



**evergreen**

# **2025** Residential Services Annual Report





**evergreen**

# **RESIDENTIAL SERVICES ANNUAL FINANCIAL REPORT**

**FOR JUNE 30, 2025**

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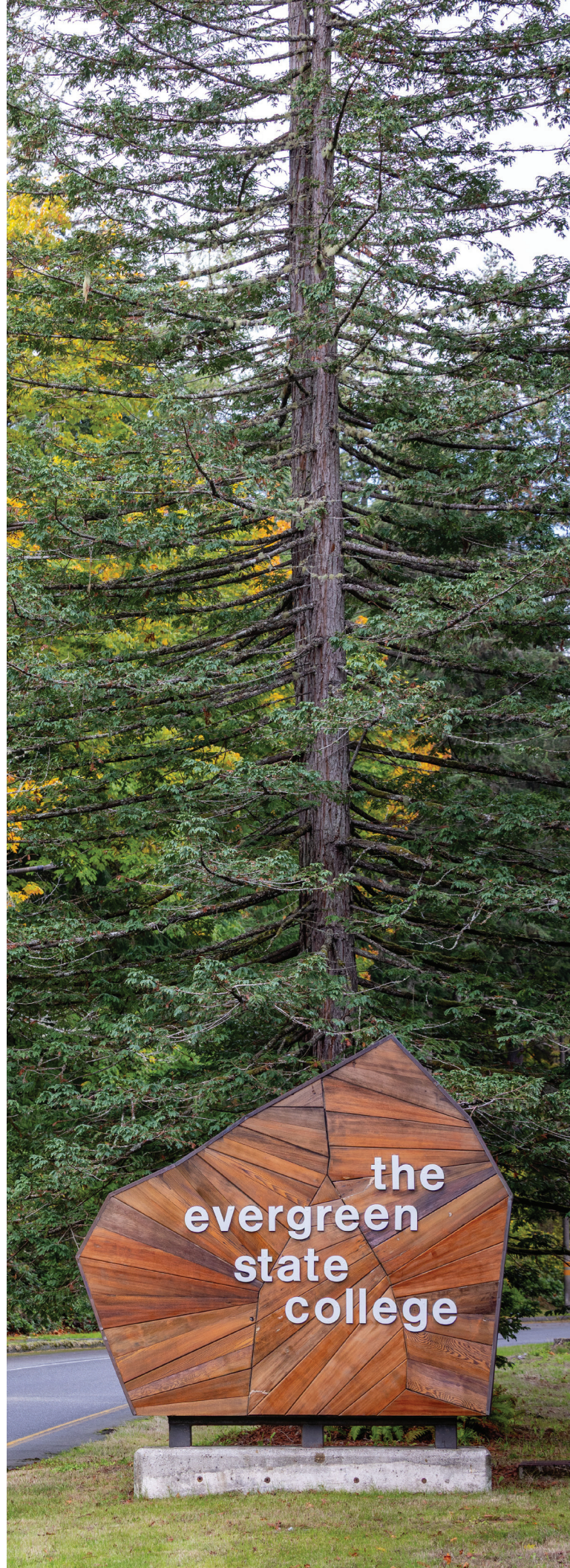
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## Board of Trustees

Chair | **Miguel Pérez-Gibson '89** | Olympia

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Trustee | **Fred Goldberg** | Olympia

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## Administration

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Vice Provost for Academic Initiatives | **David McAvity**

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of The Evergreen State College Foundation | **Abby Kelso**





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

July 6, 2026

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 for inclusion in Residential Services' annual financial report package, which will be issued by Residential Services under Residential Services' own cover.

This report is in addition to our regular financial statement audit report, which will be available on our website and includes Residential Services' basic financial statements.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*





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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

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 then ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Residential Services' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Evergreen State College Residential Services, as of June 30, 2025, 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, 2025, 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.

### **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 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 control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 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 Residential Services' 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 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 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.

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 Information**

The other information comprises provided by Residential Services about their Board of Trustees, administrative information, and photos but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or provide any assurance thereon.



In connection with the 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.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated July 6, 2026, on our consideration of the Residential Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Residential Services' internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

July 6, 2026



## The Evergreen State College Residential Services

The following discussion and analysis provide 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, 2025. 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 members). A maximum capacity of 633 resident spaces, consisting of 14 apartment buildings, and our newly refurbished Building A and Building B Dormitory. Dorm D opened to resident staff in Fall of 2025 increasing the rooms available across Residential Services to 708.

### 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.

### Changes in Accounting Standards

On July 1, 2025, The Evergreen State College adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement refines the recognition and measurement criteria for compensated absences to improve consistency and comparability in governmental financial reporting.

Under the new standard, the College now measures compensated absences using the LIFO (last in, first out) method for determining which leave hours are expected to be used or paid. Consistent with the classification guidance in GASB 101, compensatory time and other leave types expected to be settled within the next fiscal year are reported as current liabilities, while vacation and sick leave expected to be paid beyond one year are classified as non-current liabilities.

The adoption of GASB 101 resulted in a reclassification of certain compensated absence balances between current and non-current liability categories. However, the implementation did not have a material impact on the College's overall net position.

### 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, 2025, and 2024 follows:

| Condensed Statements of Net Positions<br>As of June 30 (in thousands) |      |        |           |
|-----------------------------------------------------------------------|------|--------|-----------|
|                                                                       | 2025 |        | 2024      |
| Assets                                                                |      |        |           |
| Current Assets                                                        | \$   | 7,853  | \$ 3,632  |
| Capital, net                                                          |      | 11,083 | 9,663     |
| Other non-current assets                                              |      | 80     | 129       |
| Total Assets                                                          |      | 19,016 | 13,424    |
| Deferred Outflows                                                     |      | 179    | 207       |
| Liabilities                                                           |      |        |           |
| Current liabilities                                                   |      | 1,093  | 979       |
| Other non-current liabilities                                         |      | 4,866  | 831       |
| Total Liabilities                                                     |      | 5,959  | 1,810     |
| Deferred Inflows                                                      |      | 373    | 492       |
| Total Net Position                                                    | \$   | 12,863 | \$ 11,329 |

## Assets

The major components of assets are cash, receivables, and capital assets. Total assets increased by \$5.7 million from FY 2024 to FY 2025.

