



Years Ended
June 30, 2026
and 2025

Financial
Statements
and
Supplementary
Information

Rehmann

WASHTENAW COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

September 18, 2026

Board of Trustees
Washtenaw Community College
Ann Arbor, Michigan

Report on the Audit of the 2026 Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of ***Washtenaw Community College*** (the "College"), as of and for the year ended June 30, 2026, 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, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions on the 2026 Financial Statements

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 *Independent Auditors' Responsibilities for the Audit of the 2026 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. The 2026 financial statements of Washtenaw Community College Foundation were not audited in accordance with *Government Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Implementation of GASB Statement No. 103

As described in Note 1, during the year ended June 30, 2026, the College implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, effective July 1, 2024. 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 the 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 College's ability to continue as a going concern for twelve months beyond the financial statement date, including currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the 2026 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents, 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.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the supplementary information for the year ended June 30, 2026, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Predecessor Auditor

The financial statements of ***Washtenaw Community College*** as of June 30, 2025 were audited by other auditors whose report dated September 15, 2025, expressed unmodified opinions on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated September 18, 2026 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Overview of the Financial Statements

The discussion and analysis of **Washtenaw Community College's** (the "College" or "WCC") financial statements provide an overview of the College's financial activities for the years ended June 30, 2026 and 2025. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College administration. This section is intended to assist readers in understanding the College's financial performance and condition and should be read in conjunction with the accompanying financial statements and notes.

The College's annual financial report includes the report of independent auditors, the management's discussion and analysis, the basic financial statements, notes to financial statements, and supplementary information. The College also reports a discretely presented component unit—the **Washtenaw Community College Foundation** (the "Foundation").

These statements are organized so the reader can understand the College financially as a whole. The financial statements of the College are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and follow the financial reporting model established by the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and Statement No. 103, *Financial Reporting Model Improvements*.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All the current year's revenues and expenses are recognized as incurred.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Financial Summary and Detailed Analysis

The Statements of Net Position

The following is a comparison of the major components of the net position of the College as of June 30, 2026, 2025 and 2024:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Assets			
Current assets	\$ 80,748	\$ 84,070	\$ 69,470
Noncurrent assets			
Capital assets, net	152,675	151,113	147,108
Investments	68,672	50,472	37,174
Net OPEB asset	19,960	15,952	2,135
Total assets	<u>322,055</u>	<u>301,607</u>	<u>255,887</u>
 Deferred outflows of resources	 <u>23,939</u>	 <u>28,998</u>	 <u>40,348</u>
 Liabilities			
Current liabilities	19,136	21,009	16,761
Noncurrent liabilities			
Net pension liability	74,191	88,723	119,315
Other	3,309	5,246	3,635
Total liabilities	<u>96,636</u>	<u>114,978</u>	<u>139,711</u>
 Deferred inflows of resources	 <u>50,541</u>	 <u>61,326</u>	 <u>52,992</u>
 Net position			
Net investment in capital assets	146,554	142,969	141,523
Restricted - net OPEB asset	19,960	15,952	2,135
Unrestricted (deficit)			
Pension & OPEB deficit	(100,838)	(121,155)	(132,117)
Other	133,141	116,535	91,991
Total net position	<u><u>\$ 198,817</u></u>	<u><u>\$ 154,301</u></u>	<u><u>\$ 103,532</u></u>

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Fiscal Year 2026

The College's overall net position increased approximately \$44.5 million, or 28.9 percent, during the fiscal year ended June 30, 2026. The College's financial position continues to be impacted significantly by GASB Statements 68 and 75. The College's change in net position includes a positive \$24.3 million impact due to the recording of net pension and other postemployment benefits (OPEB) assets/liabilities per GASB Statements 68 and 75.

Excluding the impact of GASB Statements 68 and 75, the College's net position increased by approximately \$20.2 million for the year ended June 30, 2026. Of this change, unrestricted net position increased \$36.9 million. The amount invested in capital assets increased by approximately \$3.6 million, as \$13.6 million in new asset purchases including new SBITA assets, net of disposals, along with \$2.1 million of new subscription based information technology arrangement (SBITA) obligations, net of principal reductions on all financing obligations, were offset by \$12.0 million in depreciation and amortization expense, net of disposals.

The College's total assets, excluding the net OPEB asset, at June 30, 2026 were \$302.1 million, an increase of 5.8 percent or \$16.4 million. This change is primarily due to the increase in Investment assets resulting from investing surplus cash awaiting upcoming capital projects.

The College's net liabilities/assets for pension and OPEB costs decreased by \$18.6 million, from \$72.8 million to \$54.2 million as of June 30, 2025, and June 30, 2026, respectively. The decreased net liability was due to plan performance.

Fiscal Year 2025

The College's financial position continues to be impacted significantly by GASB Statements 68 and 75. The College's overall net position increased approximately \$50.8 million during the fiscal year ended June 30, 2025, which includes a positive \$24.8 million impact due to the recording of net pension and other postemployment benefits (OPEB) asset/liabilities per GASB Statements 68 and 75.

Excluding the impact of GASB Statements 68 and 75, the College's net position increased by approximately \$26.0 million, or 11.1 percent for the year ended June 30, 2025. Of this change, unrestricted net position increased \$24.5 million. The amount invested in capital assets increased by approximately \$1.5 million, as \$12.8 million in new asset purchases including new SBITA additions, net of disposals, and \$2.5 million of new subscription based information technology arrangement (SBITA) obligations, net of principal reductions on all financing obligations, were offset by \$8.8 million in depreciation and amortization expense, net of disposals.

The College's net assets/liabilities for pension and OPEB costs decreased \$44.4 million, from \$117.2 million to \$72.8 million as of June 30, 2024 and June 30, 2025, respectively. The decreased net liability was due to plan performance. The College's total assets excluding the net OPEB asset, at fiscal year-end were \$285.7 million, an increase of 12.6 percent or \$31.9 million. The change is primarily due to the increase in current and other noncurrent assets resulting from investing surplus cash awaiting upcoming capital projects.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

The Statements of Revenues, Expenses, and Changes in Net Position

Internally, the College accounts for its activities using fund accounting, which is then reorganized into operating, non capital subsidies, and nonoperating components for the audited financial statements. Due to the significance of the variances generated by the GASB 68 and 75 entries, and the related pension and OPEB expense resulting from the State of Michigan contributions to the MPSERS retirement plan, Operating Expenses are displayed below with those items shown separately from other College operating expenses. Following is a comparison of the major components of operating results of the College for the years ended June 30, 2026, 2025 and 2024:

Operating Results for the Years Ended June 30 (in thousands)

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 70,998	\$ 67,662	\$ 62,020
Operating expenses			
Pension and OPEB	(25,126)	(22,796)	(15,374)
All other	<u>160,052</u>	<u>149,938</u>	<u>145,256</u>
	<u>134,926</u>	<u>127,142</u>	<u>129,882</u>
Operating loss	(63,928)	(59,480)	(67,862)
Noncapital subsidies	<u>104,382</u>	<u>103,781</u>	<u>99,070</u>
Operating loss and noncapital subsidies	40,454	44,301	31,208
Net other nonoperating revenues	<u>4,062</u>	<u>6,468</u>	<u>8,358</u>
Increase in net position	44,516	50,769	39,566
Net position			
Beginning of year	154,301	103,532	63,966
End of year	<u>\$ 198,817</u>	<u>\$ 154,301</u>	<u>\$ 103,532</u>

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Operating Revenues

Operating revenues include tuition and fees, federal grants including Pell grants, state grants, private grants and contracts. Federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

The following table shows operating revenues by source for the years ended June 30, 2026, 2025 and 2024:

	<u>2026</u>		<u>2025</u>		<u>2024</u>	
	\$ in 000's	% of total	\$ in 000's	% of total	\$ in 000's	% of total
Tuition and fees, net	\$ 26,020	37%	\$ 24,019	35%	\$ 28,641	46%
Grants and contracts	28,849	41%	28,323	42%	19,862	32%
Auxiliary services	5,945	8%	5,315	8%	4,693	8%
Other sources	10,185	14%	10,005	15%	8,824	14%
	<u>\$ 70,998</u>		<u>\$ 67,662</u>		<u>\$ 62,020</u>	

Fiscal Year 2026

For the College as a whole, total operating revenues increased by 4.9 percent or \$3.3 million.

Significant changes included the following:

- Student tuition and fees revenue, net of scholarship allowance, increased 8.3 percent or \$2.0 million compared to the prior year. This was due to an increase in combined total credit hours for the College's Fall and Winter semesters which increased approximately 2.4 percent compared to the prior year. Additionally, apart from in-district rates, which remained the same, the College increased all its tuition rates in the range of 3 to 5 percent during fiscal year 2026.
- Grants and contracts increased 1.9 percent or \$0.5 million compared to the prior year. While these amounts are consistent compared to the prior year, it is significant to note that Pell grant revenue has been reclassified here in conformity with GASB 103. Prior year Pell grant revenue amounts have also been reclassified.
- Auxiliary services revenue increased by 11.8 percent, or \$0.6 million, due to continued growth in membership at The Health & Fitness Center at Washtenaw Community College along with a rate increase for members.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Fiscal Year 2025

For the College as a whole, total operating revenues increased by 9.1 percent or \$5.6 million.

Significant changes included the following:

- Student tuition and fees revenue, net of scholarship allowance, decreased 16.1 percent or \$4.6 million compared to the prior year. This was due to a change in methodology in calculating the scholarship allowance. The change was made to align the College's process with best practices as outlined by the National Association of College and University Business Officers (NACUBO). The scholarship allowance, which is an offset to tuition revenue, increased by \$6.1 million compared to the prior year. This increase in the scholarship allowance and the corresponding decrease in tuition revenue was offset by a \$1.4 million increase in gross tuition revenue. Gross tuition revenue increased as the combined total credit hours for the College's Fall and Winter semesters increased approximately 4.4 percent compared to the prior year. Additionally, with the exception of in-district rates, the College increased all of its tuition rates by an average of 3 percent during fiscal year 2025.
- Grants and contracts increased 42.6 percent or \$8.5 million compared to the prior year. The increase stems from an increase of \$1.6 million in federal grants and \$2.6 million in state grants. New federal grants include \$1.0 million spending on the ADN to BSN grant and \$0.5 million spending on a MEDC Semiconductor Electric Vehicle Battery grant. State grants include \$2.3 million of spending on the MI STAR grant. Federal Pell Grant revenue increased by 30.3 percent, or \$4.3 million. This increase was due to an approximate 15.8 percent increase in the number of students awarded a Pell Grant combined with an approximate 13.2 percent increase in the average Pell Award.
- Auxiliary services revenue increased by 13.3 percent, or \$0.6 million, due to continued growth in membership at The Health & Fitness Center at Washtenaw Community College. Post-pandemic, recovery has been steady but tempered by shifts in work and lifestyle patterns, such as the rise in remote work.
- Other sources revenue increased by 13.4 percent, or \$1.2 million. The College's conference center experienced continued revenue growth in the amount of \$0.5 million as compared to the prior year. The College also partners with a number of trade organizations which offer their annual instructor training programs on the College's campus in the summer months. The demand for these programs continues to expand and as a result the College experienced revenue growth of \$0.8 million related to these programs.

Operating Expenses

Operating expenses are all the costs necessary to perform, conduct, and support academic programs, student services and community activities. They include salaries and benefits, utilities, supplies, services, and depreciation/amortization and are then categorized by function. For this financial report, the different funds of the College are netted, and interfund activities are eliminated. While the impact of GASB Statements 68 and 75 is allocated across the functional classifications within the financial statements, for purposes of this discussion GASB 68 and 75 reduction of expenses are excluded from the functional expense classifications and are presented separately.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

The following table shows operating expenses by function for the College as a whole for the years ended June 30, 2026, 2025 and 2024.

