate paid on the debt. This is known as Arbitrage, an exemption to this regulation exists for a temporary period for which proceeds are used to finance capital expenditures in accordance with a 3-year period. The Residential Services is in compliance with Arbitrage regulations as of June 30, 2024.

**Note 8. Commitments**

Residential Services regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2024 commitments are \$495,552 for all funds.

**Note 9. Contingencies**

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the College or Residential Services.

The College is a party to various litigations and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the financial position of the College or Residential Services.

**Note 10. Deferred Compensation**

Residential Services, as part of The College, through the State of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The State of Washington administers the plan on behalf of the College’s employees. The College does not contribute to the plan nor has legal access to the funds.

**Note 11. Retirement Plans**

The College offers contributory pension plans, which cover eligible faculty, staff and administrative employees: 1) The Washington State Public Employees’ Retirement System (PERS 1 and PERS 2/3), 2) the Teachers Retirement System (TRS 1 and TRS 2/3), 3) the Law Enforcement Officers’ and Firefighters’ Retirement System (LEOFF 2). The College also offers The Evergreen State College Retirement Plan (TESCRP), a defined contribution plan for faculty and some exempt staff, with supplemental payment, when required.

Residential Services employees in eligible positions are participants in the PERS and TESCRP plans. PERS is a cost-sharing, multiple-employer, defined benefit, public retirement systems administered by the State of Washington Department of Retirement Systems (DRS). TESCRP is a single-employer defined contribution plan for the faculty and some exempt staff, with supplemental payment, when required currently administered by the College.

Legislation signed into law on July 1, 2020, amended the RCW applicable to the TESCRP to define plan provisions including limits on member eligibility, benefit payments, vesting terms and contribution rates. As a result of these amendments, the College is unable to modify the terms of the plan. Administration of the benefit calculations and payments remain the responsibility of the College until the state’s Pension Funding Council determines the trust has sufficient assets, at which time the DRS will assume those duties in accordance with RCW 41.50.280. The College does not perform the duties of a board or hold any of the substantive powers that would make the plan a fiduciary component of the College. Other agencies of the state of Washington perform the duties of a board and hold the substantive powers in relation to the TESCRP.

Residential Services proportional share of TESC’s share from DRS of the aggregated balance of pension amounts as of June 30, 2023, and the aggregated balance of TESCRP pension amounts as of June 30, 2024, are presented in the table below.

Aggregate Pension Amounts			
	DRS		TESCRP
Net Pension Liabilities	\$	(55,714)	\$ (38,858)
Net Pension Asset		129,053	
Deferred Outflows of Resources		132,226	32,893
Deferred Inflows of Resources		(77,259)	(76,045)
Pension Expense		(70,523)	



**A. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS****PLAN DESCRIPTION:****Public Employees' Retirement System**

PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. PERS members include higher education employees not participating in other higher education retirement programs.

**VESTING AND BENEFITS PROVIDED:****PERS Plan 1**

PERS Plan 1 provides retirement, disability, and death benefits to eligible members. This plan is closed to new entrants. All members are vested after the completion of five years of eligible service. The monthly benefit is 2.0% of the average final compensation (AFC) for each year of service credit, up to a maximum of 60.0%. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced. Other benefits include duty and nonduty disability payments and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

**PERS Plan 2/3**

PERS 2/3 provides retirement, disability and death benefits. PERS Plan 2 members are vested after completing five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Defined Retirement benefits are determined as 2.0% of the member's AFC times the member's years of service for Plan 2 and 1.0% of the AFC times the member's years of service for Plan 3. The AFC is the average of the member's 60 highest paid consecutive months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with five years of service. Members have the option to retire early with reduced benefits. Members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. Other benefits include duty and nonduty disability payments and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

**FIDUCIARY NET POSITION:**

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 all plans and additions to/deductions from all plans fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans. These pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment

gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB- adopted investment policies for the various asset classes in which the WSIB invests. Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan. Administration of the PERS system and plan was funded by an employer rate of 0.18% of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

### **ACTUARIAL ASSUMPTIONS:**

Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on the College. The professional judgments used in determining these assumptions are important and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on the College's financial statements.