Current assets consist primarily of cash and cash equivalents, short-term investments, receivables, and inventories. Overall, current assets increased by \$4.2 million from FY 2024 to FY 2025. The primary driver of this growth was a \$4.4 million addition of "Funds held with the State Treasurer" associated with the Certificate of Participation (COP) issued by the Office of the State Treasurer for the Dorm C and Dorm D renovation projects. A reimbursement is issued as project funds are expensed and submitted to the Treasurer for reimbursement.

Partially offsetting this increase, cash and cash equivalents decreased by \$336 thousand, reflecting the timing of operating and capital expenditures. Accounts receivable increased by \$121 thousand, while inventories reported a modest year-over-year decline.

The reduction in cash was driven primarily by ongoing capital spending for the renovation of Dorm B. Both Dorm A and Dorm B were completed and capitalized in fiscal year 2025, expanding the College's student housing capacity. Dorm A opened for occupancy in Fall 2023, and Dorm B became available in Fall 2024, providing additional beds to support enrollment growth.

Net capital assets increased by \$1.42 million in FY 2025. Additions during the year included \$446 thousand in furniture and equipment, along with \$4.76 million for the completion and capitalization of Dorm A and Dorm B. Construction in Progress decreased by \$3.5 million for the completion of Dorm A and Dorm B and increased for Dorm D, which recorded \$176 thousand in capitalized costs during FY 2025. Depreciation expense for FY 2025 totaled \$388 thousand.

Current assets exceeded current liabilities by \$6.8 million, an increase of \$4.1 million from FY 2024 and this increase is from the Certificate of Participation (COP) issued for the refurbishment of Dorm C and Dorm D. Residential Services has a current ratio of 7.2 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. With the implementation of GASB 101 there was an increase to Compensated absences with 33 thousand less going to current liabilities and 52 thousand more to non-current liabilities.



Current liabilities increased by \$113 thousand from FY 2024 to FY 2025. The increase was primarily due to an increase in unearned revenue and the current portion of the long-term debt for the COP.

Noncurrent liabilities increased by \$4 million due to a net increase of \$3.6 million in long term debt related to the issuance of the COP.

Deferred inflows related to pensions and OPEB decreased by \$118 thousand. Pension related deferred inflows decreased by 80 thousand due to higher net investment earnings within the plans, while OPEB deferred inflows decreased by 39 thousand as a result of changes in assumptions.

## 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 \$1.6 million in FY 2025, ending at \$12.8 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-Pension

Pensions consist of net pension assets related to the defined benefit retirement plans that are legally or contractually restricted. Currently, the net position in restricted pensions is due to the retirement plans PERS 2 & 3. (See Note 13)

### 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, 2025, and 2024 are summarized as follows:

| Condensed Net Positions<br>As of June 30 (in thousands) |           |               |                  |
|---------------------------------------------------------|-----------|---------------|------------------|
|                                                         | 2025      |               | 2024             |
| Invested in capital assets, net of related debt         | \$        | 6,123         | \$ 8,864         |
| Restricted:                                             |           |               |                  |
| Pension                                                 |           | 80            | 129              |
| Unrestricted:                                           |           | 6,660         | 2,336            |
| <b>Total Net Position</b>                               | <b>\$</b> | <b>12,863</b> | <b>\$ 11,329</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, 2025, and 2024 follows:

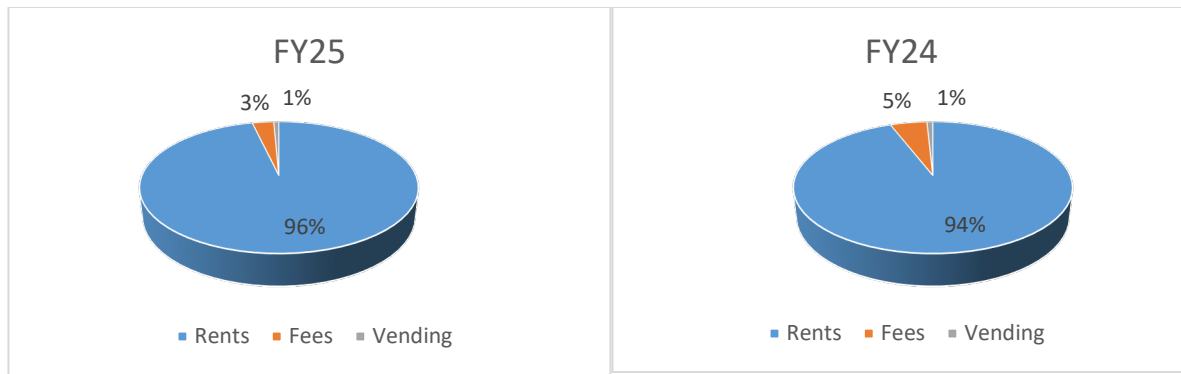
| <b>Condensed Statements of Revenues, Expenses<br/>and Changes in Net Position</b> |           |               |                  |
|-----------------------------------------------------------------------------------|-----------|---------------|------------------|
| <b>For years ended June 30 (in thousands):</b>                                    |           | <b>2025</b>   | <b>2024</b>      |
| Operating revenues                                                                | \$        | 5,254         | \$ 4,862         |
| Non-operating revenues                                                            |           | 120           | 237              |
| <b>Total Revenue</b>                                                              |           | <b>5,374</b>  | <b>5,099</b>     |
| Operating expenses                                                                |           | 3,594         | 4,157            |
| Non-operating expenses                                                            |           | 246           | 60               |
| <b>Total Expenses</b>                                                             |           | <b>3,840</b>  | <b>4,217</b>     |
| <b>Gain (loss) before special items</b>                                           |           | 1,534         | 882              |
| Special Item (Note 14)                                                            |           | -             | (332)            |
| Other revenues and expenses                                                       |           |               |                  |
| Increase (decrease) net assets                                                    |           | 1,534         | 550              |
| Net position at beginning of year                                                 |           | 11,329        | 10,779           |
| <b>Net position at end of year</b>                                                | <b>\$</b> | <b>12,863</b> | <b>\$ 11,329</b> |