	<u>2026</u>		<u>2025</u>		<u>2024</u>	
	\$ in 000's	% of total	\$ in 000's	% of total	\$ in 000's	% of total
Instruction	\$ 54,436	40%	\$ 51,018	40%	\$ 51,478	40%
Technology	10,378	8%	10,252	8%	8,775	7%
Public service	6,677	5%	6,765	6%	5,689	5%
Instructional support	19,148	15%	17,928	14%	14,754	11%
Student services and student aid	24,498	18%	23,414	18%	24,759	19%
Institutional administration	15,841	12%	13,938	11%	13,318	10%
Physical plant operations	16,557	12%	15,243	12%	15,971	12%
Depreciation and amortization	12,517	9%	11,380	9%	10,512	8%
Pension/OPEB	(25,126)	-19%	(22,796)	-18%	(15,374)	-12%
	<u>\$ 134,926</u>		<u>\$ 127,142</u>		<u>\$ 129,882</u>	

Fiscal Year 2026

During fiscal year 2026, institution-wide operating expenses increased 6.1 percent, or \$7.8 million.

- Instruction increased by \$3.4 million or 6.7 percent. \$0.8 million of this increase is related to increased spending of \$0.9 million and \$0.3 million on the Semiconductor and Electric Vehicle grant and the Michigan Science, Teaching, and Assessment grant, respectively. A decrease of \$0.4 million in spending on the MiLEAP Associate Degree in Nursing to Bachelor of Science in Nursing grant offset these increases. The largest other factors contributing to the increase from prior year stem from several areas: \$0.5 million growth in public service training costs due to the College running an extra police academy during the year, \$0.5 million increase associated with the expanded summer trade training program for the International Brotherhood of Electrical Workers, and \$0.4 million increase within the welding department to support program growth.
- Institutional Administration increased by \$1.9 million or 13.7 percent. The largest portion of this increase, \$0.6 million, related to an increase in student account write-offs as the College identified and wrote off aged receivables.
- Physical Plant Operations increased by \$1.3 million or 8.6 percent. \$0.1 million of this increase is related to a new contract for the creation of a new campus master plan. An additional \$0.1 million of this increase stems from an increase in electrical utility costs.
- Depreciation and amortization expense increased by \$1.1 million, or 10.0 percent. This increase was primarily due to a \$0.6 million increase in depreciation expense on equipment and a \$0.5 million increase in amortization on SBITA right of use assets as both of these capital asset classifications increased from the prior year.
- A decrease in the combined GASB 68 pension expense and GASB 75 OPEB expense of \$2.3 million, or 10.2 percent, was recognized in fiscal year 2026. The decrease was primarily a result of differences between expected and actual experience of the MPSERS pension/OPEB plan investments.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Additional significant increases in the areas of Instruction, Instructional Support, Student Services and Student Aid, Institutional Administration, and Physical Plant Operations relate to increased spending on personnel across a number of departments within the general fund. These additional personnel costs include filling vacant positions and wage increases.

Fiscal Year 2025

During fiscal year 2025, institution-wide operating expenses decreased 2.1 percent, or \$2.7 million.

- Technology increased by \$1.5 million or 16.8 percent. \$1.2 million of this increase stems from the College executing a new long-term contract for managed information technology services that commenced at the beginning of the fiscal year.
- The Public Service function increased by \$1.1 million or 18.9 percent. \$0.4 million of this increase was experienced due to continued membership growth at the Health and Fitness Center at Washtenaw Community College. \$0.3 million of increase in Public Service expenses was due to the increased usage of the conference center at the College. The additional growth in Public Service expenses related to expenses for two public service grants.
- Instructional Support increased by \$3.2 million or 21.5 percent. \$2.2 million of this increase pertains to spending for a new MI STAR grant.
- Student Services and Student Aid decreased by \$1.3 million or 5.4 percent. This was due to a change in methodology in calculating the scholarship allowance. The change was made to align the College's process with best practices as outlined by the National Association of College and University Business Officers (NACUBO). The scholarship allowance, which is an offset to tuition revenue, increased by \$6.1 million compared to the prior year. This increase in the scholarship allowance and the corresponding decrease in Student Services and Student Aid expenses was offset by student aid within the restricted fund increasing \$4.2 million which pertains almost entirely to an increase in Pell grants.
- Depreciation and amortization expense increased by \$0.9 million, or 8.3 percent. This increase was primarily due to an increase in SBITA right of use assets.
- A decrease in the combined GASB 68 pension expense and GASB 75 OPEB expense of \$7.4 million, or 48.3 percent, was recognized in fiscal year 2025. The decrease was primarily a result of differences between expected and actual experience of the MPSERS pension/OPEB plan investments.

Additional significant increases in the areas of Instructional Support and Student Services and Student Aid relate to increased spending on personnel across a number of departments within the general fund. These additional personnel costs include filling vacant positions and to wage increases.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Noncapital Subsidies and Other Nonoperating Revenues (Expenses)

The following table shows noncapital subsidies as well as nonoperating revenues (expenses) for the years ended June 30, 2026, 2025 and 2024:

	\$ in 000's				
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>Change 2026 to 2025</u>	<u>Change 2025 to 2024</u>
Noncapital subsidies					
State appropriations	\$ 26,564	\$ 30,201	\$ 30,062	\$ (3,637)	\$ 139
Property taxes	77,818	73,580	69,008	4,238	4,572
Total noncapital subsidies	<u>\$ 104,382</u>	<u>\$ 103,781</u>	<u>\$ 99,070</u>	<u>\$ 601</u>	<u>\$ 4,711</u>
Other nonoperating revenues (expenses)					
Investment and interest income	4,920	4,644	4,018	276	626
Unrealized (loss) gain on investments	(692)	1,065	587	(1,757)	478
Loss on disposal of assets	(71)	(151)	(55)	80	(96)
State capital grants	-	-	3,950	-	(3,950)
Capital grants and contributions	240	1,244	90	(1,004)	1,154
Interest on capital asset - related debt	(335)	(334)	(232)	(1)	(102)
Net other nonoperating revenues	<u>\$ 4,062</u>	<u>\$ 6,468</u>	<u>\$ 8,358</u>	<u>\$ (2,406)</u>	<u>\$ (1,890)</u>

Fiscal Year 2026

Noncapital subsidies increased by \$0.6 million, or 0.6 percent. Significant variance items include the following:

- State appropriations revenue decreased \$3.6 million, or 12.0 percent. The majority of this decrease pertained to a \$2.8 million reduction in the recognition of MPSERS pension and OPEB amounts. There was a \$1.1 million decrease in state appropriations within the general fund due to a one-time payment of \$2.2 million to reduce UAAL costs that was received in the prior year. These decreases were offset by an increase in general state appropriations.
- Local government (property) taxes increased by 5.8 percent, or \$4.2 million, due to increased taxable values throughout the county.

Net other nonoperating revenues decreased by \$2.4 million, or 37.2 percent. Significant variance items include the following:

- Interest and investment income grew by \$0.3 million due primarily to the College carrying a higher balance of invested funds throughout the year as compared to prior years.
- The College recognized an unrealized loss on investments of \$0.7 million; a decrease of \$1.8 million compared to the prior fiscal year. The College invests its surplus monies in interest-bearing instruments. Changes in the interest rates available in the marketplace, relative to the interest rates attached to the instruments in the College's investment portfolio, have impacted the market value of the portfolio significantly over the past three years. Historically, the College has held its investments until maturity, thus negating the impact of these market adjustments over time.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

- Capital grants and contributions decreased \$1.0 million compared to the prior year. This decrease stems from a capital grant of \$1.2 million received in the prior year from the United Association of Plumbers and Pipefitters to share in the renovation costs of various construction projects.

Fiscal Year 2025

Noncapital subsidies increased by \$4.7 million, or 4.8 percent. Significant variance items include the following:

- While State appropriations revenue remained consistent in comparison to the prior year, the prior year had a substantial one-time increase related to MPSERS UAAL Stabilization revenue recognition. The current year experienced an additional one-time payment of \$2.2 million to reduce UAAL costs. This increase was offset by \$2.5 million of reduction of recurring MPSERS UAAL Stabilization and recognition of MPSERS pension/OPEB amounts.
- Local government (property) taxes increased by 6.6 percent, or \$4.6 million, due to increased taxable values throughout the county.

Net other nonoperating revenues decreased by \$1.9 million, or 22.6 percent. Significant variance items include the following:

- Interest and investment income grew by \$0.6 million due primarily to the College carrying a higher balance of invested funds throughout the year as compared to prior years.
- The College recognized an unrealized gain on investments of \$1.1 million; an increase of \$0.5 million compared to the prior fiscal year. The College invests its surplus monies in interest-bearing instruments. Changes in the interest rates available in the marketplace, relative to the interest rates attached to the instruments in the College's investment portfolio, have impacted the market value of the portfolio significantly over the past three years. As a result, reported investment values may fluctuate from year to year as market conditions change, even though the underlying investments continue to generate interest income and support the College's liquidity and capital funding objectives. The College generally intends to hold investments to maturity when practical to minimize the impact of short-term market fluctuations on realized investment returns.
- State capital grants decreased by \$3.9 million due to a one-time grant received from the state in the prior year.
- Capital grants and contributions increased \$1.2 million. This increase stems from a capital grant of \$1.2 million received from the United Association of Plumbers and Pipefitters to share in the renovation costs of various construction projects.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Statements of Cash Flows

Another way to assess the financial health of the College is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Cash Flows for the Years Ended June 30 (in thousands)

	2026	2025	Change 2026 to 2025	2024	Change 2025 to 2024
Cash flows from					
Operating activities	\$ (94,869)	\$ (89,284)	\$ (5,585)	\$ (87,063)	\$ (2,221)
Noncapital financing activities	122,365	120,904	1,461	109,932	10,972
Capital and related financing activities	(16,583)	(11,223)	(5,360)	(4,859)	(6,364)
Investing activities	(12,176)	(14,906)	2,730	(23,902)	8,996
Net change in cash and cash equivalents	(1,263)	5,491	(6,754)	(5,892)	11,383
Cash and cash equivalents - beginning of year	26,042	20,551	5,491	26,443	(5,892)
Cash and cash equivalents - end of year	\$ 24,779	\$ 26,042	\$ (1,263)	\$ 20,551	\$ 5,491

Fiscal Year 2026

Cash flows decreased \$1.3 million for the year ended June 30, 2026. The first two categories, Operating and Noncapital financing activities reflect the basic operations of the College. These activities, which include tuition revenue, as well as Pell grants, property tax revenue and state appropriations, net of operating expenses, generated approximately \$27.5 million in cash flows during fiscal year 2026. This net cash flow, along with capital grant receipts of \$0.2 million, then financed \$12.8 million of investments in capital assets and \$4.0 million of debt reduction and related interest. As the College continues to execute both its long-term and short-term investment strategy, an additional \$12.2 million was allocated to investments in fiscal year 2026. The College invests in a wide variety of interest-bearing vehicles maximizing investment returns with minimal increase in risk.

Washtenaw Community College
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Fiscal Year 2025

Cash flows increased \$5.5 million for the year ended June 30, 2025. The first two categories, Operating and Noncapital financing activities reflect the basic operations of the College. These activities, which include tuition revenue, as well as Pell grants, property tax revenue and state appropriations, net of operating expenses, generated approximately \$31.7 million in cash flows during fiscal year 2025. This net cash flow, along with capital grant receipts of \$1.1 million, then financed \$9.1 million of investments in capital assets and \$3.3 million of debt reduction and related interest. As the College continues to execute both its long-term and short-term investment strategy, an additional \$14.9 million was allocated to investments in fiscal year 2025. The College invests in a wide variety of interest-bearing vehicles maximizing investment returns with minimal increase in risk.

Capital Assets and Long-Term Financing Activities

Capital Assets

Fiscal Year 2026

At June 30, 2026, the College had \$152.7 million invested in capital assets, net of accumulated depreciation and amortization of approximately \$188.8 million. Depreciation and amortization charges totaled \$12.5 million for fiscal 2026. Significant additions to capital assets for the year ended June 30, 2026 include \$1.2 million for auditorium renovations in the Liberal Arts Building, \$0.6 million for parking lot resurfacing, and \$0.6 million for the boiler lab project in the Great Lakes Regional Training Center.

