2021 ANNUAL FINANCIAL REPORT

RESIDENTIAL & DINING SERVICES

the evergreen state college

For June 30, 2021

RESIDENTIAL AND DINING SERVICES

ANNUAL FINANCIAL REPORT FOR JUNE 30, 2021

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Residential and Dining Services

Working together to be a....

Purposeful Community

where students, staff, and faculty share a passion for learning and collaborate to enhance student growth.

Just Community

where the individual is honored, our interdependence is acknowledged, diversity is pursued, freedom of expression is protected, and civility is affirmed.

Sustainable Community

that values, cultivates, and maintains its human, natural, and physical resources.

Residential and Dining Services Office Residence Hall A, Room 301

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ANNUAL FINANCIAL REPORT FOR JUNE 30, 2021

the evergreen state college

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 as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Evergreen State College Residential Services, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis 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 the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

Matters of Emphasis As discussed in Note 1, the financial statements of the Evergreen State College Residential Services, a department of The Evergreen State College, are intended to present the financial position, and 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 the Residential Services. They do not purport to, and do not, present fairly the financial position of The Evergreen State College as of June 30, 2021, 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 the 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 the 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 the 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

The Residential Services' has omitted the management's discussion and analysis information, Schedules of the Evergreen State College Residential Services' Share of Net Pension Liability – PERS 1, and PERS 2/3, Schedule of Changes in Total Pension Liability and Related Ratios – TESC Supplemental Retirement Plan, Schedules of Contributions – PERS 1, PERS 2/3, and, TESC Supplemental Retirement Plan, and Schedule of Changes in Total OPEB Liability that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. 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 Trustees and Administrative Officers 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 opinions on the basic financial statements do 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 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 September 30, 2022, 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,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 30, 2022

The Evergreen State College
Residential Services
Statement of Net Position
June 30, 2021

		2021
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$	6,963,484
Accounts receivable, net (Note 3)		198,516
Inventories		48,991
Total Current Assets		7,210,991
Non-Current Assets		
Capital assets, net of depreciation (Note 4)		6,413,361
Total Non-Current Assets		6,413,361
Total assets		13,624,352
Deferred Outflows of Resources		
Related to pension (Note 11)		75,037
Related to OPEB (Note 12)		61,300
Deferred outflow on refundings		14,469
Total Deferred Outflows		150,806
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses		70,717
Compensated absences (Note 5)		62,161
Unearned revenue		139,349
Current portion, Net Pension Liability (Note 11)		1,729
Current portion, Total OPEB Liability (Note 12)		9,850
Current portion, long-term debt (Note 6, 7)		370,000
Total Current Liabilities		653,806
Non-Current Liabilities		
Compensated absences (Note 5)		15,579
Net pension liability (Note 1, 11)		154,869
Total OPEB Liability (Note 1, 12)		550,153
Long-term debt (Note 6, 7)		1,565,000
Total Non-Current Liabilities		2,285,601
Total liabilities		2,939,407
Deferred Inflows of Resources		
Relating to pension (Note 11)		121,426
Relating to OPEB (Note 12)		275,003
Total Deferred Inflows		396,429
Net Position		
Net investment in capital assets		4,492,830
Unrestricted		5,946,492
Total net position	**$**	**10,439,322**

See Accompanying Notes to the Financial Statements

The Evergreen State College
Residential Services
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	2021
Operating Revenues	
Sales of auxiliary services	$ 1,950,812
Total operating revenue	1,950,812
Operating Expenses	
Salaries and wages	1,232,378
Depreciation and amortization	920,839
Supplies and Materials	291,971
Utilities	271,593
Benefits	252,888
Repairs and maintenance	693,401
Total operating expenses	3,663,070
Operating income	(1,712,258)
Non-Operating Revenue (Expenses)	
Investment income	(4,503)
Interest on indebtedness	(52,062)
Net non-operating revenue (expenses)	(56,565)
Increase (decrease) in net assets	(1,768,823)
Net Position	
Net position, beginning of year	12,208,145
Net position, end of year	$ 10,439,322

The Evergreen State College
Residential Services
Statement of Cash Flow
For the Year Ended June 30, 2021