## Operating Revenues

Operating revenues consist primarily of rent. In FY 2025, Residential Services' operating revenue increased by \$393 thousand. This increase reflects higher occupancy in Dorm A and B.

| <b>Residential Services Operating Revenue<br/>For years ended June 30 (in thousands):</b> |           |              |                 |
|-------------------------------------------------------------------------------------------|-----------|--------------|-----------------|
|                                                                                           |           | <b>2025</b>  | <b>2024</b>     |
| Rents                                                                                     | \$        | 5,061        | \$ 4,575        |
| Fees                                                                                      |           | 156          | 247             |
| Vending                                                                                   |           | 37           | 40              |
| <b>Operating Revenue</b>                                                                  | <b>\$</b> | <b>5,254</b> | <b>\$ 4,862</b> |



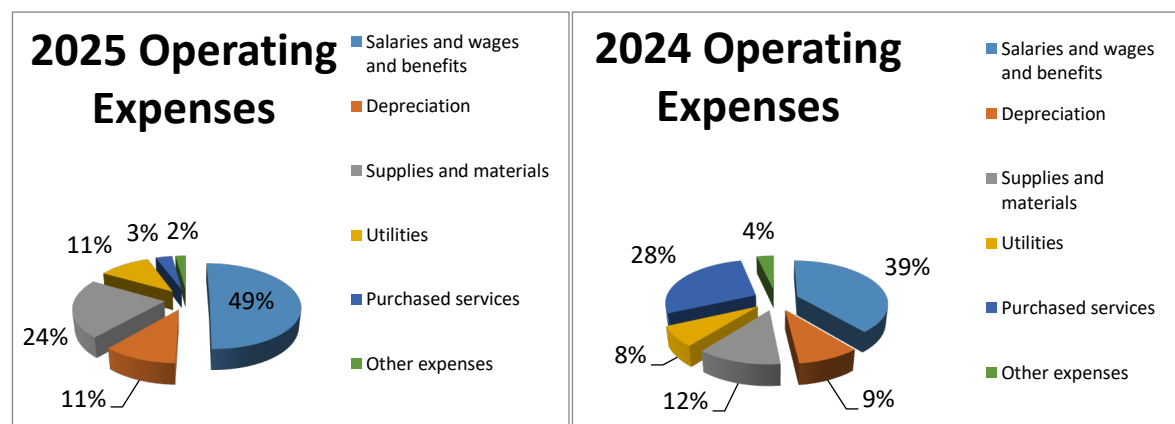


## Operating Expenses

In 2025, Residential Services total operating expenses decreased by about \$583 thousand. A reclassification of operating expenses for 2025 is represented below with a restated FY 2024 for comparison. Supplies and materials have the largest increase and are largely from the reclassification and related to the purchases of repair and maintenance supplies that could not be capitalized. The increase in salaries, wages, benefits and utilities is directly related to the increase in occupancy as well as the living wage increase. Purchased services show a significant decrease due to the completion of Dorm A and B. There is a new category of other expenses that was added this year to include subscriptions, travel, and other expenses previously classified as goods and services.

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

| Residential Services Operating Expenses |                 |           |              |
|-----------------------------------------|-----------------|-----------|--------------|
| For years ended June 30 (in thousands): |                 |           |              |
|                                         | 2025            |           | 2024         |
| Salaries, wages, and benefits           | \$ 1,772        | \$        | 1,620        |
| Depreciation and amortization           | 388             |           | 385          |
| Supplies and materials                  | 846             |           | 517          |
| Utilities                               | 388             |           | 311          |
| Purchased services                      | 124             |           | 1,172        |
| Other expenses                          | 76              |           | 151          |
| <b>Total Operating Expenses</b>         | <b>\$ 3,594</b> | <b>\$</b> | <b>4,157</b> |



**Capital Assets (Note 4)**

During FY25 Residential Services continued to increase its investment in capital assets. Ongoing projects at the end of the year include:

- Capitalization of Dorm A and Dorm B.
- Begin renovation Dorm C.
- Finalization of the renovation Dorm D.

**Debt (Note 7,8 and 9)**

The Board of Trustees authorizes the Residential Services' long-term debt issuance (Notes 7, 8 and 9). The Residential Services debt portfolio consists primarily of fixed-rate debt in the form of General Revenue Bonds and state-issued Certificates of Participation. In February and May of 2025, the College obtained financing to cover the cost of the Residential Services Dorms D and C renovation projects through Certificates of Participation (COP), issued by the Washington Office of State Treasurer in the amounts of \$2,040,000 and \$2,095,000, respectively. As of June 30, 2025, the Residential Services had \$5 million in bonds and notes payable outstanding.

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

Fiscal year 2025 marked a major step in the College's housing modernization program. The College issued \$4.14 million in Certificate of Participation (COP) to finance the renovation of Dorm D and Dorm C; the final residence halls slated for renewal. Dorm D opened for occupancy in September 2025, with remaining renovation work continuing into FY 2026, while Dorm C is scheduled to open in Fall 2026. Each renovated facility will add approximately 90 beds and is expected to generate more than enough additional revenue to cover the principal and interest of the new debt once completed.

The College is scheduled to retire its remaining housing revenue bonds in FY 2026, reducing long-term obligations and annual debt service requirements. While the COP financing for Dorm C and Dorm D increases future debt commitments, the additional capacity and improved revenue generation from the modernized residence halls are expected to support long-term financial sustainability.

EF Language concluded its 41-year presence on campus in September 2025 after the organization elected to close its Seattle/Olympia location due to ongoing enrollment declines across its West Coast operations. EF students departed on September 13, 2025, ending a longstanding housing arrangement that generated an average of \$370 thousand in annual rental revenue, representing approximately 9% of Residential Services' annual rental revenues. The departure of EF will create a noticeable reduction in occupancy-based revenue for Residential Services in FY26.

Looking forward, demand for on-campus housing is expected to remain strong, supported by continued enrollment levels and the high cost and limited availability of rental housing in Thurston County. On-campus housing remains an affordable and attractive option for first-year, out-of-state, and lower-income students.