Major capital projects in progress at June 30, 2026 are as follows:

- Security Camera System Upgrade
- Student Center Renovations
- Electric Vehicle Charging Stations and Battery Lab
- Shipping and Receiving Building Renovation
- Maintenance Garage Renovation
- LA Auditorium Renovations

Fiscal Year 2025

At June 30, 2025, the College had \$151.1 million invested in capital assets, net of accumulated depreciation and amortization of approximately \$176.7 million. Depreciation and amortization charges totaled \$11.4 million for fiscal 2025. Significant additions to capital assets for the year ended June 30, 2025 include \$1.6 million for a network upgrade, \$1.3 million for the campus security system upgrade and \$0.4 million for the Shipping and Receiving Building renovation.

Major capital projects in progress at June 30, 2025, are as follows:

- Security Camera System Upgrade
- Shipping and Receiving Building Renovation

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

Long-Term Financing

At June 30, 2026 and 2025, the College had \$1.2 million and \$2.3 million, respectively, outstanding in general obligation bonds.

In March 2015, the College took advantage of the existing low interest rate environment and refinanced its outstanding long-term debt obligations. Footnote 7 to these financial statements discusses the transaction in greater detail.

At June 30, 2026 and 2025, the College had \$0.2 million and \$0.3 million, respectively, outstanding in installment purchase obligations relating to a right of use asset for the College's copier fleet.

At June 30, 2026 and 2025, the College had \$4.8 million and \$5.5 million, respectively, outstanding in long-term obligations relating to SBITA liabilities for the College's use of various software and information technology subscriptions.

Currently Known Facts, Decisions, or Conditions

Washtenaw Community College operates in an environment influenced by demographic, economic, and policy trends. These factors present both risks and opportunities. The College's financial stability, adaptability in program delivery, and continued community support provide a foundation to respond to these external pressures.

While students continue to return to on-campus classes, a large portion still take online courses. Online courses present both a risk and an opportunity. Online courses allow the College to reach students who otherwise would not take courses on campus. In that respect, the College has become even stronger in terms of its ability to serve its students' needs. Statewide, the number of high school graduates is slowly declining. This trend is expected to continue into the foreseeable future and could impact tuition and fee revenues. As such, the College is pursuing adult learners and other groups to mitigate this trend in high school graduates. The College's proficiency in the delivery of online coursework will help it serve the targeted nontraditional students.

Other economic uncertainties remain, such as inflation and its impact on the College's expenses and enrollment over the long term. As such, the College will be required to maintain its cost management strategies and financial flexibility to maintain a balanced budget.

Nationally, community colleges continue to be at the forefront due to affordable tuition rates and responsive curriculum. However, even with the relatively low cost for education, the College's students still greatly rely on federal and state aid and loans to fund their educational pursuit. In fiscal year 2026 and 2025, WCC students received in excess of \$37 million in federal and state funding to support the cost of their education at WCC. To the extent that these funding sources could change due to future legislation, this may impact students' ability to pursue their education.

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2026

WCC is committed to providing quality, affordable education for the College's credit and non-credit students, while also serving as a resource for the community. Ongoing efforts to maintain low operating costs and to pursue external funding sources have allowed the College to offer outstanding programs at affordable tuition rates.

The College counts on the strong support of the citizens and business leaders of Washtenaw County. The health of the local economy has provided a consistent source of funding to the College through local property tax revenues. Revenue from property taxes is expected to increase in the upcoming year as property values in Washtenaw County continue to improve.

State funding continues to account for approximately 13 percent of the College's annual operating budget. The College continues to perform well against state performance metrics. However, state funding is constantly threatened by various legislative initiatives which include potential restriction of use of the state School Aid Fund.

The Michigan Public School Employees Retirement System (MPERS) continues to represent a significant long-term liability for participating institutions. As of June 30, 2026, the College reported \$54.2 million in its proportionate share of unfunded liabilities, almost entirely attributable to the pension portion of the plan. The OPEB (retiree health care) portion is currently fully funded. While recent investment performance has reduced the overall pension liability, required contribution rates remain a significant operating cost. Supplemental state funding helps offset some of these obligations, and legislative reforms encouraging new employees to elect defined contribution plans may help stabilize costs in the future. The College continues to budget conservatively in this area.

In summary, the College faces both financial risks and opportunities related to enrollment trends, state and federal funding, inflationary pressures, and retirement obligations. Management will continue to monitor these external factors and adjust strategies to maintain financial stability and fulfill the College's mission of providing accessible and affordable education.

BASIC FINANCIAL STATEMENTS

WASHTENAW COMMUNITY COLLEGE

Statements of Net Position

	June 30	
	2026	2025
Assets		
Current assets		
Cash and cash equivalents	\$ 24,779,232	\$ 26,042,665
Investments	43,868,436	45,808,113
Property taxes receivable, net	130,336	216,739
State appropriations receivable	4,500,771	4,169,293
Accounts receivable, net	5,893,397	6,486,746
Accrued interest receivable	485,143	340,392
Inventories	194,327	184,003
Prepaid and other assets	896,196	821,601
Total current assets	80,747,838	84,069,552
Noncurrent assets		
Investments	68,672,107	50,472,493
Net OPEB asset	19,960,172	15,951,812
Capital assets, net	152,675,223	151,113,305
Total noncurrent assets	241,307,502	217,537,610
Total assets	322,055,340	301,607,162
Deferred outflows of resources		
Deferred charge on refunding	44,907	102,875
Deferred OPEB amounts	3,282,914	3,698,182
Deferred pension amounts	20,611,099	25,197,145
Total deferred outflows of resources	23,938,920	28,998,202
Liabilities		
Current liabilities		
Accounts payable	4,146,045	3,556,221
Accrued payroll and withholdings	4,474,042	4,106,081
Compensated absences, current portion	2,805,000	2,853,276
Accrued interest payable	156,742	177,085
Deposits	412,165	409,373
Unearned revenue	3,900,581	6,905,555
Bonds payable, current portion	1,204,239	1,176,546
Installment purchase obligation, current portion	110,693	103,561
SBITA liability, current portion	1,926,538	1,721,896
Total current liabilities	19,136,045	21,009,594
Noncurrent liabilities		
Compensated absences, net of current portion	384,647	-
Bonds payable, net of current portion	-	1,204,239
Net pension liability	74,190,909	88,723,456
Installment purchase obligation, net of current portion	95,732	216,157
SBITA liability, net of current portion	2,828,933	3,824,962
Total noncurrent liabilities	77,500,221	93,968,814
Total liabilities	96,636,266	114,978,408
Deferred inflows of resources		
Deferred OPEB amounts	18,064,208	22,811,477
Deferred pension amounts	32,476,721	38,514,785
Total deferred inflows of resources	50,540,929	61,326,262
Net position		
Net investment in capital assets	146,553,995	142,968,819
Restricted for net OPEB asset	19,960,172	15,951,812
Unrestricted (deficit)	32,302,898	(4,619,937)
Total net position	\$198,817,065	\$154,300,694

The accompanying notes are an integral part of these financial statements.

WASHTENAW COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2026	2025
Operating revenues		
Tuition and fees, net of scholarship allowance of \$11,747,475 (\$12,044,275 in 2025)	\$ 26,019,833	\$ 24,019,101
Federal grant - Pell award	18,298,560	18,544,115
Other Federal grants and contracts	5,746,182	5,626,809
State grants and contracts	4,047,819	3,625,925
Private grants and contracts	755,964	525,902
Sales and services of educational activities	120,846	163,164
Auxiliary services	5,944,734	5,315,180
Other sources	10,064,012	9,841,757
Total operating revenues	70,997,950	67,661,953
Operating expenses		
Instruction	40,301,646	37,964,354
Technology	10,378,268	10,248,106
Public service	6,529,761	6,660,714
Instructional support	15,702,078	15,060,710
Student services and student aid	21,472,690	20,754,113
Institutional administration	14,820,847	12,914,823
Physical plant operations	13,204,215	12,158,399
Depreciation and amortization	12,516,827	11,380,340
Total operating expenses	134,926,332	127,141,559
Operating loss	(63,928,382)	(59,479,606)
Noncapital subsidies		
State appropriations	26,564,308	30,200,674
Property taxes	77,818,149	73,580,198
Total noncapital subsidies	104,382,457	103,780,872
Operating loss and noncapital subsidies	40,454,075	44,301,266
Other nonoperating revenues (expenses)		
Investment and interest income	4,920,435	4,644,438
Unrealized (loss) gain on investments	(692,187)	1,065,018
Loss on disposal of assets	(70,737)	(151,258)
Capital grants and contributions	239,517	1,243,506
Interest on capital asset - related debt	(334,732)	(334,192)
Net other nonoperating revenues	4,062,296	6,467,512
Increase in net position	44,516,371	50,768,778
Net position, beginning of year	154,300,694	103,531,916
Net position, end of year	\$ 198,817,065	\$ 154,300,694

The accompanying notes are an integral part of these financial statements.

WASHTENAW COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Cash flows from operating activities		
Tuition and fees	\$ 24,011,521	\$ 26,487,143
Grants and contracts	11,139,044	8,637,327
Payments to suppliers and students	(46,223,126)	(43,741,606)
Payments to employees	(99,805,543)	(95,823,944)
Other	16,008,746	15,156,937
Net change in cash from operating activities	(94,869,358)	(89,284,143)
Cash flows from noncapital financing activities		
Federal grant - Pell award	17,773,077	18,466,543
Property taxes	77,904,552	73,478,103
State appropriations	27,033,690	28,676,861
Federal Direct Student Loan receipts	11,081,545	12,641,890
Federal Direct Student Loan disbursements	(11,427,608)	(12,359,388)
External scholarships and grant receipts	8,324,714	4,725,087
External scholarships and grant disbursements	(8,324,714)	(4,725,087)
Net change in cash from noncapital financing activities	122,365,256	120,904,009
Cash flows from capital and related financing activities		
Purchases of capital assets	(12,804,415)	(9,089,199)
Principal paid on capital debt, SBITAs, and leases	(3,694,340)	(3,100,439)
Capital grant receipts	239,517	1,158,905
Interest paid on capital debt, SBITAs, and leases	(323,653)	(191,792)
Net change in cash from capital and related financing activities	(16,582,891)	(11,222,525)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	174,250,000	156,300,000
Interest on investments	2,613,879	2,095,993
Purchase of investments	(189,040,319)	(173,302,033)
Net change in cash from investing activities	(12,176,440)	(14,906,040)
Net change in cash and cash equivalents	(1,263,433)	5,491,301
Cash and cash equivalents, beginning of year	26,042,665	20,551,364
Cash and cash equivalents, end of year	\$ 24,779,232	\$ 26,042,665
Noncash information		
SBITAs and lease obligations arising from obtaining right-of-use assets	\$ 1,639,660	\$ 5,998,932
Change in payable related to acquisition of capital assets	\$ (321,456)	\$ 818,512

The accompanying notes are an integral part of these financial statements.