		2021
Cash Flows from Operating Activities		
Sales of auxiliary services	$	1,937,588
Payments for employees (salary & benefits)		(1,510,471)
Payments to vendors		(1,208,275)
Net cash provided by operating activities		**(781,158)**
Cash Flows from Capital and Related Financing Activities		
Principal payments on long-term debt		(365,000)
Interest payments		(52,062)
Net cash used by capital and related financing activities		(417,062)
Cash Flows from Investing Activities		
Investment income		(4,503)
Net cash provided by investing activities		(4,503)
Net Change in Cash and Cash Equivalents		(1,202,723)
Cash and Cash Equivalents, Beginning of the Year		8,166,207
Cash and Cash Equivalents, End of the Year	**$**	**6,963,484**

Reconciliation of Operating Income to Net Cash provided by Operating Activities

Operating Income	$	(1,712,258)
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense		920,839
Net Pension Expense		(30,839)
Changes in assets and liabilities		
Bond discount and issue costs		
Accounts receivable		(2,394)
Inventory		11,977
Accounts payable and accrued expenses		36,714
Accrued employee expense		5,634
Unearned revenues		(10,831)
Net cash provided by operating activities	**$**	**(781,158)**

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, 2021 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 defined by GASB Statement No. 35. Accordingly, the Residential Services financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

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

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

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

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

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

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

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

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

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

Net Pension Liability. Pension liabilities equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has 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 follow:

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

Unrestricted Net Position: The portion of the net position represents resources derived from operations and investing activities. Unrestricted net position is not subject to externally imposed restrictions but which 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, 2021 as follows:

	2021
Student receivables	$ 218,061
Allowance for uncollectable	(19,545)
Net accounts receivable	$ 198,516

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2021 is summarized as below:

Capital assets	Balance June 30, 2020	Additions/ Transfers	Retirements & Adjustments	Balance June 30, 2021
Infrastructure	1,214,644	-	-	1,214,644
Improvements other than buildings	475,125	-	-	475,125
Buildings	23,846,557	-	-	23,846,557
Furniture, fixtures and equipment	2,667,761	-	-	2,667,761
Total depreciable assets	28,204,087	-	-	28,204,087
Less accumulated depreciation				
Infrastructure	1,186,034	4,402	-	1,190,436
Improvements other than buildings	29,299	9,503	-	38,802
Buildings	17,269,678	843,396	-	18,113,074
Furniture, fixtures and equipment	2,387,921	60,493	-	2,448,414
Total accumulated depreciation	20,872,932	917,794	-	21,790,726
Net capital assets	$ 7,331,155	$(917,794)	$ -	$6,413,361

Note 5. Accrued Leave Liabilities

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by Residential Services employees are accrued when earned. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. Accrued vacation leave totaled $62,161 and sick leave totaled $15,579 at June 30, 2021.

Note 6. Liabilities

The table below shows the changes in accrued leave liabilities and Bonds payable for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion	Long-Term Portion
Long-Term Liabilities						
Compensated absences	$ 72,106	$ 83,978	$ 78,344	$ 77,740	$ 62,161	$ 15,579
Net pension liability	260,895		104,297	156,598	1,729	154,869
Total OPEB liability	545,095	14,908		560,003	9,255	550,748
Bonds payable	2,300,000		365,000	1,935,000	370,000	1,565,000
Total	$ 3,178,096	$ 98,886	$ 547,641	$ 2,729,341	$ 443,145	$2,286,196

Note 7. Bonds Payable

On March 14, 2016, 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 2016, were used to fund the building of housing dorms.

System revenue bonds Series 2015	Interest Rate	Original Issue	Balance June 30, 2021
	2.39%	$4,130,000	$1,935,000

Debt Service Requirements
The scheduled maturities of system revenue bonds are as follows:

Fiscal Year	Principal	Interest	Total
2022	$370,000	46,246	416,246
2023	375,000	37,404	412,404
2024	385,000	28,441	413,441
2025	400,000	19,240	419,240
2026	405,000	9,680	414,680
	$ 1,935,000	$ 141,011	$2,076,011

Internal Revenue Code regulations prohibit investing the proceeds from the issuance of debt, whose interest is exempt for income tax purpose at a higher rate of return than what the interest rate paid on the debt. This is known as Arbitrage, an exemption to this regulation exists for a temporary period for which proceeds are used to finance capital expenditures in accordance with a 3-year period. The Residential Services is in compliance with Arbitrage regulations as of June 30, 2021.