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed by the Washington State Office of the Actuary (OSA). The College's 2024 pension liability is based on the OSA valuation performed as of June 30, 2023, with a valuation date of June 30, 2022. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Annual Comprehensive Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. The following actuarial assumptions have been applied to all prior periods included in the measurement:

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary Increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub.H-20210 mortality rates as the base table. OSA applied age offsets, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member's lifetime.

OSA selected a 7.00 percent long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
Total	100.00%	

The inflation component used to create the above table is 2.20 percent and represents WSIB's most recent long- term estimate of broad economic inflation.

#### DISCOUNT RATE:

The discount rate used to measure the total pension liability was 7.00 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.00 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50 percent except LEOFF Plan 2, which has assumed 7.40 percent.)

Consistent with the long-term expected rate of return, a 7.00 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). 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 of 7.00 percent on pension plan investments was applied to determine the total pension liability for each plan.

#### **SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE:**

The following presents the net pension liability/asset of TESC as an employer, calculated using the discount rate of 7.00 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate.

PERS 1 Residential Services' proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$77,836
Current Discount Rate	\$55,714
1% Increase	\$36,406

PERS 2/3 Residential Services' proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$140,361
Current Discount Rate	(\$129,053)
1% Increase	(\$350,395)

#### **EMPLOYER CONTRIBUTION RATES:**

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates.

### Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2024 are as follows:

	Required Contribution Rates	
	College	Employee
<b>PERS</b>		
Plan 1	10.39%	6.00%
Plan 2	10.39%	6.36%
Plan 3	10.39%	* 5.00-15.00% **

\*Plan 3 defined benefit portion only. \*\*Variable from 5% to 15% based on rate selected by the member.

### Required Contributions

The required contributions for the year ending June 30, 2024, as follows (for the whole college):

	2024
<b>PERS 1</b>	
Employee	\$ 6,764
College	\$ 584,506
<b>PERS 2/3</b>	
Employee	\$ 1,278,019
College	\$ 1,236,955

### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to pensions**

For the year ended June 30, 2024, Residential Services recognized a PERS 1 pension expense of \$(16,961) and PERS 2/3 pension expense of \$(53,563). At June 30, 2024, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources. Note that deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year and are not amortized to pension expense.

Residential Services PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual earnings on pension plan investments	-	(6,285)
Contributions subsequent to the measurement date	14,852	-
Total	\$ 14,852	\$ (6,285)

Residential Services PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,288	\$ (1,442)
Changes of assumptions	54,181	(11,809)
Net Difference between projected and actual earnings on pension plan investments	-	(48,635)
Change in proportion	4,876	(9,088)
Contributions subsequent to the measurement date	32,029	-
Total	\$ 117,374	\$ (70,974)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

PERS 1		PERS 2/3	
2024	(\$4,276)	2024	(\$25,945)
2025	(\$5,377)	2025	(\$30,385)
2026	\$3,316	2026	\$39,663
2027	\$53	2027	\$14,735
2028	-	2028	\$15,155
Thereafter	-	Thereafter	\$1,148

## B. PLANS ADMINISTERED BY THE EVERGREEN STATE COLLEGE

### The Evergreen State College Retirement Plan (TESCRP)

#### PLAN DESCRIPTION:

The TESCRP is a defined contribution plan administered by the College and covers most faculty and exempt staff. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100% vested interest in their accumulations.

Employee contribution rates, which are based on age, range from 5% to 10%. The Residential Services matches the employee contributions. Employer and employee contributions for the year ended June 30, 2024 was \$20,407. All required employee and employer contributions have been made.

The benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% contribution after age 50, the benefit goal is 1.5% for each year of full-time service for the years in which the lower contribution was selected. No significant changes were made in the faculty benefit provisions for the year ended June 30, 2024.

The plan has a supplemental payment plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The College makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. The supplemental component of TESCRP is financed on a pay as you go basis. Effective for new employees hired on or after July 1, 2011, State law no longer offers this supplemental component benefit of TESCRP.