Completion of the ongoing renovations will modernize the College's residential portfolio, enhance building efficiency, and improve the student living experience. Maintaining strong occupancy, controlling operating expenditures, and preserving adequate reserves will remain critical to supporting future debt service obligations and ensuring the continued financial stability of Residential Services.

**The Evergreen State College  
Residential Services  
Statement of Net Position  
June 30, 2025**

|                                           | <u>2025</u>       |
|-------------------------------------------|-------------------|
| <b>Assets</b>                             |                   |
| <b>Current Assets</b>                     |                   |
| Cash and cash equivalents                 | \$ 3,018,640      |
| Accounts receivable, net                  | 343,695           |
| Funds held with State Treasurer (Note 4)  | 4,440,173         |
| Inventories                               | 50,319            |
| <b>Total Current Assets</b>               | <u>7,852,827</u>  |
| <b>Non-Current Assets</b>                 |                   |
| Net Pension Asset (Note 13)               | 80,400            |
| Capital assets, net of depreciation       | 11,082,953        |
| <b>Total Non-Current Assets</b>           | <u>11,163,353</u> |
| <b>Total assets</b>                       | <u>19,016,180</u> |
| <b>Deferred Outflows of Resources</b>     |                   |
| Related to pension (Note 13)              | 141,909           |
| Related to OPEB (Note 14)                 | 35,007            |
| Deferred outflow on refundings            | 2,285             |
| <b>Total Deferred Outflows</b>            | <u>179,201</u>    |
| <b>Liabilities</b>                        |                   |
| <b>Current Liabilities</b>                |                   |
| Accounts payable and accrued expenses     | 265,020           |
| Compensated absences                      | 1,788             |
| Unearned revenue                          | 290,191           |
| Current portion, Net Pension Liability    | 1,710             |
| Current portion, OPEB Liability (Note 14) | 8,859             |
| Current portion, long-term debt           | 525,000           |
| <b>Total Current Liabilities</b>          | <u>1,092,568</u>  |
| <b>Non-Current Liabilities</b>            |                   |
| Compensated absences                      | 52,437            |
| Net pension liability (Note 1, 13)        | 49,055            |
| Total OPEB Liability (Note 1, 14)         | 327,452           |
| Long-term debt (Note 7,8 and 9)           | 4,437,221         |
| <b>Total Non-Current Liabilities</b>      | <u>4,866,165</u>  |
| <b>Total liabilities</b>                  | <u>5,958,733</u>  |

See Accompanying Notes to the Financial Statements



**The Evergreen State College**  
**Residential Services**  
**Statement of Net Position**  
**June 30, 2025**

**Deferred Inflows of Resources**

|                               |                |
|-------------------------------|----------------|
| Relating to pension (Note 13) | 73,705         |
| Relating to OPEB (Note 14)    | 299,768        |
| <b>Total Deferred Inflows</b> | <u>373,473</u> |

**Net Position**

|                                  |                             |
|----------------------------------|-----------------------------|
| Net investment in capital assets | 6,123,017                   |
| Restricted                       |                             |
| Pensions                         | 80,400                      |
| Unrestricted                     | 6,659,757                   |
| <b>Total net position</b>        | <u><u>\$ 12,863,174</u></u> |

**The Evergreen State College**  
**Residential Services**  
**Statements of Revenue, Expenses and Changes in Net Positions**  
**For the Year Ended June 30, 2025**

|                                             | <u>2025</u>                 |
|---------------------------------------------|-----------------------------|
| <b>Operating Revenues</b>                   |                             |
| Sales of auxiliary services                 | \$ 5,254,414                |
| <b>Total operating revenue</b>              | <u>5,254,414</u>            |
| <b>Operating Expenses</b>                   |                             |
| Salaries and wages                          | 1,509,313                   |
| Depreciation                                | 387,939                     |
| Supplies and materials                      | 846,220                     |
| Utilities                                   | 387,541                     |
| Benefits                                    | 262,737                     |
| Purchased services                          | 123,712                     |
| Other expenses                              | 76,468                      |
| <b>Total operating expenses</b>             | <u>3,593,930</u>            |
| <b>Operating income</b>                     | <u>1,660,484</u>            |
| <b>Non-Operating Revenue (Expenses)</b>     |                             |
| Investment income                           | 119,529                     |
| Interest on indebtedness and Amortization   | (245,821)                   |
| <b>Net non-operating revenue (expenses)</b> | <u>(126,291)</u>            |
| <b>Increase (decrease) in net assets</b>    | 1,534,192                   |
| <b>Net Position</b>                         |                             |
| Net position, beginning of year             | <u>11,328,982</u>           |
| Net position, end of year                   | <u><u>\$ 12,863,174</u></u> |

**The Evergreen State College  
Residential Services  
Statements of Cash Flows  
For the Year Ended June 30, 2025**

|                                                                                        | <u><b>2025</b></u>                |
|----------------------------------------------------------------------------------------|-----------------------------------|
| <b>Cash Flows from Operating Activities</b>                                            |                                   |
| Sales of auxiliary services                                                            | \$ 4,992,487                      |
| Payments for employees (salary & benefits)                                             | (1,951,660)                       |
| Payments to vendors                                                                    | (1,741,347)                       |
| <b>Net cash provided by operating activities</b>                                       | <u><b>1,299,480</b></u>           |
| <b>Cash Flows from Capital and Related Financing Activities</b>                        |                                   |
| Purchase of capital assets                                                             | (1,239,512)                       |
| Principal payments on long-term debt                                                   | (400,000)                         |
| Interest payments                                                                      | (77,468)                          |
| <b>Net cash used by capital and related financing activities</b>                       | <u><b>(1,716,979)</b></u>         |
| <b>Cash Flows from Investing Activities</b>                                            |                                   |
| Investment income                                                                      | 81,666                            |
| <b>Net cash provided by investing activities</b>                                       | <u><b>81,666</b></u>              |
| <b>Net Change in Cash and Cash Equivalents</b>                                         | (335,833)                         |
| <b>Cash and Cash Equivalents, Beginning of the Year</b>                                | 3,354,473                         |
| <b>Cash and Cash Equivalents, End of the Year</b>                                      | <u><u><b>\$ 3,018,640</b></u></u> |
| <b>Reconciliation of Operating Income to Net Cash provided by Operating Activities</b> |                                   |
| <b>Operating Income</b>                                                                | 1,660,484                         |
| Adjustment to reconcile operating income to net cash provided by operating activities  |                                   |
| Depreciation Expense                                                                   | 387,939                           |
| Changes in assets and liabilities                                                      |                                   |
| Accounts receivable                                                                    | (120,722)                         |
| Inventory                                                                              | 4,322                             |
| Accounts payable and accrued expenses                                                  | (311,729)                         |
| Accrued employee expense                                                               | (85,199)                          |
| Unearned revenues                                                                      | (141,204)                         |
| Pension and OPEB assets/liability, deferred outflows and inflows of resources          | (94,411)                          |
| <b>Net cash provided by operating activities</b>                                       | <u><u><b>\$ 1,299,480</b></u></u> |