Note 8. Commitments

Residential Services regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2021 commitments are $5,828 for all funds.

Note 9. Contingencies

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

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

In accordance with State policy, the College, and as a department within the College, Residential Services, self-insures unemployment compensation for all employees. The College and Residential Services are on a pay-as-you-go basis, in which claims are paid in the period incurred.

Note 10. Deferred Compensation

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

Note 11. Retirement Plans

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

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

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

Residential Services' share of the total net unfunded liabilities associated with the defined-benefit pension plans administered by the DRS was $128,128 as of June 30, 2021. The liability associated with the defined-benefit pension plan currently administered by the College was $28,470 as of June 30, 2021. The total pension expense recorded by the College related to both the DRS and College plans was $(28,330) for the years ended June 30, 2021. The negative total pension expense as of June 30, 2021 was a result of the Fiscal Year 2021 GASB No. 67/68 reporting change for the Residential Services' supplemental defined benefit plan component.

A. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION:

Public Employees' Retirement System

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

VESTING AND BENEFITS PROVIDED:

PERS Plan 1

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

PERS Plan 2/3

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

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

FIDUCIARY NET POSITION:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plans fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans. These pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

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

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

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

ACTUARIAL ASSUMPTIONS:

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary Increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- **Investment rate of return:** 7.40%

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 7.40% 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 June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Total	100.00%	

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

DISCOUNT RATE:

The discount rate used to measure the total pension liability was 7.40 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 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50 percent except LEOFF Plan 2, which has assumed 7.40 percent.)

Consistent with the long-term expected rate of return, a 7.40 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 7.40 percent on pension plan investments was applied to determine the total pension liability for each plan.

Collective Net Pension Liability/Asset. At June 30, 2021, Residential Services reported $ 128,128 for its proportionate share of the collective net pension liability for PERS 1 and $28,470 for its proportionate share of the collective net pension liability for PERS 2/3. The proportions are based on Residential Services' contributions to the pension plan relative to the contributions of all participating employers.

SENSITIVITY OF THE NET PENSION LIABIILTY 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 7.40 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 (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate.

PERS 1 Residential Services' proportionate share of Net Pension Liability (Asset)	
1% Decrease	$122,965
Current Discount Rate	$98,171
1% Increase	$76,548

PERS 2/3 Residential Services' proportionate share of Net Pension Liability (Asset)	
1% Decrease	$186,405
Current Discount Rate	$29,958
1% Increase	($98,877)

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, 2019 are as follows:

Required Contribution Rates	College		Employee	
PERS				
Plan 1	12.86%		6.00%	
Plan 2	12.86%		7.90%	
Plan 3	12.86%	*	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, 2021 as follows (for the whole college):

		2021
PERS 1		
Employee	$	17,352
College	$	37,463
PERS 2/3		
Employee	$	1,166,627
College	$	2,031,989

AGGREGATED BALANCES:

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the Residential Services as of June 30, 2021 was June 30, 2020 (one year in arrears.) Employer contributions received and processed by the DRS during the measurement date fiscal year have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their fiscal year ended June 30 Schedules of Employer and Non-employer Allocations. Residential Services proportional share of TESC's share from DRS of the aggregated balance of pension amounts as of June 30, 2020 and the aggregated balance of TESCRP pension amounts as of June 30, 2021 are presented in the table below.

Aggregate Pension Amounts	DRS	TIAA
Net Pension Liabilities	$ (128,128)	$ (28,470)
Deferred Outflows of Resources	52,391	22,646
Deferred Inflows of Resources	(36,521)	(84,905)
Pension Expense	(5,467)	(22,863)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to pensions.

For the year ended June 30, 2021, Residential Services recognized a PERS 1 pension expense of $(2,937) and PERS 2/3 pension expense of $(2,529). At June 30, 2021, 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	-	547
Contributions subsequent to the measurement date	19,603	-
Total	$ 19,603	$ 547

Residential Services PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 10,724	$ (3,754)
Changes of assumptions	427	(20,464)
Net Difference between projected and actual earnings on pension plan investments	-	(1,521)
Change in proportion	554	(10,235)
Contributions subsequent to the measurement date	21,084	-
Total	$ 32,789	$ (35,974)

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

PERS 1	
2021	($2,480)
2022	($78)
2023	$757
2024	$1,255
2025	-
Thereafter	-

PERS 2/3	
2021	($14,294)
2022	($4,835)
2023	($1,331)
2024	$714
2025	($2,654)
Thereafter	($1,870)

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, 2021 was $48,522. 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, 2021.