WASHTENAW COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Reconciliation of operating loss to net change in cash from operating activities		
Operating loss	\$ (63,928,382)	\$ (59,479,606)
Adjustments to reconcile operating loss to net change in cash from operating activities		
Federal grant - Pell award	(18,298,560)	(18,544,115)
Depreciation and amortization	12,516,827	11,380,340
Bad debts	1,295,689	742,669
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable	169,206	(2,999,494)
Inventories, prepaid and other assets	(84,919)	(118,665)
Accounts payable	884,417	(359,038)
Accrued payroll and other compensation	704,332	(564,250)
Unearned revenue	(3,004,974)	3,420,394
Deposits	2,792	33,640
Change in net pension liability and net OPEB asset and deferred amounts	(25,125,786)	(22,796,018)
Net change in cash from operating activities	<u>\$ (94,869,358)</u>	<u>\$ (89,284,143)</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position

	June 30	
	2026	2025
ASSETS		
Cash and cash equivalents	\$ 473,287	\$ 360,045
Contributions receivable, net	115,517	152,686
Revolving loan fund receivable	10,802	10,802
Prepaid expenses	50,891	-
Investments	49,699,990	43,027,624
Investments held under split-interest agreements	134,760	120,136
Beneficial interest in charitable remainder trust	733,013	644,872
Total assets	<u>\$ 51,218,260</u>	<u>\$ 44,316,165</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and grants payable	\$ 5,855	\$ 5,887
Revolving loan fund advance	100,000	100,000
Split-interest agreements payable	14,524	15,566
Total liabilities	<u>120,379</u>	<u>121,453</u>
Net assets		
Without donor restrictions		
Board designated	148,341	148,341
Undesignated	3,989,467	3,238,648
With donor restrictions	46,960,073	40,807,723
Total net assets	<u>51,097,881</u>	<u>44,194,712</u>
Total liabilities and net assets	<u>\$ 51,218,260</u>	<u>\$ 44,316,165</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COMMUNITY COLLEGE FOUNDATION

Statements of Activities and Changes in Net Assets

	Year Ended June 30	
	2026	2025
Revenue, gains, and other support		
Contributions	\$ 2,432,981	\$ 2,965,240
Fundraising events, net of related expenses of \$180,872 in 2026 (\$143,171 in 2025)	78,725	148,161
Changes in value of split-interest agreements	15,666	8,954
Change in value of charitable remainder unitrust	88,141	77,522
Net investment return	6,707,420	5,131,165
Personnel services received from affiliate	730,907	692,672
Total revenue, gains, and other support	10,053,840	9,023,714
Expenses		
Support services		
Salaries	84,356	96,373
Marketing	520	7,798
Computer training and support	51,710	16,044
Bad debt	34,494	86,329
Personnel services received from affiliate	730,907	692,672
Other	33,525	59,783
Program services		
Scholarships	1,681,624	1,347,618
Other grants to College	533,535	305,723
Total expenses	3,150,671	2,612,340
Change in net assets	6,903,169	6,411,374
Net assets, beginning of year	44,194,712	37,783,338
Net assets, end of year	\$ 51,097,881	\$ 44,194,712

The accompanying notes are an integral part of these financial statements.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Washtenaw Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) No. 35 and No. 103 and the Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001.

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

As required by generally accepted accounting principles ("GAAP"), these financial statements present the College and its component unit, Washtenaw Community College Foundation (the "Foundation"), described below. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational and financial relationship with the College.

The Foundation is discretely reported as a part of the College's reporting entity (although it is a separate legal entity established as a 501(c)(3) not-for-profit corporation and governed by its own board of directors). Separate financial statements of the Foundation are available by contacting Washtenaw Community College Foundation, 4800 E. Huron River Drive, Ann Arbor, MI 48105.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Change in Accounting Principle

For 2026, the College adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, on a retrospective basis. This new standard introduces targeted enhancements to key components of the financial reporting model in order to improve clarity, consistency, and decision-usefulness of governmental financial statements. As part of the implementation, Management's Discussion and Analysis content is now streamlined to focus on prescribed sections with clearer analytical explanations and reduced duplication. The College has updated reporting processes and presentation formats to comply with these requirements. The adoption of GASB No. 103, effective July 1, 2024, and as of and for the year ended June 30, 2026, did not have an impact on the College's net position, changes in net position, or overall financial reporting results.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Use of Estimates

The process of preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from estimated amounts. Estimates include but are not limited to the assumptions used to calculate the net pension liability, net other postemployment benefits (OPEB) (asset) liability, and deferred outflows and inflows related to pension and other postemployment benefits (OPEB) amounts.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurement, refer to Note 3 to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposit and savings accounts, cash on hand, and all highly liquid investments with an initial maturity of ninety days or less.

Investments

Short-term investments, comprised of readily marketable debt securities with original maturities of more than 90 days at the time of purchase and which mature within one year, are carried at fair value.

The College carries its investments at fair value. Fair value is generally determined using evaluated prices provided by independent pricing services. These prices are based on observable market inputs, which may include quoted prices for identical or similar securities, benchmark yields, interest-rate curves, credit spreads, reported trades, broker or dealer quotations, and other market-corroborated information. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses, and changes in net position.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The Foundation investments are carried at fair value. Net investment return is reported in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories consist primarily of welding supplies and automotive service center supplies and are stated at the lower of cost or market using the first-in, first-out method.

Capital Assets

Property and equipment are recorded at cost. However, gifts of property are recorded at fair value at the time gifts are received. Library books are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	10-15 years
Buildings and improvements	40 years
Equipment, furniture, and software	3-15 years
Library books	7 years

Subscription-based information technology arrangements (SBITAs) are recorded at the present value of the subscription liability plus payments made at the commencement of the subscription term and implementation costs, less incentives received at the commencement of the subscription term. SBITAs are amortized systematically over the shorter of the subscription term or the useful life of the underlying IT asset (2 - 6 years).

Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. In accordance with GASB Statement No. 101, *Compensated Absences*, a liability is recognized for leave that has been earned and is more likely than not to be used or otherwise paid or settled. The College recognizes a liability for earned but unused vacation leave, and the liability includes salary-related payments, where applicable. The College does not provide payment for accumulated sick leave upon separation from employment and has evaluated historical usage and current leave balances to determine the portion of accumulated sick leave that is more likely than not to be used as paid leave. Based on this evaluation, management concluded that no material liability exists for accumulated unused sick leave at June 30, 2026 and 2025.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2026 and 2025 consists of approximately \$2,437,000 and \$2,637,000 of tuition revenue for the 2026 and 2025 spring/summer semesters, respectively. Unearned revenue also includes approximately \$270,000 at June 30, 2025 for payments received toward Fall 2025. No payments towards Fall 2026 were received as of June 30, 2026. Also included in unearned revenue is approximately \$393,000 and \$495,000 of Fitness Center membership fees as of June 30, 2026 and 2025, respectively. Grants received prior to qualifying expenditures are also included in unearned revenue and approximated \$1,054,000 and \$3,391,000 as of June 30, 2026 and 2025, respectively.

Net OPEB Asset

For purposes of measuring the net other post-employment benefits (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan, and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Pension Liability

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports a deferred outflow of resources for its deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This deferred outflow is amortized over the shorter of the life of the refunded or refunding bonds. The College also reports deferred outflows of resources for certain pension and Other Post-employment Benefit (OPEB) related amounts, such as changes in expected and actual investment returns, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information, including the amortization of these amounts, can be found in Note 8.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension plan's investments, and the pension portion of Sec 147c state aid revenue received subsequent to the measurement date. More detailed information can be found in Note 8.

Unrestricted Net Position (Deficit)

The components of the College's unrestricted net position (deficit) are as follows at June 30:

	2026	2025
Encumbrances	\$ 1,491,605	\$ 1,312,072
Future conference funds	101,756	163,741
Designated for capital improvements	71,793,765	56,934,075
Pension and OPEB deficit	(100,837,825)	(121,154,391)
Unrestricted and unallocated	<u>59,753,597</u>	<u>58,124,566</u>
Total unrestricted net position (deficit)	<u>\$ 32,302,898</u>	<u>\$ (4,619,937)</u>

Revenue and Expense Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Student tuition does not include Federal Pell grant, Direct Loans and certain other state grants and scholarships awarded directly to students. While these amounts are reflected in the statement of cash flows at gross value, students use some or all of these funds to satisfy account balances.

Operating revenues of the College consist of tuition and fees, grants and contracts, Pell Grant revenue, sales and services of educational activities and auxiliary enterprise revenues. State appropriations and property taxes are components of noncapital subsidies. Transactions related to capital and financing activities, most noncapital financing activities, and investing activities are components of other nonoperating revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Reclassifications

Certain amounts as reported in the 2025 financial statements have been reclassified to conform with the 2026 presentation in accordance with the new GASB No. 103 requirements and for the reclassification of net position related to the net OPEB asset (see Note 12).

2. PROPERTY TAXES

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by Washtenaw County, are collected through February 28. Uncollected real property taxes of the College are turned over to Washtenaw County for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through Washtenaw County's tax revolving funds. These payments are usually received within three to five months after the delinquency date.

Property tax revenue recognized for general operating purposes was \$77,818,149 and \$73,580,198, based on \$3.3429 and \$3.3548 of tax per \$1,000 of taxable property value in the College's taxing district for the years ended June 30, 2026 and June 30, 2025, respectively.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The College's deposits and investments are included on the statements of net position under the following classifications as of June 30:

	2026	2025
Cash and cash equivalents	\$ 24,779,232	\$ 26,042,665
Investments	112,540,543	96,280,606
Total	<u>\$ 137,319,775</u>	<u>\$ 122,323,271</u>

The College's cash and cash equivalents consist of the following as of June 30:

	2026	2025
Bank deposits (checking accounts, savings accounts, money market accounts and certificates of deposit)	\$ 24,777,410	\$ 26,040,609
Petty cash or cash on hand	1,822	2,056
Total	<u>\$ 24,779,232</u>	<u>\$ 26,042,665</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Deposits

The above deposits at June 30, 2026 and 2025 were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$11,431,812 and \$20,694,665, respectively. Of the amount at June 30, 2026, \$1,500,000 was covered by federal depository insurance and \$9,931,812 was uninsured and uncollateralized. Of the amount at June 30, 2025, \$1,477,553 was covered by federal depository insurance and \$19,217,112 was uninsured and uncollateralized.

Investments

The College utilizes fair value measurements to record fair value adjustments to its investment securities and to determine the related fair value disclosures. These investments are measured at fair value on a recurring basis.

The College's portfolio consists of high-quality, readily marketable securities held in accordance with applicable law and the College's investment policy. Classification within Level 2 of the fair value hierarchy relates solely to the market inputs used to determine fair value and does not indicate that the securities are illiquid or of lower credit quality.

The fair value of the College's Level 1 investments is based on quotes from publicly traded securities markets. The College's U.S. agency securities, municipal bonds, State of Michigan bonds, and commercial paper are classified within Level 2 of the fair value hierarchy. Their fair values are determined using evaluated prices provided by independent pricing services. These prices are based on observable market information, including quoted prices for identical or similar securities, benchmark yields, interest-rate curves, credit spreads, reported trades, broker or dealer quotations, and other market-corroborated information.

The following tables set forth by level, within the fair value hierarchy, the College's investments measured at fair value on a recurring basis as of June 30:

2026	Level 1	Level 2	Level 3	Total
U.S. agencies	\$ -	\$ 37,928,126	\$ -	\$ 37,928,126
U.S. treasuries	13,733,110	-	-	13,733,110
Municipal bonds	-	18,205,063	-	18,205,063
State of Michigan bonds	-	6,096,791	-	6,096,791
Commercial paper	-	36,577,453	-	36,577,453
Total investments at fair value	\$ 13,733,110	\$ 98,807,433	\$ -	\$ 112,540,543

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

2025	Level 1	Level 2	Level 3	Total
U.S. agencies	\$ -	\$ 30,501,809	\$ -	\$ 30,501,809
U.S. treasuries	2,982,430	-	-	2,982,430
Municipal bonds	-	17,578,853	-	17,578,853
State of Michigan bonds	-	4,604,720	-	4,604,720
Commercial paper	-	40,612,794	-	40,612,794
Total investments at fair value	\$ 2,982,430	\$ 93,298,176	\$ -	\$ 96,280,606

As of June 30, 2026, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
U.S. agencies	\$ 37,928,126	\$ 2,507,241	\$ 33,540,117	\$ 1,880,768
U.S. treasuries	13,733,110	-	9,950,590	3,782,520
Municipal bonds	18,205,063	3,785,082	13,565,071	854,910
State of Michigan bonds	6,096,791	998,660	5,098,131	-
Commercial paper	36,577,453	36,577,453	-	-
Total	\$ 112,540,543	\$ 43,868,436	\$ 62,153,909	\$ 6,518,198

As of June 30, 2025, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
U.S. agencies	\$ 30,501,809	\$ 2,960,289	\$ 22,066,950	\$ 5,474,570
U.S. treasuries	2,982,430	-	1,018,360	1,964,070
Municipal bonds	17,578,853	1,244,660	14,195,293	2,138,900
State of Michigan bonds	4,604,720	990,370	3,614,350	-
Commercial paper	40,612,794	40,612,794	-	-
Total	\$ 96,280,606	\$ 45,808,113	\$ 40,894,953	\$ 9,577,540

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Interest Rate Risk

As a means of limiting its exposure to portfolio and market risk, the College's investment policy states that investments are to be diversified by security type, financial institution, and maturity date of securities. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Credit Risk