**PLAN MEMBERSHIP:**

Membership of The Evergreen State College Retirement Plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation for the plan:

YEAR	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
2024 (Measurement date 2023)	33	15	113	161

The office of the State Actuary relied on a valuation date of January 1, 2023 to project the Total Pension Liability to the measurement date of June 30, 2023, reflecting the expected service cost, assumed interest, and benefit payments made.

**FIDUCIARY NET POSITION:**

With the passing of 2SHB 1661, the legislation, effective July 1, 2020, created trust accounts for the contributions and investment returns collected to pre-fund SRP benefits.

The plan Fiduciary Net Position is the fair value of plan assets held in a trust as defined by GASB. The Net Pension Liability is the difference between the Total Pension Liability and the plan Fiduciary Net Position. The plan Fiduciary Net Position represents the amount of assets collected as of the measurement date to pay for SRP benefits, per RCW 41.50.280. Plan assets and investments are measured at their fair value.

The WSIB has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

TESCRP plan assets are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which WSIB invests. Information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in the state of Washington's Annual Comprehensive Financial Report.

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. The annual money-weighted rate of return on TESCRP investments, net of pension plan investment expense for the year ended June 30, 2023 was 7.08%. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cashflows.

**ACTUARIAL ASSUMPTIONS:**

Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on the Residential Services. The professional judgments used in determining these assumptions are important and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on the Residential Services' financial statements.

The total pension liability was determined by an actuarial valuation as of January 1, 2023, with the results projected forward to the June 30, 2023, measurement date using the following actuarial assumptions:

- Discount Rate: 7.00%
- TIAA Increase Rate: 4.00%
- CREF Increase Rate: 6.25%
- Salary Growth: 3.50%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates as the base table. OSA applied age offsets, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member's lifetime.

The total salary growth assumption is based on the August 2021 Higher Education SRP Experience study. The TIAA and CREF increase rates represent the assumed investment return on primary investments that play a key role in the SRP benefit calculation.

OSA updated assumptions consistent with the 2021 Demographic Experience Study and modified the TIAA CREF investment assumptions based on TIAA input and OSA's expectation for the future. This includes future growth in the investments and how the projected account balances are converted to annuities. The assumption update generally led to increases in total pension liability.

The long term expected rate of return on pension plan investments was determined by the WSIPP using a building block method in which a best estimated of expected future rates of return are developed for each major asset class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%

#### **SENSITIVITY OF THE NET PENSION LIABILITY/(ASSET) TO CHANGES IN THE DISCOUNT RATE:**

The following presents the net pension liability for the TESC RP for the College as an employer, calculated using the discount rate of 7.00%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1.0% point lower (6.00%) or 1.0% point higher (8.00%) than the current rate.

Total Pension Liability - Interest Rate Sensitivity		
1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
\$ 45,775	\$ 38,858	\$ 32,887

**EMPLOYER CONTRIBUTION RATES:**

With the passing of 2SHB 1661, the legislation, effective July 1, 2020, created trust accounts for the contributions and investment returns collected to pre-fund SRP benefits. 2SHB 1661 outlines a funding policy for the SRP. Beginning July 1, 2020, the 0.5 percent required employer contribution rate was replaced with institution-specific contribution rates which was 0.23 percent for the College. These rates are developed by the OSA in accordance with RCW 41.45, which provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. Money in the trust must be accounted for separately and attributed to each paying institution and may only be used to make benefit payments to the paying institution's plan beneficiaries. Beginning July 31, 2020, the Pension Funding Council may review and revise the institution-specific contribution rates. Rates must be designed to keep the total cost at a more level percentage than a pay-as-you-go method. Accumulated funds will allow a portion of the cost of SRP benefits to be paid from those funds beginning in approximately 2035. When the trust has collected sufficient assets to begin making SRP benefit payments, administration of the SRP will transfer to the Department of Retirement Systems (DRS).

The SRP benefit funds are currently restricted from paying SRP benefits and are not expected to pay benefits until 2035. Until this time, SRP benefits are paid out of the College's operating budget on a pay-as-you-go basis.

**NET PENSION LIABILITY (NPL):**

Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying TESCRRP benefits to plan members. Contributions previously paid to and accumulated by DRS beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, the College is now applying accounting guidance for single employer plans that have trusted assets and report the pension liability net of plan assets.