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, 2020, the date of the latest actuarial valuation for the plan:

YEAR	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
2020	28	13	144	185

The 2020 census data were used for actuarial valuations that were used to project the Total Pension Liability to the measurement date of June 30, 2021.

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 footnote 3.B of the state of Washington's Annual Comprehensive Financial Report.

ACTUARIAL ASSUMPTIONS:

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 total pension liability was determined by an actuarial valuation as of June 30, 2020, with the results projected forward to the June 30, 2021, measurement date using the following actuarial assumptions:

- Discount Rate: 7.40%
- TIAA Increase Rate: 4.00%
- CREF Increase Rate: 6.25%
- Salary Growth: 3.75%

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.

A decrease in total pension liability was caused by two experience items. The CREF Stock Account returned approximately 42% for Fiscal Year 2021, which is significantly higher than the assumed return of 6.25%. Higher than expected returns on TIAA and CREF investments lead to lower supplemental benefits. The larger CREF return reduced the total pension liability. The 2020 Census data file had varied impacts, but was generally less impactful than the CREF returns.

DISCOUNT RATE:

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. Because of this reporting change, the discount rate has been set consistent with the expected long-term rate of return on the trust. Given the creation of dedicated funds to pay SRP benefits under HB 1661, the discount rate is now based on the long-term expected rate of return on the pension plan investments rather than the bond index rate. This led to an increase in the discount rate used to measure the liability from 2.21% as of June 30, 2020, to 7.40% as of June 30, 2021, and a significant decrease in Total Pension Liability. The 7.40% rate is consistent with OSA's long-term expected rate of return assumption for assets invested in the Commingled Trust Fund. The discount rate change reduced the Total Pension Liability by an additional 50%.

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

The following presents the net pension liability for the TESCRP for the College as an employer, calculated using the discount rate of 7.4%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1.0% point lower (6.4%) or 1.0% point higher (8.4%) than the current rate.

Total Pension Liability - Interest Rate Sensitivity		
1% Decrease 6.40%	**Current Discount Rate 7.40%**	**1% Increase 8.40%**
$ 32,644	$ 28,470	$ 24,822

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):

Consistent with GASB No. 67/68, plan assets are included in financial reporting. The June 30, 2021 asset amount offsets the total pension liability to yield the plan's net pension liability. Preliminary investment earnings of approximately 29% exceeded the current assumption of 7.40%. Investment earnings greater or less than expected are recognized over a five year period in the pension expense. Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying TESCRP 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 reports the pension liability net of plan assets as of June 30, 2021. The components of the Residential Services' liability were as follows:

Schedule of Changes in Net Pension Liability As of June 30, 2021	TPL (a)	Plan Fiduciary Net Position (b)	NPL (a) minus (b)
Beginning Balance	**$ 126,303**	**$ 14,299**	**$ 112,004**
Service Cost	3,633		3,633
Interest	2,921		2,921
Difference between expected and actual experience	(46,473)		(46,473)
Changes of assumptions	(36,257)		(36,257)
Employer Contributions	-	580	(580)
Investment Income	-	5,057	(5,057)
Benefit Payments	(1,720)		(1,720)
Net Change	**(77,896)**	**5,638**	**(83,534)**
Ending Balance	**$ 48,407**	**$ 19,937**	**$ 28,470**

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 for Fiscal Year Ending June 30, 2021		
Service Cost		$ 3,128
Interest Cost		2,515
Amortization of Differences between Expected and Actual Experience		(9,622)
Amortization of Changes of Assumptions		(2,390)
Expected Earnings on Plan Investments		(926)
Amortization of Differences between Projected and Actual Earnings on Plan Investments		(688)
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Pension Expense FY21		(7,983)
GASB 68 from GASB 73 reporting change effect	(14,881)	
Pension Expense		**$ (22,864)**

Deferred Outflows of Resources	
Difference Between Expected and Actual Experience	$ 4,730
Change in assumptions	17,917
Total	$ 22,647

Deferred Inflows of Resources		
Difference between expected and actual experience	$	48,201
Change in assumptions		33,451
Differences between Projected and Actual Earnings on Plan Investments		3,253
Total	$	84,905

Amortization of Deferred Inflows of Resources		
Year		
2022	$	(15,121)
2023		(12,738)
2024		(11,144)
2025		(11,561)
2026		(11,695)
Thereafter		-
Total	$	(62,259)

Note 12. Other Post-Employment Benefits (OPEB)

PLAN DESCRIPTION:

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

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

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For calendar years 2021, this amount is $183 per member per month. This is also passed through to State agencies via active employees rates charged to the agency.