See Accompanying Notes to the Financial Statements



**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, 2025, 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.

**New Accounting Pronouncements**

On July 1, 2024, the College adopted GASB Statement No. 101, "Compensated Absences." This Statement updates the recognition and measurement guidance of compensated absences. It requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. Under this statement, both vacation and sick leave are reported as non-current liabilities, and compensatory time and other leave types expected to be settled within the next fiscal year are reported as current liabilities. The College now measures compensated absences using the LIFO (last in, first out) method for determining which leave hours are expected to be used or paid.

**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 consists 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.

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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 \$10,000 (\$5,000 prior to October 1, 2025) 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. Consistent with the classification guidance in GASB 101, compensatory time and other leave types expected to be settled within the next fiscal year are reported as current liabilities.

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

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 5), and net of outstanding debt obligations related to capital assets (Note 8 and 9).

**Restricted:** This represents resources restricted for pensions (Note 13).

**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, 2025 is as follows:

|                             | <u>2025</u>       |
|-----------------------------|-------------------|
| Student receivables         | \$ 354,725        |
| Allowance for uncollectable | <u>(11,030)</u>   |
| Net accounts receivable     | <u>\$ 343,695</u> |

**Note 4. Funds held with State Treasurer**

At June 30, 2025, Residential Services reported \$ 4,440,173 on the Statement of Net Position as funds held with the State Treasurer. This balance represents reimbursable construction expenditures incurred for the Dorm C and Dorm D capital projects, which are proceeds of Certificates of Participation (COPs) insurance (Note 9) Under the reimbursement arrangement, Residential Services incurs eligible project costs and is subsequently reimbursed by the Office of State Treasurer from the COP proceeds. Construction spending for Dorm C is expected to be completed by December 2026, and spending for Dorm D is expected to be completed by August 2026.

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2025, is summarized as below:

| Capital Assets                        | Balance<br>June 30, 2024 | Additions/<br>Transfers | Retirements<br>& Adjustments | Balance<br>June 30, 2025 |
|---------------------------------------|--------------------------|-------------------------|------------------------------|--------------------------|
| Construction in Progress              | \$ 3,570,959             | \$ 176,433              | \$ (3,570,959)               | \$ 176,433               |
| <b>Total non-depreciable assets</b>   | <b>3,570,959</b>         | <b>176,433</b>          | <b>(3,570,959)</b>           | <b>176,433</b>           |
| Infrastructure                        | 1,214,644                | -                       | -                            | 1,214,644                |
| Improvements other than buildings     | 475,125                  | -                       | -                            | 475,125                  |
| Buildings                             | 23,846,557               | 4,755,715               | -                            | 28,602,272               |
| Furniture, fixtures and equipment     | 3,470,170                | 446,373                 | -                            | 3,916,544                |
| <b>Total depreciable assets</b>       | <b>29,006,496</b>        | <b>5,202,088</b>        | <b>-</b>                     | <b>\$ 34,208,585</b>     |
| <b>Less accumulated depreciation</b>  |                          |                         |                              |                          |
| Infrastructure                        | 1,203,642                | 4,402                   | -                            | 1,208,044                |
| Improvements other than buildings     | 67,308                   | 9,502                   | -                            | 76,811                   |
| Buildings                             | 18,980,194               | 235,947                 | -                            | 19,216,142               |
| Furniture, fixtures, and equipment    | 2,662,981                | 138,088                 | -                            | 2,801,068                |
| <b>Total accumulated depreciation</b> | <b>22,914,125</b>        | <b>387,939</b>          | <b>-</b>                     | <b>23,302,065</b>        |
| <b>Net capital assets</b>             | <b>\$ 9,663,330</b>      | <b>\$ 4,990,582</b>     | <b>\$ (3,570,959)</b>        | <b>\$ 11,082,953</b>     |

**Note 6. 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, compensatory time and other leave types 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. With the implementation of GASB 101 LIFO method, compensatory and other leave types are recoded as short-term leave totaled \$ 1,788. Accrued vacation leave \$ 47,130 and sick leave, \$ 5,307 total reported as long term leave \$ 52,437 at June 30, 2025.

**Note 7. Liabilities**

The table below shows the changes in accrued leave liabilities and Bonds payable for the year ended June 30, 2025:

|                              | Balance<br>June 30, 2024 | Additions           | Reductions        | Balance<br>June 30, 2025 | Current<br>Portion | Long-Term<br>Portion |
|------------------------------|--------------------------|---------------------|-------------------|--------------------------|--------------------|----------------------|
| <b>Long-Term Liabilities</b> |                          |                     |                   |                          |                    |                      |
| Net Compensated absences     | \$ 34,550                | \$ 54,225           | \$ 34,550         | \$ 54,225                | \$ 1,788           | \$ 52,437            |
| Net pension liability        | 94,571                   |                     | 43,806            | 50,765                   | 1,710              | 49,055               |
| Total OPEB liability         | 341,621                  |                     | 5,310             | 336,311                  | 8,859              | 327,452              |
| Bonds payable                | 805,000                  |                     | 400,000           | 405,000                  | 405,000            | -                    |
| COP C Dorm                   | -                        | 2,095,000           |                   | 2,095,000                | 60,000             | 2,035,000            |
| COP D Dorm                   | -                        | 2,040,000           |                   | 2,040,000                | 60,000             | 1,980,000            |
| Unamortized Premium          |                          | 422,221             |                   | 422,221                  |                    | 422,221              |
| <b>Total</b>                 | <b>\$ 1,275,742</b>      | <b>\$ 4,611,446</b> | <b>\$ 483,666</b> | <b>\$ 5,403,522</b>      | <b>\$ 537,357</b>  | <b>\$ 4,866,165</b>  |