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" allows the employer to use a measurement date for the Total Pension Liability (TPL) and the Net Pension Liability (NPL) no earlier than the end of the employer's prior fiscal year. In prior years, the measurement date used by the College for valuation of the TPL and the NPL was the same as the College's financial reporting date. In fiscal year 2024, however, the College elected to transition to using a measurement date which lags the financial reporting date by one year to align with the other pension plans reported under GASB Statement No.68. As a result of this transition, the June 30, 2024 NPL is based on a measurement date of June 30, 2023. There was no material impact associated with this change. The TPL, Plan Fiduciary Net Position, and NPL for TESCRRP remained unchanged for the Residential Services from the prior year at \$61,239, \$22,380, and \$38,858, respectively, as there were no changes to the components of pension liabilities in fiscal year 2024. No pension expense for the TESCRRP plan has been recorded in the year ended June 30, 2024 due to the transition described above. Additionally, the contributions made after the June 30, 2023 measurement date and before the end of June 30, 2024 fiscal year are recorded as Deferred Outflows of Resources instead of the reflected as a reduction of the NPL in the current fiscal year.

**DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES:**

The tables below summarize Residential Services' proportionate share of the TESCRRP deferred outflows of resources and deferred inflows, together with the related future year impacts to pension expense from amortization of those deferred amounts:



Deferred Outflows of Resources	
Difference Between Expected and Actual Experience	\$ 15,396
Change in assumptions	14,675
Differences between Projected and Actual Earnings on Plan Investments	1,189
Transactions subsequent to the measurement date*	1,633
<b>Total</b>	<b>\$ 32,893</b>

\*Recognized as a reduction of the net pension liability as of June 30, 2025

Deferred Inflows of Resources	
Difference between expected and actual experience	\$ 46,548
Change in assumptions	27,524
Differences between Projected and Actual Earnings on Plan Investments	1,973
<b>Total</b>	<b>\$ 76,045</b>

Amortization of Deferred Inflows of Resources	
Year	
2024	\$ (13,242)
2025	(13,717)
2026	(13,887)
2027	(2,479)
2028	(1,460)
Thereafter	-
<b>Total</b>	<b>\$ (44,785)</b>

## Note 12. Other Post-Employment Benefits (OPEB)

### PLAN DESCRIPTION:

The Washington State Health Care Authority (HCA) administers this single employer defined benefit other postemployment benefit (OPEB) plan. The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an

“explicit subsidy”). For calendar years 2024, this amount is \$183 per member per month. This is also passed through to State agencies via active employees rates charged to the agency.

OPEB implicit and explicit subsidies as well as administrative costs are funded by required contributions made by participating employers. State agency contributions are made on behalf of all active, health care eligible employees, regardless of enrollment status. Based on the funding practice, the allocation method used to determine proportionate share is each agency’s percentage of the state’s total active, health care eligible employee headcount. As of June 2024, the total College and the Residential Services’ headcount of active members are 549 and 11, respectively.

**ACTUARIAL ASSUMPTIONS:**

Accounting requirements dictate the use of assumptions to best estimate the impact the OPEB obligations will have on the College’s auxiliary unites. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on Residential Services’ financial statements. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement period:

- **Inflation:** 2.35%
- **Salary Increases:** 3.25% including service-based salary increases
- **Health Care Trend Rates:** Initial rate ranges from 2-11% adjusting to 3.8% in 2080
- **Post-retirement Participation:** 60.00%
- **Spouse Coverage:** 45.00%

Mortality rates were developed using the Society of Actuaries’ Pub.H-2010 mortality rates, which vary by member status. The Office of the State Actuary (OSA) applied age offsets as appropriate to better tailor the mortality rates to the demographics of the plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index. A discount rate of 3.54% was used for the June 30, 2022 measurement date and 3.65% for the June 30, 2023 measurement date.

The following presents proportional share of the total College OPEB liability, calculated using the discount rate of 3.65%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate.