The College is authorized by Michigan Public Act 331, as amended through 1997, and by resolution of the board of trustees' policy to invest surplus monies in U.S. Treasury or agency bonds, bills, notes, or bankers' acceptances issued by a bank that is a member of the FDIC; negotiable certificates of deposit, savings accounts, or other interest-earning deposit accounts of a financial institution; commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC; commercial paper of corporations located in the state rated prime by at least one of the standard rating services; mutual funds, trusts, or investment pools that are composed entirely of instruments that are eligible collateral; repurchase agreements against eligible collateral, the market value of which must be maintained during the life of the agreements at levels equal to or greater than the amounts advanced and obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by at least one rating service. The College's investments in the bonds of U.S. agencies were rated AA+ by Standard & Poor's and Aa1 by Moody's Investors Service at June 30, 2026 and 2025. The College's investments in Michigan municipalities were rated A+ to AAA by Standard & Poor's and/or Aa1 to Aaa by Moody's at June 30, 2026. The College's investments in Michigan municipalities were rated A+ to AA+ by Standard & Poor's and/or Aa2 to Aaa by Moody's at June 30, 2025. Additionally, as of June 30, 2026 and 2025, 47 and 48 percent of the College's Michigan municipality bonds, respectively, were included in the Michigan School Bond Qualification and Loan Program, which enhances the ratings for these bonds. As of June 30, 2026 and 2025, the Michigan School Bond Qualification and Loan Program was rated Aa1 by Moody's. The College's investments in State of Michigan Bonds were rated AA- to AA+ by Standard & Poor's and Aa3 to Aa1 by Moody's at June 30, 2026. The College's investments in State of Michigan Bonds were rated AA to AA+ by Standard & Poor's and Aa2 to Aa1 by Moody's at June 30, 2025. The College's investments in Commercial Paper were rated A-1+ to A-3 by Standard & Poor's at June 30, 2026. The College's investments in Commercial Paper were rated A-1+ to A-2 by Standard & Poor's at June 30, 2025.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. As of June 30, 2026, the College's investments were concentrated by issuer as follows: 16% issued by Michigan municipalities; 34% issued by U.S. agencies; 33% commercial paper; 12% U.S. treasuries and 5% State of Michigan bonds. As of June 30, 2025, the College's investments were concentrated by issuer as follows: 17% issued by Michigan municipalities; 30% issued by U.S. agencies; 46% commercial paper; 3% U.S. treasuries; and 4% State of Michigan bonds. For the year ended June 30, 2026 the College had 22 unique bond issuers within its portfolio and 24 for the year ended June 30, 2025. The largest single issuer accounted for approximately 18% as of June 30, 2026 and 15% as of June 30, 2025. As of June 30, 2026 and 2025, this issuer was Federal Farm Credit Bank which was rated Aa1 by Moody's.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a policy for custodial credit risk. The College's investments are uninsured, unregistered, and held by the College's agent in the College's name. At June 30, 2026, approximately 55% of the College's investments were in the custody of Fifth Third Securities, Inc. (55% at June 30, 2025); 20% were in the custody of Key Bank Capital Markets (23% at June 30, 2025); 21% were in the custody of PNC Capital Markets (17% at June 30, 2025) and 4% were in the custody of Stifel, Nicolaus & Company, Inc. (5% at June 30, 2025).

Foundation Investments

Certain investments held by the Foundation use Net Asset Value (NAV) to determine the fair value of all the underlying investments which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Private equity partnerships are accounted for on the equity method and are based on information provided by the general partner; management also takes into consideration the audited financial information and K-1 capital account balances to determine overall reasonableness of the recorded value. Management believes that the equity method represents the best estimate of the partnerships' fair values. Audited information is only available annually, based on each partnership's year-end. Because of the inherent uncertainty of valuations, values may differ from the values that would have been used had a ready market existed.

Investments held by the Foundation as of June 30 include the following:

	2026	2025
Commonfund multi-strategy equity fund	\$ 37,979,802	\$ 31,855,495
Commonfund multi-strategy bond fund	8,084,669	7,863,312
Commonfund Capital Partners VI, L.P.	713,380	804,600
Commonfund Capital Partners VII, L.P.	1,181,633	1,157,768
Commonfund Capital Partners VIII, L.P.	583,941	488,390
Commonfund Capital Partners IX, L.P.	364,126	219,894
Commonfund Capital Secondary Partners III, L.P.	421,053	394,493
Commonfund Capital Secondary Partners IV, L.P.	371,386	243,672
Balance as of June 30	<u>\$ 49,699,990</u>	<u>\$ 43,027,624</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The Foundation has made long-term commitments of \$4,725,000 to global private capital investing funds and Delaware limited partnerships. The partnership agreements have terms ranging from 7 to 12 years with up to an additional 3-year extension options. During fiscal 2026, a total of \$211,250, or 4.5%, of the total commitment was funded by the Foundation. An investment commitment of \$1,886,831 remains as of June 30, 2026. During fiscal 2025, a total of \$246,012, or 6.6% of the total commitment was funded by the Foundation. An investment commitment of \$1,098,557 remains as of June 30, 2025.

The investment strategy of the above funds is long-term capital appreciation and risk-adjusted net returns through equity investments. The limited partnerships are comprised of private equity funds, venture capital funds, global private equity funds, global private capital secondaries, and natural resource funds. The funds include commitments to make periodic contributions in future periods. The nature of these partnership interests is that distributions are received through the liquidation of the underlying assets of the partnership over its remaining life.

When fully funded, management believes the portfolio would have about a 15% exposure to alternative investments which is comparable to an asset allocation of college endowment funds of a similar size.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2026	2025
Student accounts	\$ 4,728,163	\$ 6,947,323
Miscellaneous grants	2,163,600	2,752,679
Pell	726,126	200,643
Federal Direct Loans	495,023	148,960
Other	20,485	27,141
	<u>8,133,397</u>	<u>10,076,746</u>
Total	8,133,397	10,076,746
Less allowance for doubtful accounts	<u>2,240,000</u>	<u>3,590,000</u>
Accounts receivable, net	<u>\$ 5,893,397</u>	<u>\$ 6,486,746</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

5. CAPITAL ASSETS

The following tables present the changes in each of the capital assets class categories for the years ended June 30, 2026 and 2025:

	Balance July 1, 2025	Additions	Deletions	Transfers	Balance June 30, 2026
Assets, not being depreciated					
Land	\$ 2,086,937	\$ -	\$ -	\$ -	\$ 2,086,937
Construction in progress	6,592,982	5,198,238	-	(295,488)	11,495,732
Other non-depreciable assets	142,510	-	-	-	142,510
Total capital assets, not being depreciated	8,822,429	5,198,238	-	(295,488)	13,725,179
Capital assets being depreciated					
Land improvements and infrastructure	18,422,404	906,735	-	23,500	19,352,639
Buildings and improvements	209,293,848	1,732,306	-	149,493	211,175,647
Equipment, furniture and software	78,610,784	4,598,921	(334,299)	122,495	82,997,901
Library books	4,018,877	46,759	-	-	4,065,636
Total capital assets being depreciated	310,345,913	7,284,721	(334,299)	295,488	317,591,823
Less accumulated depreciation					
Land improvements and infrastructure	15,201,667	574,153	-	-	15,775,820
Buildings and improvements	102,286,072	4,218,495	-	-	106,504,567
Equipment, furniture, and software	53,581,288	5,734,506	(254,919)	-	59,060,875
Library materials	3,897,878	34,801	-	-	3,932,679
Total accumulated depreciation	174,966,905	10,561,955	(254,919)	-	185,273,941
Capital assets, being depreciated, net	135,379,008	(3,277,234)	(79,380)	295,488	132,317,882
Capital assets being amortized					
SBITA right-to-use assets	8,686,289	1,675,166	(232,938)	-	10,128,517
Accumulated amortization	1,774,421	1,954,872	(232,938)	-	3,496,355
Capital assets, being amortized, net	6,911,868	(279,706)	-	-	6,632,162
Capital assets, net	\$ 151,113,305	\$ 1,641,298	\$ (79,380)	\$ -	\$ 152,675,223

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Assets, not being depreciated					
Land	\$ 2,086,937	\$ -	\$ -	\$ -	\$ 2,086,937
Construction in progress	5,277,300	3,970,778	-	(2,655,096)	6,592,982
Other non-depreciable assets	142,510	-	-	-	142,510
Total capital assets, not being depreciated	7,506,747	3,970,778	-	(2,655,096)	8,822,429
Capital assets being depreciated					
Land improvements and infrastructure	18,369,451	52,953	-	-	18,422,404
Buildings and improvements	209,293,848	-	-	-	209,293,848
Equipment, furniture and software	71,433,531	5,829,754	(1,307,597)	2,655,096	78,610,784
Library books	3,964,651	54,226	-	-	4,018,877
Total capital assets being depreciated	303,061,481	5,936,933	(1,307,597)	2,655,096	310,345,913
Less accumulated depreciation					
Land improvements and infrastructure	14,508,469	693,198	-	-	15,201,667
Buildings and improvements	98,093,533	4,192,539	-	-	102,286,072
Equipment, furniture, and software	49,521,386	5,030,470	(970,568)	-	53,581,288
Library materials	3,855,464	42,414	-	-	3,897,878
Total accumulated depreciation	165,978,852	9,958,621	(970,568)	-	174,966,905
Capital assets, being depreciated, net	137,082,629	(4,021,688)	(337,029)	2,655,096	135,379,008
Capital assets being amortized					
SBITA right-to-use assets	4,434,417	6,140,118	(1,888,246)	-	8,686,289
Accumulated amortization	1,915,362	1,421,719	(1,562,660)	-	1,774,421
Capital assets, being amortized, net	2,519,055	4,718,399	(325,586)	-	6,911,868
Capital assets, net	\$ 147,108,431	\$ 4,667,489	\$ (662,615)	\$ -	\$ 151,113,305

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The College is in the process of upgrading technology and equipment, renovating existing buildings, and improving infrastructure on College grounds. At June 30, construction in progress for these capital improvement projects was as follows:

	2026	2025
Security Camera System Upgrades	\$ 2,680,778	\$ 2,573,398
Student Center Renovations	1,690,104	875,999
Shipping and Receiving Building	1,108,837	1,047,086
Maintenance Garage	1,079,361	142,805
EV Battery Lab	1,059,727	587,935
EV Charging Stations	1,038,419	924,523
LA Auditorium Renovations	1,014,292	-
Miscellaneous construction projects	955,646	229,268
OE Building Renovations	556,821	-
Classroom Enhancements	255,536	94,409
Fitness Center Renovations	41,284	-
GL Renovations	14,927	117,559
Total construction in progress	\$ 11,495,732	\$ 6,592,982

Total future commitments related to these projects approximated \$4,500,000 as of June 30, 2026 and \$4,300,000 as of June 30, 2025. The largest part of the commitments as of June 30, 2026 is \$630,000 for the LA Auditoriums, and \$815,000 as of June 30, 2025 for the Maintenance Garage.

6. LEASE AGREEMENTS AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College entered into a lease agreement as lessee for financing the purchase of certain office equipment, which meets the capitalization criteria specified by generally accepted accounting principles. Therefore, it has been recorded at the present value of the future minimum lease payments as of the inception date using the interest stated in the lease of 6.68% (see Note 7). The cost and accumulated depreciation of the assets under the installment purchase obligations totaled approximately \$556,000 and \$371,000, respectively, as of June 30, 2026. The cost and accumulated depreciation of the assets under the installment purchase obligations totaled approximately \$556,000 and \$260,000, respectively, as of June 30, 2025.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The College has SBITAs that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by GAAP. Therefore, the SBITAs have been recorded at the present value of the future minimum payments as of the inception date using an internal borrowing rate varying from 3.75% to 4.25% (see Note 7). The cost and accumulated amortization of the assets under the SBITAs totaled approximately \$10,128,000 and \$3,496,000, respectively, as of June 30, 2026 and approximately \$8,686,000 and \$1,774,000, respectively, as of June 30, 2025.