**Note 8. 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<br>June 30, 2025 |
|                                                                  | 2.39%         | \$ 4,130,000   | \$ 405,000               |
| Debt Service Requirements                                        |               |                |                          |
| The scheduled maturities of system revenue bonds are as follows: |               |                |                          |
| Fiscal Year                                                      | Principal     | Interest       | Total                    |
| 2026                                                             | 405,000       | 9,680          | 414,680                  |
|                                                                  | \$ 405,000    | \$ 9,680       | \$ 414,680               |

**Note 9. Notes Payable**

In February of 2025, the College obtained financing to cover the cost of the Residential Services Dorm D renovation project through a certificate of participation (COP), issued by the Washington Office of State Treasurer in the amount of \$2,040,000. The funding source for the repayment is rent from students occupying the residence halls. The interest rate charged is approximately 4.11%. The term of the COP is 20 years, with payments due June 1 and December 1 annually. The College's first payment was on June 1, 2025. The College's debt service requirements for this note agreement for the next five years and thereafter are as follows:

| Residential Services Housing Dorm COP Dorm C S376-14-2 |               |                |                             |
|--------------------------------------------------------|---------------|----------------|-----------------------------|
|                                                        | Interest Rate | Original Issue | Balance<br>June 30,<br>2025 |
|                                                        | 4.43%         | \$ 2,095,000   | \$ 2,095,000                |
| Debt Service Requirements                              |               |                |                             |
| The debt service payment schedule as follows:          |               |                |                             |
| Fiscal Year                                            | Principal     | Interest       | Total                       |
| 2026                                                   | \$ 60,000     | \$ 110,860     | \$ 170,860                  |
| 2027                                                   | 65,000        | 101,750        | 166,750                     |
| 2028                                                   | 70,000        | 98,500         | 168,500                     |
| 2029                                                   | 75,000        | 95,000         | 170,000                     |
| 2030                                                   | 75,000        | 91,250         | 166,250                     |
| 2031-2035                                              | 450,000       | 395,000        | 845,000                     |
| 2036-2040                                              | 575,000       | 270,000        | 845,000                     |
| 2041-2045                                              | 725,000       | 112,250        | 837,250                     |
|                                                        | \$ 2,095,000  | \$ 1,274,610   | \$ 3,369,610                |
| Unamortized premium                                    |               |                |                             |
|                                                        | 177,412       |                |                             |
|                                                        | \$ 2,272,412  |                |                             |

In May of 2025, the College obtained financing to cover the cost of the Residential Services Dorm C renovation project through a certificate of participation (COP), issued by the Washington Office of State Treasurer in the amount of \$2,095,000. The funding source for the repayment is rent from students occupying the residence halls. The interest rate charged is approximately 4.43%. The term of the COP is 20 years, with payments due June 1 and December 1 annually. The College's first payment was on December 1, 2025. The College's debt service requirements for this note agreement for the next five years and thereafter are as follows:

| Residential Services Housing Dorm COP Dorm D S376-14-1                     |               |                     |                             |           |
|----------------------------------------------------------------------------|---------------|---------------------|-----------------------------|-----------|
|                                                                            | Interest Rate | Original Issue      | Balance<br>June 30,<br>2025 |           |
|                                                                            | 4.11%         | \$ 2,040,000        | \$                          | 2,040,000 |
| Debt Service Requirements<br>The debt service payment schedule as follows: |               |                     |                             |           |
| Fiscal<br>Year                                                             | Principal     | Interest            | Total                       |           |
| 2026                                                                       | \$ 60,000     | \$ 100,500          | \$                          | 160,500   |
| 2027                                                                       | 65,000        | 97,375              |                             | 162,375   |
| 2028                                                                       | 70,000        | 94,000              |                             | 164,000   |
| 2029                                                                       | 70,000        | 90,500              |                             | 160,500   |
| 2030                                                                       | 75,000        | 86,875              |                             | 161,875   |
| 2031-2035                                                                  | 430,000       | 373,250             |                             | 803,250   |
| 2036-2040                                                                  | 555,000       | 251,125             |                             | 806,125   |
| 2041-2045                                                                  | 715,000       | 92,625              |                             | 807,625   |
|                                                                            | \$ 2,040,000  | \$ 1,186,250        | \$                          | 3,226,250 |
| Unamortized premium                                                        |               | 244,809             |                             |           |
|                                                                            |               | <u>\$ 2,284,809</u> |                             |           |

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. The IRS regulations specify the following semi-annual spenddown schedule:

- 15% within six months of the delivery date
- 60% within a year
- 100% within eighteen months.

The Residential Services was in compliance with Arbitrage regulations as of June 30, 2025.

## Note 10. Commitments

Residential Services regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. On June 30, 2025, commitments are \$551,531 for all funds.

## Note 11. 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 12. 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 13. 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, 2025, and the aggregated balance of TESCRP pension amounts as of June 30, 2025, are presented in the table below.

| Aggregate Pension Amounts      |     |          |             |
|--------------------------------|-----|----------|-------------|
|                                | DRS |          | TESCRP      |
| Net Pension Liabilities        | \$  | (33,443) | \$ (17,323) |
| Net Pension Asset              |     | 80,400   |             |
| Deferred Outflows of Resources |     | 130,271  | 11,638      |
| Deferred Inflows of Resources  |     | (37,615) | (36,090)    |
| Pension Expense                |     | 25,904   | (36,280)    |

### A. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION:

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**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 <https://www.drs.wa.gov/>.

### **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 2025 pension liability is based on the OSA valuation performed as of June 30, 2023, with the results rolled forward to the measurement date of June 30, 2024. 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    | 19.00%            | 2.10%                                  |
| Tangible Assets | 8.00%             | 4.50%                                  |
| Real Estate     | 18.00%            | 4.80%                                  |
| Global Equity   | 30.00%            | 5.60%                                  |
| Private Equity  | 25.00%            | 8.60%                                  |

The inflation component used to create the above table is 2.50 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.