Total OPEB Liability Discount Rate Sensitivity	
1% Decrease	\$ 399,720
Current Discount Rate – 3.65%	\$ 341,621
1% Increase	\$ 294,887

The following represents the total OPEB liability of the College calculated using the health care trend rates of 2-11% reaching an ultimate range of 3.8%, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower 1-10% or 1 percentage point higher 3-12% than the current rate:

Total OPEB Liability Health Care Cost Trend Rate Sensitivity	
1% Decrease	\$ 287,066
Current Discount Rate – 2-11%	\$ 341,621
1% Increase	\$ 411,839

**TOTAL OPEB LIABILITY:**

As of June 30, 2024, components of the proportionate share calculation of total OPEB liability for Residential Services are represented in the following table:

Schedule of Changes in Total OPEB Liability	
Total OPEB Liability	2024
Service cost	\$ (49,454)
Interest	(49,677)
Changes of benefit terms	-
Differences between expected & actual experience	-
Changes in assumptions	23,888
Benefit payments	34,602
Change in Proportionate share	69,485
<b>Net Change in Total OPEB Liability</b>	<b>28,844</b>
<b>Total OPEB Liability - Beginning</b>	<b>(314,013)</b>
Change in auxiliary proportionate share	(56,452)
<b>Total OPEB Liability - Ending</b>	<b>\$ (341,621)</b>

Residential Services' proportionate share of OPEB expense for the fiscal year ended June 30, 2024 was \$30,607.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:**

The tables below summarize Residential Services' deferred outflows and inflows of resources related to OPEB, together with the related future year impacts to expense from amortization of those deferred amounts. Note that deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the OPEB liability in the following year and are not amortized to pension expense.

Deferred Outflows of Resources	
2024	
Change in proportion	\$ 247
Difference between expected and actual experience	5,187
Change in assumptions	22,199
Contributions subsequent to the measurement date	8,608
<b>TOTAL</b>	<b>\$ 36,241</b>

Deferred Inflows of Resources	
2024	
Difference between expected and actual experience	\$ 10,145
Changes of assumptions	204,680
Changes in Proportion	123,740
<b>TOTAL</b>	<b>\$ 338,565</b>

Amortization of Deferred Outflows and Deferred Inflows of Resources	
Year	
2025	\$ (61,891)
2026	(61,891)
2027	(54,184)
2028	(38,143)
2029	(34,656)
Thereafter	(60,169)
<b>TOTAL</b>	<b>\$ (310,934)</b>

### Note 13. Risk Management

The College purchases commercial insurance for auxiliary enterprise buildings, which were acquired with bond proceeds where the bond agreement requires the College to insure property and earnings. The College participates in a State of Washington risk management program based on the concept of self-insurance for coverage of its other properties. During the past three fiscal years, no settlements have been greater than the insurance coverage.

The College self-insures unemployment compensation for all non-student employees. The College maintains an unemployment reserve that includes Residential Services, funded by charging all labor and wage expenditures, except for work-study, a percentage in order to fund the reserve to pay unemployment claims. Unemployment compensation claims paid by the College during FY2024 were \$71,874. At the end of FY2024, the reserve balance was \$682,021.

### Note 14. Special Item

The Board of Trustees approved a Transfer of \$322,450 from Residential Services to support Student Affairs.

### Note 15. Pledged Revenues

According to GASB, Residential Services has pledged specific revenues, net of operating expenses, to repay principal and interest of revenue bonds. The following is a schedule of the pledged revenue and related debt:

Source of Revenue Pledged	Current Year Revenues Pledged (net)	Current Year Debt Service	Total Future Revenues Pledged	Description of Debt	Purpose of Debt	Term of Commitment
Student housing rentals	\$694,690	\$413,441	\$833,920	2015 Housing Bond	Refunding of 2006 Bond Issue	2026

**Note 16. Subsequent Events**

In the 2024 state legislative session, the College received approval to finance \$4.4 million for the renovation of Dorm C and Dorm D, through a Certificate of Participation issued by the Office of the State Treasurer’s Office. The College decided to phase the project and complete renovation of Dorm D for occupancy in the fall of 2025 at a cost of \$2.2 million and the renovation of Dorm C for occupancy in fall 2026 for \$2.2 million. Debt payments will be made using rents from students occupying the residence halls.

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We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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