Payments on the installment purchase obligation for years succeeding June 30, 2026 are summarized as follows:

Year Ending	Lease Obligation Amount
2027	\$ 131,220
2028	87,480
2029	-
Total minimum lease payments	218,700
Less amount representing interest	(12,275)
Present value at June 30, 2026	\$ 206,425

Payments on the SBITAs for years succeeding June 30, 2026 are summarized as follows:

Year Ending	Principal	Interest
2027	\$ 1,932,804	\$ 192,702
2028	1,762,928	118,488
2029	1,059,739	45,038
Total	\$ 4,755,471	\$ 356,228

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

7. LONG-TERM OBLIGATIONS

Long-term obligation activity during the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
March 2015, Refunding Bond Premium on 2015 Refunding Bonds	\$ 2,345,000	\$ -	\$ (1,150,000)	\$ 1,195,000	\$ 1,195,000
	35,785	-	(26,546)	9,239	9,239
Total bonds payable	2,380,785	-	(1,176,546)	1,204,239	1,204,239
Installment purchase obligation	319,718	-	(113,293)	206,425	110,693
SBITA Liabilities	5,546,858	1,639,660	(2,431,047)	4,755,471	1,926,538
Compensated absences	2,853,276	2,978,017	(2,641,646)	3,189,647	2,805,000
Total	<u>\$ 11,100,637</u>	<u>\$ 4,617,677</u>	<u>\$ (6,362,532)</u>	<u>\$ 9,355,782</u>	<u>\$ 6,046,470</u>

At July 1, 2025, the entire compensated absences balances was a current liability.

Long-term obligation activity during the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
March 2015, Refunding Bond Premium on 2015 Refunding Bonds	\$ 3,450,000	\$ -	\$ (1,105,000)	\$ 2,345,000	\$ 1,150,000
	80,743	-	(44,958)	35,785	26,546
Total bonds payable	3,530,743	-	(1,149,958)	2,380,785	1,176,546
Installment purchase obligation	425,711	-	(105,993)	319,718	103,561
SBITA Liabilities	1,787,042	5,998,932	(2,239,116)	5,546,858	1,721,896
Total	<u>\$ 5,743,496</u>	<u>\$ 5,998,932</u>	<u>\$ (3,495,067)</u>	<u>\$ 8,247,361</u>	<u>\$ 3,002,003</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Bond Defeasance

In March 2015, the College issued \$12,785,000 of Refunding Bonds, Series 2015 with an average interest rate of 3.76% which, in conjunction with a debt service fund contribution, were used to refund \$1,965,000 of outstanding Refunding Bonds, Series 2005B and advance refund \$11,535,000 of Facilities Bonds, Series 2006, with average interest rates of 3.95% and 4.44%, respectively. The net proceeds of \$13,990,731 (after payment of \$109,090 in underwriting fees and other issuance costs), plus an additional \$293,236 of prior debt retirement fund monies, were used to purchase U.S. treasury securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the College's long-term obligations. In prior years, the College defeased certain other bonds. As of June 30, 2026, \$1,295,000 of bonds outstanding are considered defeased, and \$2,535,000 of bonds outstanding are considered defeased as of June 30, 2025.

General Obligation Bonds

As of June 30, 2026, general obligation bonds totaling \$1,195,000 were outstanding with an interest rate of 2.5%. Principal payments are due annually in April with payments for the upcoming year totaling \$1,195,000. Interest payments are due semi-annually in April and October in the amount of \$14,937 each. These bonds are insured and mature in fiscal 2027.

As of June 30, 2025, general obligation bonds totaling \$2,345,000 were outstanding with interest rates varying from 2.5% to 4.0%. Principal payments are due annually in April with payments for the upcoming year totaling \$1,150,000. Interest payments are due semi-annually in April and October in the amount of \$37,938 each. These bonds are insured and mature in varying amounts through fiscal 2027.

Total principal and interest maturities on the general obligation bonds for years succeeding June 30, 2026 are summarized as follows:

Year Ending June 30	Debt Obligations		
	Principal	Interest	Amount
2027	<u>\$ 1,195,000</u>	<u>\$ 29,875</u>	<u>\$ 1,224,875</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

8. RETIREMENT PLANS

Defined Benefit Plan

Plan Description . The College contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multi-employer state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the “State”) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System’s financial statements are available at the ORS website at www.michigan.gov/orsschools.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account, if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2024 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2026, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 10.58% - 15.02% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	26.08% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	26.08% - 30.11%
Pension Plus	3.00% - 6.40%	21.34%-26.27%
Pension Plus 2	6.00% - 6.20%	21.41%-27.16%
Defined Contribution	0.00%	15.21%-20.96%

Required contributions to the pension plan from the College were \$16,212,000, \$15,512,000, and \$14,911,000 for the years ended June 30, 2026, 2025 and 2024, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	0.00% - 3.00%	1.25% - 3.83%

Required contributions to the OPEB plan from the College were \$670,380, \$975,133, and \$3,051,200, for the years ended June 30, 2026, 2025 and 2024, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the years ended June 30, 2026, 2025 and 2024, required and actual contributions from the College for those members with a defined contribution benefit were \$1,229,257, \$1,148,913, and \$1,063,766, respectively.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2026, the College reported a liability of \$74,190,909 and a liability of \$88,723,456 as of June 30, 2025, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024 and 2023, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. As of September 30, 2025, the College's proportion was 0.37034%, which was an increase of 0.00794% points from its proportion measured as of September 30, 2024 of 0.36240%.

For the year ended June 30, 2026, the College recognized pension benefit of (\$1,148,448). As of June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
2026			
Changes in assumptions	\$ 2,662,924	\$ 3,921,168	\$ (1,258,244)
Differences between expected and actual experience	2,873,627	660,812	2,212,815
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,723,953	4,193,777	(2,469,824)
Net difference between projected and actual earnings on pension plan investments	-	17,730,039	(17,730,039)
	<u>7,260,504</u>	<u>26,505,796</u>	<u>(19,245,292)</u>
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	5,970,925	(5,970,925)
College contributions subsequent to the measurement date	<u>13,350,595</u>	<u>-</u>	<u>13,350,595</u>
Total	<u>\$ 20,611,099</u>	<u>\$ 32,476,721</u>	<u>\$ (11,865,622)</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The \$13,350,595 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. The \$5,970,925 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2027	\$ (3,196,648)
2028	(8,500,446)
2029	(5,916,704)
2030	<u>(1,631,494)</u>
Total	<u><u>\$ (19,245,292)</u></u>

For the year ended June 30, 2025, the College recognized pension expense of \$309,635. As of June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
2025			
Changes in assumptions	\$ 9,249,946	\$ 6,500,623	\$ 2,749,323
Differences between expected and actual experience	2,407,130	963,992	1,443,138
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,947,909	(8,947,909)
Net difference between projected and actual earnings on pension plan investments	-	16,932,196	(16,932,196)
	<u>11,657,076</u>	<u>33,344,720</u>	<u>(21,687,644)</u>
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	5,170,065	(5,170,065)
College contributions subsequent to the measurement date	<u>13,540,069</u>	<u>-</u>	<u>13,540,069</u>
Total	<u><u>\$ 25,197,145</u></u>	<u><u>\$ 38,514,785</u></u>	<u><u>\$ (13,317,640)</u></u>

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Notes to Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2026, the College reported an asset of \$19,960,172 and an asset of \$15,951,812 as of June 30, 2025, for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025 and 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024 and 2023. The College's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the College's proportion was 0.32834%, which was a decrease of 0.04225% points from its proportion measured as of September 30, 2024 of 0.37059%.

For the year ended June 30, 2026, the College recognized an OPEB benefit of \$(7,649,303). At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
2026			
Differences between expected and actual experience	\$ -	\$ 13,665,680	\$ (13,665,680)
Changes in assumptions	2,663,899	211,695	2,452,204
Net difference between projected and actual earnings on OPEB plan investments	-	2,804,840	(2,804,840)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,381,993	(1,381,993)
	<u>2,663,899</u>	<u>18,064,208</u>	<u>(15,400,309)</u>
College contributions subsequent to the measurement date	<u>619,015</u>	<u>-</u>	<u>619,015</u>
Total	<u>\$ 3,282,914</u>	<u>\$ 18,064,208</u>	<u>\$ (14,781,294)</u>

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Notes to Financial Statements

The \$619,015 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2027	\$ (4,297,270)
2028	(4,117,022)
2029	(3,604,734)
2030	(2,321,030)
2031	(811,943)
Thereafter	<u>(248,310)</u>
Total	<u>\$ (15,400,309)</u>

For the year ended June 30, 2025, the College recognized an OPEB benefit of \$(7,130,872). At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
2025			
Differences between expected and actual experience	\$ -	\$ 16,904,049	\$ (16,904,049)
Changes in assumptions	3,484,105	400,469	3,083,636
Net difference between projected and actual earnings on OPEB plan investments	-	3,019,861	(3,019,861)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,487,098	(2,487,098)
	<u>3,484,105</u>	<u>22,811,477</u>	<u>(19,327,372)</u>
College contributions subsequent to the measurement date	<u>214,077</u>	<u>-</u>	<u>214,077</u>
Total	<u>\$ 3,698,182</u>	<u>\$ 22,811,477</u>	<u>\$ (19,113,295)</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2024 and 2023 actuarial valuations (for fiscal years ended June 30 2026 and 2025) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%, net of investment expenses
Pension Plus plan (hybrid)	6.00%, net of investment expenses
Pension Plus 2 plan (hybrid)	6.00%, net of investment expenses
OPEB plans	6.00%, net of investment expenses
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre 65: 7.50% Year 1 graded to 3.50% Year 15 (7.25% Year 1 graded to 3.5% Year 15 in 2023) Post 65: 6.25% Year 1 graded to 3.50% Year 15 (6.50% Year 1 graded to 3.5% Year 15 in 2023)
Mortality	For retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. For active members, PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	Of those not opting out, 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4524 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.4654 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2024, are based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4612 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2834 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions for September 30, 2024 Valuation. Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.

Changes in assumptions - September 30, 2023 Valuation. The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Long-Term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plans' target asset allocation as of September 30, 2025 and 2024, are summarized in the following tables:

2025			
Asset Class	Pension Plan's Target Allocation	Long-Term Expected Real Rate of Return	Expected Money - Weighted Rate of Return
Domestic equity pools	21.00%	5.48%	1.15%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	14.00%	5.29%	0.74%
Fixed income pools	15.00%	2.36%	0.35%
Real estate and infrastructure pools	8.00%	6.61%	0.53%
Absolute return pools	13.00%	4.15%	0.54%
Real Return/Opportunistic Pools	9.00%	6.61%	0.59%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		5.35%
Inflation			2.40%
Risk adjustment			-1.75%
Investment rate of return			6.00%

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Notes to Financial Statements

2024			
Asset Class	Pension Plan's Target Allocation	Long-Term Expected Real Rate of Return	Expected Money - Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	2.08%	0.27%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real Return/Opportunistic Pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	<u>100.00%</u>		5.60%
Inflation			2.30%
Risk adjustment			-1.90%
Investment rate of return			<u><u>6.00%</u></u>

Long-term Expected Return on OPEB Plan Assets

2025			
Asset Class	OPEB Plan's Target Allocation	Long-term Expected Real Rate of Return	Expected Money - Weighted Rate of Return
Domestic equity pools	16.00%	5.48%	0.88%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	11.00%	5.29%	0.58%
Fixed income pools	26.00%	2.36%	0.61%
Real estate and infrastructure pools	5.00%	6.61%	0.33%
Absolute return pools	15.00%	4.15%	0.62%
Real return/opportunistic pools	7.00%	6.61%	0.46%
Short-term investment pools	4.00%	1.23%	0.05%
	<u>100.00%</u>		4.93%
Inflation			2.40%
Risk adjustment			-1.33%
Investment rate of return			<u><u>6.00%</u></u>

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Notes to Financial Statements

2024			
Asset Class	OPEB Plan's Target Allocation	Long-term Expected Real Rate of Return	Expected Money - Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
International equity	15.00%	8.53%	1.36%
Private equity pools	16.00%	6.16%	0.92%
Real estate and infrastructure pools	10.00%	1.88%	0.24%
Fixed income pools	13.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real Return / Opportunistic Pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	<u>100.00%</u>		5.57%
Inflation			2.30%
Risk adjustment			<u>-1.87%</u>
Investment rate of return			<u><u>6.00%</u></u>

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
2026	\$117,077,346	\$ 74,190,909	\$ 38,471,996
2025	\$130,069,539	\$ 88,723,456	\$ 54,294,886

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher as of June 30:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
2026	\$ (17,196,951)	\$ (19,960,172)	\$ (22,378,589)
2025	\$ (12,327,691)	\$ (15,951,812)	\$ (19,085,246)

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher as of June 30:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
2026	\$ (22,356,521)	\$ (19,960,172)	\$ (17,444,085)
2025	\$ (19,085,280)	\$ (15,951,812)	\$ (12,591,183)

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2026, the College reported a payable of \$1,276,979 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2026. At June 30, 2025, the College reported a payable of \$941,205 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025.