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                                                                     |          | PERS 2/3                                                                   |             |
|----------------------------------------------------------------------------|----------|----------------------------------------------------------------------------|-------------|
| Residential Services' proportionate share of Net Pension Liability (Asset) |          | Residential Services' proportionate share of Net Pension Liability (Asset) |             |
| 1% Decrease                                                                | \$49,193 | 1% Decrease                                                                | \$144,937   |
| Current Discount Rate                                                      | \$33,443 | Current Discount Rate                                                      | (\$80,400)  |
| 1% Increase                                                                | \$19,629 | 1% Increase                                                                | (\$265,466) |

#### **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, 2025 are as follows:

|             | Required Contribution Rates |                  |
|-------------|-----------------------------|------------------|
|             | College                     | Employee         |
| <b>PERS</b> |                             |                  |
| Plan 1      | 9.53%                       | 6.00%            |
| Plan 2      | 9.53%                       | 6.36%            |
| Plan 3      | 9.53%                       | * 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):

|                 | 2025         |
|-----------------|--------------|
| <b>PERS 1</b>   |              |
| Employee        | \$ 6,956     |
| College         | \$ 554,219   |
| <b>PERS 2/3</b> |              |
| Employee        | \$ 1,409,153 |
| College         | \$ 1,363,305 |

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

For the year ended June 30, 2025, Residential Services recognized a PERS 1 pension expense of \$(11,028) and PERS 2/3 pension expense of \$36,932. At June 30, 2025, 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 | -                              | 2,676                         |
| Contributions subsequent to the measurement date                                 | 10,618                         | -                             |
| Total                                                                            | \$ 10,618                      | \$ 2,676                      |

| Residential Services PERS 2/3                                                    | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|--------------------------------|-------------------------------|
| Difference between expected and actual experience                                | \$ 45,685                      | \$ 186                        |
| Changes of assumptions                                                           | 44,397                         | 5,094                         |
| Net Difference between projected and actual earnings on pension plan investments | -                              | 23,040                        |
| Change in proportion                                                             | 2,977                          | 6,618                         |
| Contributions subsequent to the measurement date                                 | 26,593                         | -                             |
| Total                                                                            | \$ 119,652                     | \$ 34,939                     |

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   |            |
|------------|-----------|------------|------------|
| 2025       | (\$4,429) | 2025       | (\$19,867) |
| 2026       | \$2,275   | 2026       | \$34,354   |
| 2027       | (\$241)   | 2027       | \$15,029   |
| 2028       | (\$282)   | 2028       | \$15,340   |
| 2029       | -         | 2029       | \$7,397    |
| Thereafter | -         | Thereafter | \$5,868    |

## 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 years ended June 30, 2025 was \$42,891. 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, 2025.

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, 2025, the date of the latest actuarial valuation for the plan:

| YEAR                         | Inactive Members<br>(or Beneficiaries)<br>Currently Receiving<br>Benefits | Inactive Members<br>Entitled To But<br>Not Yet Receiving<br>Benefits | Active Members | Total<br>Members |
|------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------|----------------|------------------|
| 2025 (Measurement date 2024) | 33                                                                        | 15                                                                   | 113            | 161              |

The office of the State Actuary relied on a valuation date of January 1, 2024 to project the Total Pension Liability to the measurement date of June 30, 2024, 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. Under this new funding structure, the SRP will report under GASB No. 67/68 starting in Fiscal Year 2021.

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, 2024 was 8.04%. 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, 2024, with the results projected forward to the June 30, 2024, 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 as of the measurement date June 30, 2024 are summarized in the following table:

| Asset Class     | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------|-------------------|----------------------------------------|
| Fixed Income    | 19%               | 2.1%                                   |
| Tangible Assets | 8%                | 4.5%                                   |
| Real Estate     | 18%               | 4.8%                                   |
| Global Equity   | 30%               | 5.6%                                   |
| Private Equity  | 25%               | 8.6%                                   |

#### **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% |
| \$20,832                                            | \$17,323                    | \$14,280          |

#### **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. Under this new funding structure, the SRP will report under GASB No. 67/68 starting in Fiscal Year 2021. 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 were the same as the College's financial reporting date by one year. As a result of this transition, the June 30, 2024 NPL is based on a measurement date of June 30, 2023, and the June 30, 2025 NPL is based on a measurement date of June 30, 2024. There was no material impact associated with this change. Additionally, the contributions made after the June 30, 2024 measurement date and before the end of June 30, 2025 fiscal year are recorded as Deferred Outflows of Resources instead of reflected as a reduction of the NPL in the 2025 fiscal year.

The components of the TESCRRP Residential Services liability were as follows:

|                                                   | TPL              | Plan<br>Fiduciary<br>Net Position | NPL              |
|---------------------------------------------------|------------------|-----------------------------------|------------------|
|                                                   | (a)              | (b)                               | (a) minus (b)    |
| <b>Beginning Balance</b>                          | <b>\$ 61,239</b> | <b>\$ 22,380</b>                  | <b>\$ 38,859</b> |
| Service Cost                                      | 644              |                                   | 644              |
| Interest                                          | 2,898            |                                   | 2,898            |
| Difference between expected and actual experience | (6,763)          |                                   | (6,763)          |
| Changes of assumptions                            | -                |                                   | -                |
| Employer Contributions                            | -                | 533                               | (533)            |
| Investment Income                                 | -                | 1,421                             | (1,421)          |
| Benefit Payments                                  | (1,710)          |                                   | (1,710)          |
| <b>Net Change</b>                                 | <b>(4,930)</b>   | <b>1,954</b>                      | <b>(6,885)</b>   |
|                                                   | <b>\$ 56,309</b> | <b>\$ 24,334</b>                  | <b>\$ 31,973</b> |
| Change in Auxiliary proportionate share           |                  |                                   | (14,650)         |
| <b>Ending Balance</b>                             |                  |                                   | <b>\$ 17,323</b> |

**PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES:**

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

| Pension Expense                                                                       |                    |
|---------------------------------------------------------------------------------------|--------------------|
| Service Cost                                                                          | \$ 3,010           |
| Interest Cost                                                                         | 13,547             |
| Amortization of Differences between Expected and Actual Experience                    | (37,682)           |
| Amortization of Changes of Assumptions                                                | (7,422)            |
| Expected Earnings on Plan Investments                                                 | (5,761)            |
| Amortization of Differences between Projected and Actual Earnings on Plan Investments | (1,972)            |
| <b>Pension Expense</b>                                                                | <b>\$ (36,280)</b> |

| Deferred Outflows of Resources                                        |                  |
|-----------------------------------------------------------------------|------------------|
| Difference Between Expected and Actual Experience                     | \$ 6,873         |
| Change in assumptions                                                 | 4,765            |
| Differences between Projected and Actual Earnings on Plan Investments | -                |
| Transactions subsequent to the measurement date*                      | 1,710            |
| <b>Total</b>                                                          | <b>\$ 13,348</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                     | \$ 24,619        |
| Change in assumptions                                                 | 11,160           |
| Differences between Projected and Actual Earnings on Plan Investments | 311              |
| <b>Total</b>                                                          | <b>\$ 36,090</b> |

| Amortization of Deferred Inflows of Resources |                    |
|-----------------------------------------------|--------------------|
| Year                                          |                    |
| 2024                                          | \$ (9,719)         |
| 2025                                          | (9,812)            |
| 2026                                          | (2,835)            |
| 2027                                          | (2,087)            |
| 2028                                          | -                  |
| Thereafter                                    | -                  |
| <b>Total</b>                                  | <b>\$ (24,453)</b> |

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**Note 14. 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 2025, this amount is \$183 per member per month. This rate will remain the same for calendar year 2026. 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 2025, the total College and the Residential Services' headcount of active member are 570 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 units. 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, 2025, using the following actuarial assumptions, applied to all periods included in the measurement period:

- **Inflation:** 2.40%
- **Salary Increases:** 3.25% Plus service-based salary increases
- **Health Care Trend Rates:** Initial rate ranges from (4.5%)-9.5%, reaching an ultimate rate of approximately 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 OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index. A discount rate of 3.65% was used for the June 30, 2023 measurement date and 3.93% for the June 30, 2024 measurement date.

The following presents proportional share of the total Residential Services OPEB liability, calculated using the discount rate of 3.93% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current rate.

| Total OPEB Liability<br>Discount Rate Sensitivity |            |
|---------------------------------------------------|------------|
| 1% Decrease                                       | \$ 395,668 |
| Current Discount Rate – 2.16%                     | \$ 336,311 |
| 1% Increase                                       | \$ 288,918 |

The following represents the total OPEB liability of the Residential Services calculated using the health care trend rates of (4.5)%-9.5% 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 ((3.5)%-8.5%) or 1 percentage point higher ((5.5)%-10.5%) than the current rate:

| Total OPEB Liability<br>Health Care Cost<br>Trend Rate Sensitivity |            |
|--------------------------------------------------------------------|------------|
| 1% Decrease                                                        | \$ 283,705 |
| Current Discount Rate – 2-11%                                      | \$ 336,311 |
| 1% Increase                                                        | \$ 404,149 |

#### TOTAL OPEB LIABILITY:

As of June 30, 2025, components of the proportionate share calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for Residential Services are represented in the following table:

| Schedule of Changes in Total OPEB Liability      |                   |
|--------------------------------------------------|-------------------|
| Total OPEB Liability                             | 2025              |
| Service cost                                     | \$ 10,853         |
| Interest                                         | 12,448            |
| Changes of benefit terms                         | 7,304             |
| Differences between expected & actual experience | 6,369             |
| Changes in assumptions                           | (28,413)          |
| Benefit payments                                 | (8,426)           |
| Change in Proportionate share                    | (5,363)           |
| <b>Net Change in Total OPEB Liability</b>        | <b>(5,227)</b>    |
| <b>Total OPEB Liability - Beginning</b>          | <b>341,621</b>    |
| Change in auxiliary proportionate share          | (83)              |
| <b>Total OPEB Liability - Ending</b>             | <b>\$ 336,311</b> |

Residential Services' proportionate share of OPEB expense for the fiscal year ended June 30, 2025 was \$34,013.

#### 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                    |                  |
|---------------------------------------------------|------------------|
| 2025                                              |                  |
| Change in proportion                              | \$ 123           |
| Difference between expected and actual experience | 9,095            |
| Change in assumptions                             | 16,930           |
| Contributions subsequent to the measurement date  | 8,859            |
| <b>TOTAL</b>                                      | <b>\$ 35,007</b> |

| Deferred Inflows of Resources                     |                   |
|---------------------------------------------------|-------------------|
| 2025                                              |                   |
| Difference between expected and actual experience | \$ 8,478          |
| Changes of assumptions                            | 185,838           |
| Changes in Proportion                             | 105,452           |
| <b>TOTAL</b>                                      | <b>\$ 299,768</b> |

| Amortization of Deferred Outflows and Deferred Inflows of Resources |                     |
|---------------------------------------------------------------------|---------------------|
| Year                                                                |                     |
| 2026                                                                | \$ (64,681)         |
| 2027                                                                | (57,098)            |
| 2028                                                                | (41,223)            |
| 2029                                                                | (37,685)            |
| 2030                                                                | (32,301)            |
| Thereafter                                                          | (40,632)            |
| <b>TOTAL</b>                                                        | <b>\$ (273,620)</b> |

## Note 15. 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 FY2025 were \$111,662. At the end of FY2025, the reserve balance was \$824,956.

**Note 16. Pledged Revenues**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The College 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<br>of<br>Revenue<br>Pledged | Current Year<br>Revenues<br>Pledged (net) | Current<br>Year<br>Debt<br>Service | Total Future<br>Revenues<br>Pledged | Description<br>of Debt  | Purpose of<br>Debt                 | Term of<br>Commitment |
|------------------------------------|-------------------------------------------|------------------------------------|-------------------------------------|-------------------------|------------------------------------|-----------------------|
| Student<br>housing<br>rentals      | \$1,802,603                               | \$419,240                          | \$414,680                           | 2015<br>Housing<br>Bond | Refunding<br>of 2006<br>Bond Issue | 2026                  |