OPEB implicit and explicit subsidies as well as administrative costs are funded by required contributions made by participating employers. State agency contributions are made on behalf of all active, health care eligible employees, regardless of enrollment status. Based on the funding practice, the allocation method used to determine proportionate share is each agency's percentage of the state's total active, health care eligible employee headcount. As of June 2020, the total College and the Residential Services' headcount of active member are 590 and 13 respectively.

ACTUARIAL ASSUMPTIONS:

Accounting requirements dictate the use of assumptions to best estimate the impact the pension 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement period:

• **Inflation:** 2.75%
• **Salary Increases:** 3.50% including service-based salary increases
• **Health Care Trend Rates:** Initial rate ranges from 2-11% adjusting to 4.3% in 2075
• **Post-retirement Participation:** 65.00%
• **Spouse Coverage:** 45.00%

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

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index. A discount rate of 3.50% was used for the June 30, 2019 measurement date and 2.21% for the June 30, 2020 measurement date.

The following presents proportional share of the total College OPEB liability, calculated using the discount rate of 2.21%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate.

Total OPEB Liability Discount Rate Sensitivity		
1% Decrease	$	678,026
Current Discount Rate – 2.21%	$	560,003
1% Increase	$	468,106

The following represents the total OPEB liability of the College calculated using the health care trend rates of 2-11% decreasing to -0.21%-8.79%, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10% decreasing to -1.21%-7.79%) or 1 percentage point higher (3-12% decreasing to 0.79%-9.79%) than the current rate:

Total OPEB Liability Health Care Cost Trend Rate Sensitivity		
1% Decrease	$	456,343
Current Discount Rate – 2-11%	$	560,003
1% Increase	$	698,979

TOTAL OPEB LIABILITY:

As of June 30, 2021, 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		**2021**
Service cost	$	29,987
Interest		25,084
Changes of benefit terms		-
Differences between expected & actual experience		(3,844)
Changes in assumptions		16,260
Benefit payments		(11,943)
Change in Proportionate share		(65,234)
Other		(25,550)
Net Change in Total OPEB Liability		**(35,240)**
Total OPEB Liability - Beginning		**545,095**
Change in auxiliary proportionate share		50,148
Total OPEB Liability - Ending	**$**	**560,003**

Residential Services' proportionate share of OPEB expense for the fiscal year ended June 30, 2021 was $43,807.

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		
2021		
Change in proportion	$	657
Difference between expected and actual experience		12,286
Change in assumptions		38,508
Contributions subsequent to the measurement date		9,850
TOTAL	**$**	**61,300**

Deferred Inflows of Resources		
2021		
Difference between expected and actual experience	$	2,648
Changes of assumptions		132,072
Changes in Proportion		140,283
TOTAL	**$**	**275,003**

Amortization of Deferred Outflows and Deferred Inflows of Resources		
Year		
2021	$	(36,363)
2022		(36,363)
2023		(36,363)
2024		(36,363)
2025		(36,363)
Thereafter		(41,738)
TOTAL	**$**	**(223,553)**

Note 13. Risk Management

The College purchases commercial insurance for auxiliary enterprise buildings, which were acquired with bond proceeds where the bond agreement requires the College to insure property and earnings. The College participates in a State of Washington risk management program based on the concept of self-insurance for coverage of its other properties. During the past three fiscal years, no settlement 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 FY 2021 were $189,141. At the end of FY2021, the reserve balance was $309,211.

Note 14. 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 of Revenue Pledged	Current Year Revenues Pledged (net)	Current Year Debt Service	Total Future Revenues Pledged	Description of Debt	Purpose of Debt	Term of Commitment
Student housing rentals	$ (843,481)	$ 419,970	$ 2,076,010	2015 Housing Bond	Refunding of 2006 Bond Issue	2026