Payable to the OPEB Plan

At June 30, 2026, the College reported a payable of \$12,631 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2026. At June 30, 2025, the College reported a payable of \$16,967 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2025.

Defined Contribution Plan

Beginning in October 1996, the College established a 401(a) plan as an alternative to the retirement plan from the MPSERS. All full-time educators and administrators are eligible to participate in the plan. The plan had 204 and 194 members as of June 30, 2026 and 2025, respectively.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The plan requires College and participant contributions to be made as a percentage of the participants' gross earnings. The College must contribute 12% of gross earnings, and the participants must contribute 3% of gross earnings. The College made contributions to the plan totaling approximately \$2,848,000 for the year ended June 30, 2026 and \$2,625,000 for the year ended June 30, 2025.

9. RISK MANAGEMENT

Effective January 1, 2025, the College moved its partially uninsured employee health benefit plan, covering medical and vision, to fully funded premium-based plans. As of June 30, 2026, only the dental plan remains partially uninsured with \$0 aggregate exposure.

The College is partially uninsured for workers' compensation to a maximum of \$400,000 for each accident and, in the aggregate, for claims up to approximately \$5,000,000 for the 24 month insurance policy period expiring July 1, 2027.

The College estimates the liability for health benefit claims and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. For the years ended June 30, 2026 and 2025, changes in the estimated liabilities were as follows:

	Workers' Compensation	Health Benefits
Estimated liability, July 1, 2023	\$ 2,480	\$ 302,441
Estimated claims incurred, including changes in estimates	53,405	1,832,890
Less claim payments	<u>37,620</u>	<u>1,849,514</u>
Estimated liability, June 30, 2024	<u>\$ 18,265</u>	<u>\$ 285,817</u>
Estimated claims incurred, including changes in estimates	89,618	1,196,155
Less claim payments	<u>63,313</u>	<u>1,282,004</u>
Estimated liability, June 30, 2025	<u>\$ 44,570</u>	<u>\$ 199,968</u>
Estimated claims incurred, including changes in estimates	165,417	364,052
Less claim payments	<u>165,136</u>	<u>514,282</u>
Estimated liability, June 30, 2026	<u>\$ 44,851</u>	<u>\$ 49,738</u>

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The College participates in the Michigan Community College Risk Management Authority (Authority) with other Michigan-based community colleges for claims relating to auto, property and liability. The Authority provides a risk pool program that operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts up to maximum coverage limits. The College pays an annual premium to the Authority and is responsible for a deductible and all costs, including damages, indemnification, and allocated loss adjustment expenses, for each claim that is within the College's Self-Insured Retention (SIR) limit. The College also participates in the stop loss provision of the program, which is designed to limit the member's maximum cash payments during each July 1 through June 30 year to costs falling within the College's SIR limit. Reinsurance is purchased by the Authority to further limit the risk of loss.

10. RELATED PARTIES

The Washtenaw Community College Foundation (the "Foundation") is a separate legal entity established as a 501(c)(3) not-for-profit corporation and governed by its own board of directors to accept, collect, hold, and invest donations made for the promotion of educational activities.

The College provides employees and office space to the Foundation at no charge. The amount of such assistance for the years ended June 30, 2026 and 2025 was approximately \$915,000 and \$935,000, respectively.

In addition, the College received payments from the Foundation for student scholarships and support totaling approximately \$2,116,000 for the year ended June 30, 2026 and \$1,552,000 for the year ended June 30, 2025. The Foundation also makes direct payments on behalf of students and faculty.

The Washtenaw Community College Board of Trustees is the chartering body for the Washtenaw Technical Middle College (the "Academy"). The College has entered into several contractual agreements with the Academy, including a facility use license agreement, an administrative and educational support services agreement, and a joint enrollment agreement. For both of the years ended June 30, 2026 and 2025, the facility use license agreement and education support services agreement required that the Academy pay the College \$150,000. Under the joint enrollment agreement, the Academy students may be jointly enrolled in both the College and the Academy. The Academy pays all tuition and fees for students enrolled at the College. Tuition and fees under this agreement were approximately \$1,790,000 for the year ended June 30, 2026 and \$1,830,000 for the year ended June 30, 2025.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

11. FOUNDATION ENDOWMENTS AND NET ASSETS WITH DONOR RESTRICTIONS

Donor Restricted and Board designated endowments

The Foundation's endowment includes donor-restricted endowment funds, and funds designated by the Foundation's Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Foundation's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act ("SMPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SMPMIFA.

In accordance with SMPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation (depreciation) of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Composition of Endowment Net Assets

The following is a summary of the Foundation's 2026 endowment and changes therein:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets			
comparison by type of fund as of June 30, 2026			
Board-designated endowment funds	\$ 148,341	\$ -	\$ 148,341
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,854,445	21,854,445
Accumulated investment gains	-	23,490,722	23,490,722
Total endowment funds	\$ 148,341	\$ 45,345,167	\$ 45,493,508
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in endowment net assets			
for the year ended June 30, 2026			
Net investment income	\$ -	\$ 5,852,844	\$ 5,852,844
Contributions	-	1,574,703	1,574,703
Transfers	-	(1,463)	(1,463)
Appropriation of endowment assets for expenditure	-	(1,518,822)	(1,518,822)
Changes in endowment net assets			
Endowment net assets	-	5,907,262	5,907,262
Beginning of year	148,341	39,437,905	39,586,246
End of year	\$ 148,341	\$ 45,345,167	\$ 45,493,508

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

The following is a summary of the Foundation's 2025 endowment and changes therein:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets comparison by type of fund as of June 30, 2025			
Board-designated endowment funds	\$ 148,341	\$ -	\$ 148,341
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,275,913	20,275,913
Accumulated investment gains	-	19,161,992	19,161,992
Total endowment funds	\$ 148,341	\$ 39,437,905	\$ 39,586,246
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in endowment net assets for the year ended June 30			
Net investment income	\$ -	\$ 4,467,350	\$ 4,467,350
Contributions	-	2,153,870	2,153,870
Transfers	-	(14,916)	(14,916)
Appropriation of endowment assets for expenditure	-	(1,111,665)	(1,111,665)
Changes in endowment net assets			
Endowment net assets	-	5,494,639	5,494,639
Beginning of year	148,341	33,943,266	34,091,607
End of year	\$ 148,341	\$ 39,437,905	\$ 39,586,246

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Net assets with donor restrictions, including the endowment net assets in the above tables, consist of the following amounts at June 30:

	2026	2025
Permanent endowments held for the benefit of the College	\$ 21,854,445	\$ 20,275,913
Accumulated net investment gains on endowments held for the benefit of the College	23,490,722	19,161,992
Other funds restricted for purpose	684,440	570,701
Contributions receivable for endowments	77,217	49,675
Beneficial interest in charitable remainder trust	733,013	644,872
Split-interest agreements (net of annuities)	120,236	104,570
Total net assets with donor restrictions	\$ 46,960,073	\$ 40,807,723

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SMPMIFA requires the Foundation to retain as a fund of perpetual duration. When an endowment is underwater, it is the Foundation's intent to reinvest any dividends and interest until the endowment is made whole. There were no underwater funds as of June 30, 2026 and 2025.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that maintain the purchasing power of the endowment assets as well as provide additional real growth. The Foundation benchmarks endowment funds investment performance against a policy benchmark which is made up of a similar allocation to certain market indexes (i.e., S&P 500, Russell 3000, MSCI World ex U.S., MSCI EMF Net, and Barclays Capital US Aggregate Bond). The Foundation expects its endowment funds, over time, to provide a rate of return at least equal to the spending rate plus inflation. Actual returns in any given year may vary from this amount.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board, as of March 31 of each year, declares the amount of funds available from Foundation assets for distribution to Washtenaw Community College for scholarships, grants, and/or any other purposes approved by the Board and accepted by the College during the following fiscal year. The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate that is equal to or greater than the pace of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

In the event that the market value of the board designated endowments falls below the historic dollar value, the Foundation reserves the right to make no distribution, other than actual investment expenses and administrative fees. The Foundation may, however, at the recommendation of the Finance Committee and the approval of the Board, allow a distribution which is prudent, or otherwise deemed to be a justifiable expenditure, using the factors established in SMPMIFA. At the time the Board allows a distribution from such account, it can retain sole discretion over future expenditures from the fund as long as the fund falls below the historic dollar value or delegate, on a case-by-case basis, supervision of prudent future expenditures from the fund to the Finance Committee. If it is determined that income distributions are stopped, unspent income residing in the earnings account, if any, will continue to be available for spending purposes and will be disregarded in comparing the market value to its historic gift value. During a period in which income distributions are stopped, and it is deemed to be prudent by the Finance Committee, investment expenses and administrative fees may continue to be drawn from the fund.

WASHTENAW COMMUNITY COLLEGE

Notes to Financial Statements

Unless otherwise specifically allowed in the donor agreement, or written permission is given by the donor if the market value of a donor-restricted endowment is at, or below, the account’s historic dollar value at the time allocation amounts are determined, no distribution will be made from such fund; instead, distributions will be reinvested into the fund in an effort to help the market value of the fund recover. If it is determined that income distributions are stopped on a donor-restricted endowment fund, unspent income residing in the earnings account, if any, will continue to be available for spending purposes and will be disregarded in comparing an endowment’s market value to its historical gift value. During a period in which income distributions are stopped on a donor-restricted endowment fund, investment expenses and administrative fees may continue to be drawn from the fund. It is further established that the Finance Committee and/or the Board of Directors review this policy on an annual basis.

12. ADJUSTMENTS TO COMPONENTS OF NET POSITION

During the fiscal year ended June 30, 2026, management identified that the restricted component of net position related to the College's net OPEB asset was misclassified as unrestricted as of June 30, 2025. Accordingly, the following is a summary of the effect of the reclassifications within these financial statements:

	As Previously Reported	As Reclassified	Corrective Effect of Reclassification
2025 Statement of Net Position			
Net position (deficit) unrestricted	\$ 11,331,875	\$ (4,619,937)	\$ (15,951,812)
Net position restricted for net OPEB asset	-	15,951,812	15,951,812

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REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLANS

WASHTENAW COMMUNITY COLLEGE

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Proportionate Share of the Net Pension Liability

	Year Ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
College's proportion of the net pension liability	0.37034%	0.36240%	0.36864%	0.38158%	0.42415%	0.44655%	0.47847%	0.48233%	0.48038%	0.46738%
College's proportionate share of the net pension liability	\$ 74,190,909	\$ 88,723,456	\$119,315,642	\$143,505,933	\$100,418,699	\$153,393,110	\$158,454,498	\$144,998,202	\$124,486,379	\$116,608,139
College's covered-employee payroll	41,423,516	39,770,730	38,173,585	37,949,922	37,811,603	37,883,972	41,650,413	41,155,423	41,032,987	41,220,476
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.10%	223.09%	312.56%	378.15%	265.58%	404.90%	380.44%	352.32%	303.38%	282.89%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

See notes to the required supplementary information.

WASHTENAW COMMUNITY COLLEGE

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plans

Schedule of College Pension Contributions

	Year Ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 16,211,953	\$ 15,512,340	\$ 14,911,229	\$ 17,086,550	\$ 12,909,766	\$ 12,576,192	\$ 12,508,574	\$ 12,687,042	\$ 12,882,238	\$ 11,196,524
Contributions in relation to the statutorily required contributions	(16,211,953)	(15,512,340)	(14,911,229)	(17,086,550)	(12,909,766)	(12,576,192)	(12,508,574)	(12,687,042)	(12,882,238)	(11,196,524)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 43,513,280	\$ 40,699,419	\$ 39,424,074	\$ 37,573,950	\$ 37,598,083	\$ 36,952,757	\$ 39,673,313	\$ 41,593,322	\$ 39,073,246	\$ 40,900,320
Contributions as a percentage of covered employee payroll	37.26%	38.11%	37.82%	45.47%	34.34%	34.03%	31.53%	30.50%	32.97%	27.38%

See notes to the required supplementary information.

WASHTENAW COMMUNITY COLLEGE

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits (Asset) Liability

	Year Ended June 30								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
College's proportion of the net OPEB (asset) liability	0.32834%	0.37059%	0.37748%	0.38639%	0.41380%	0.42422%	0.47371%	0.48142%	0.41840%
College's proportionate share of the net OPEB (asset) liability	\$ (19,960,172)	\$ (15,951,812)	\$ (2,135,407)	\$ 8,184,018	\$ 6,316,156	\$ 22,726,502	\$ 34,001,908	\$ 38,267,510	\$ 42,669,543
College's covered-employee payroll	41,423,516	39,770,730	38,173,585	37,949,922	37,811,603	37,883,972	41,650,413	41,155,423	41,032,987
College's proportionate share of the net OPEB (asset) liability as a percentage of its covered-employee payroll	(48.19%)	(40.11%)	(5.59%)	21.57%	16.70%	59.99%	81.64%	92.98%	103.99%
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to the required supplementary information.

WASHTENAW COMMUNITY COLLEGE

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Other Postemployment Benefits Contributions

	Year Ended June 30,								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 670,380	\$ 975,133	\$ 3,051,200	\$ 2,898,042	\$ 2,949,234	\$ 2,988,560	\$ 3,127,748	\$ 3,230,731	\$ 2,830,342
Contributions in relation to the statutorily required contributions	(670,380)	(975,133)	(3,051,200)	(2,898,042)	(2,949,234)	(2,988,560)	(3,127,748)	(3,230,731)	(2,830,342)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 43,513,280	\$ 40,699,419	\$ 39,424,074	\$ 37,573,950	\$ 37,598,083	\$ 36,952,757	\$ 39,673,313	\$ 41,593,322	\$ 39,073,246
Contributions as a percentage of covered employee payroll	1.54%	2.40%	7.74%	7.71%	7.84%	8.09%	7.88%	7.77%	7.24%

See notes to the required supplementary information.

WASHTENAW COMMUNITY COLLEGE

Notes to Required Supplementary Information

Pension Information

The amounts presented in the schedule of the College's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2026 - There have been no material changes in the valuation assumptions.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

WASHTENAW COMMUNITY COLLEGE

Notes to Required Supplementary Information

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net OPEB (Asset) Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2026 - Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATON (UNAUDITED)

WASHTENAW COMMUNITY COLLEGE

Combining Statement of Net Position - Unaudited

June 30, 2026 (with comparative totals for June 30, 2025)

	Current Funds			Auxiliary Fund	Plant Fund	Agency Fund	Eliminations	Combined Total	
	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund					June 30, 2026	June 30, 2025
Assets									
Current assets									
Cash and cash equivalents	\$ 7,250,097	\$ -	\$ -	\$ 1,085,412	\$ 16,111,175	\$ 332,548	\$ -	\$ 24,779,232	\$ 26,042,665
Investments	43,868,436	-	-	-	-	-	-	43,868,436	45,808,113
Accounts receivable									
Property taxes receivable, less allowance of \$130,000 (\$120,000 in 2025)	130,336	-	-	-	-	-	-	130,336	216,739
State appropriations receivable	3,415,149	1,085,622	-	-	-	-	-	4,500,771	4,169,293
Accounts receivable, less allowance of \$2,240,000 (\$3,590,000 in 2025)	2,488,163	3,384,749	-	20,485	-	-	-	5,893,397	6,486,746
Accrued interest receivable	485,143	-	-	-	-	-	-	485,143	340,392
Due from (to) other funds	2,258,971	(2,206,987)	-	(55,799)	3,815	-	-	-	-
Inventories	184,458	-	-	9,869	-	-	-	194,327	184,003
Prepaid and other assets	872,123	-	-	24,073	-	-	-	896,196	821,601
Total current assets	60,952,876	2,263,384	-	1,084,040	16,114,990	332,548	-	80,747,838	84,069,552
Noncurrent assets									
Investments	11,902,116	-	-	-	56,769,991	-	-	68,672,107	50,472,493
Net OPEB asset	-	-	19,960,172	-	-	-	-	19,960,172	15,951,812
Capital assets, net									
Land	-	-	-	-	2,086,937	-	-	2,086,937	2,086,937
Land improvements and infrastructure	-	-	-	-	3,576,819	-	-	3,576,819	3,220,737
Buildings and improvements	-	-	-	-	104,671,080	-	-	104,671,080	107,007,776
Equipment, furniture, and software	-	-	-	-	23,937,026	-	-	23,937,026	25,029,496
Library books	-	-	-	-	132,957	-	-	132,957	120,999
Other non-depreciable assets	-	-	-	-	142,510	-	-	142,510	142,510
Construction in progress	-	-	-	-	11,495,732	-	-	11,495,732	6,592,982
Subscription-based information technology arrangements	-	-	-	-	6,632,162	-	-	6,632,162	6,911,868
Total noncurrent assets	11,902,116	-	19,960,172	-	209,445,214	-	-	241,307,502	217,537,610
Total assets	72,854,992	2,263,384	19,960,172	1,084,040	225,560,204	332,548	-	322,055,340	301,607,162
Deferred outflows of resources									
Deferred charge on refunding	-	-	-	-	44,907	-	-	44,907	102,875
Deferred OPEB amounts	-	-	3,282,914	-	-	-	-	3,282,914	3,698,182
Deferred pension amounts	-	-	20,611,099	-	-	-	-	20,611,099	25,197,145
Total deferred outflows of resources	\$ -	\$ -	\$ 23,894,013	\$ -	\$ 44,907	\$ -	\$ -	\$ 23,938,920	\$ 28,998,202

WASHTENAW COMMUNITY COLLEGE

Combining Statement of Net Position - Unaudited June 30, 2026 (with comparative totals for June 30, 2025)

	Current Funds			Auxiliary Fund	Plant Fund	Agency Fund	Eliminations	Combined Total	
	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund					June 30, 2026	June 30, 2025
Liabilities									
Current liabilities									
Accounts payable	\$ 2,683,564	\$ 210,111	\$ -	\$ 317,305	\$ 934,474	\$ 591	\$ -	\$ 4,146,045	\$ 3,556,221
Accrued expenses									
Payroll and withholdings	3,310,616	1,162,801	-	-	-	625	-	4,474,042	4,106,081
Compensated absences, current portion	2,796,832	-	-	-	-	8,168	-	2,805,000	2,853,276
Interest payable	-	-	-	-	156,742	-	-	156,742	177,085
Deposits	89,001	-	-	-	-	323,164	-	412,165	409,373
Unearned revenue	2,617,431	890,472	-	392,678	-	-	-	3,900,581	6,905,555
Bonds payable, current portion	-	-	-	-	1,204,239	-	-	1,204,239	1,176,546
Installment purchase obligation, current portion	-	-	-	-	110,693	-	-	110,693	103,561
SBITA liability, current	-	-	-	-	1,926,538	-	-	1,926,538	1,721,896
Total current liabilities	11,497,444	2,263,384	-	709,983	4,332,686	332,548	-	19,136,045	21,009,594
Noncurrent liabilities									
Compensated absences	384,647	-	-	-	-	-	-	384,647	-
Bonds payable	-	-	-	-	-	-	-	-	1,204,239
Net pension liability	-	-	74,190,909	-	-	-	-	74,190,909	88,723,456
Installment purchase obligation	-	-	-	-	95,732	-	-	95,732	216,157
SBITA liability	-	-	-	-	2,828,933	-	-	2,828,933	3,824,962
Total noncurrent liabilities	384,647	-	74,190,909	-	2,924,665	-	-	77,500,221	93,968,814
Total liabilities	11,882,091	2,263,384	74,190,909	709,983	7,257,351	332,548	-	96,636,266	114,978,408
Deferred inflows of resources									
Deferred OPEB amounts	-	-	18,064,208	-	-	-	-	18,064,208	22,811,477
Deferred pension amounts	-	-	32,476,721	-	-	-	-	32,476,721	38,514,785
Total deferred inflows of resources	-	-	50,540,929	-	-	-	-	50,540,929	61,326,262
Net position (deficit)									
Net investment in capital assets	-	-	-	-	146,553,995	-	-	146,553,995	142,968,819
Restricted for net OPEB asset	-	-	19,960,172	-	-	-	-	19,960,172	15,951,812
Unrestricted (deficit)	60,972,901	-	(100,837,825)	374,057	71,793,765	-	-	32,302,898	(4,619,937)
Total net position (deficit)	\$ 60,972,901	\$ -	\$ (80,877,653)	\$ 374,057	\$ 218,347,760	\$ -	\$ -	\$ 198,817,065	\$ 154,300,694

WASHTENAW COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Deficit) - Unaudited

Year Ended June 30, 2026 (with comparative totals for year ended June 30, 2025)

	Current Funds			Auxiliary Fund	Plant Fund	Eliminations	Combined Total	
	General Fund	Restricted Funds	Pension & OPEB Liabilities Fund				June 30, 2026	June 30, 2025
Operating revenues								
Tuition and fees, net of scholarship allowance of \$11,747,475 (\$12,044,275 in 2025)	\$ 37,767,308	\$ -	\$ -	\$ -	\$ -	\$ (11,747,475)	\$ 26,019,833	\$ 24,019,101
Federal grant - Pell award	-	18,298,560	-	-	-	-	18,298,560	18,544,115
Other Federal grants and contracts	-	5,746,182	-	-	-	-	5,746,182	5,626,809
State grants and contracts	-	4,047,819	-	-	-	-	4,047,819	3,625,925
Private grants and contracts	-	755,964	-	-	-	-	755,964	525,902
Sales and services of educational activities	120,846	-	-	-	-	-	120,846	163,164
Current fund expenditures for equipment and capital improvements	-	-	-	-	5,811,535	(5,811,535)	-	-
Auxiliary services	-	-	-	5,944,734	-	-	5,944,734	5,315,180
Other sources	10,018,562	45,450	-	-	-	-	10,064,012	9,841,757
Total operating revenues	47,906,716	28,893,975	-	5,944,734	5,811,535	(17,559,010)	70,997,950	67,661,953
Operating expenses								
Instruction	49,665,577	7,476,095	(14,133,998)	-	-	(2,706,028)	40,301,646	37,964,354
Technology	12,891,766	99,835	-	-	-	(2,613,333)	10,378,268	10,248,106
Public service	1,024,468	1,073,810	(147,435)	4,578,918	-	-	6,529,761	6,660,714
Instructional support	15,423,541	3,919,134	(3,445,888)	-	-	(194,709)	15,702,078	15,060,710
Student services and student aid	15,341,210	20,924,631	(3,025,298)	-	-	(11,767,853)	21,472,690	20,754,113
Institutional administration	15,250,162	775,402	(1,020,175)	-	-	(184,542)	14,820,847	12,914,823
Physical plant operations	14,143,177	796,810	(3,352,992)	-	1,709,765	(92,545)	13,204,215	12,158,399
Depreciation and amortization	-	-	-	-	12,516,827	-	12,516,827	11,380,340
Total operating expenses	123,739,901	35,065,717	(25,125,786)	4,578,918	14,226,592	(17,559,010)	134,926,332	127,141,559
Operating (loss) income	(75,833,185)	(6,171,742)	25,125,786	1,365,816	(8,415,057)	-	(63,928,382)	(59,479,606)
Noncapital subsidies								
State appropriations	21,394,243	5,970,925	(800,860)	-	-	-	26,564,308	30,200,674
Property taxes	77,818,149	-	-	-	-	-	77,818,149	73,580,198
Total noncapital subsidies	99,212,392	5,970,925	(800,860)	-	-	-	104,382,457	103,780,872
Operating loss and noncapital subsidies	23,379,207	(200,817)	24,324,926	1,365,816	(8,415,057)	-	40,454,075	44,301,266
Other nonoperating revenues (expenses)								
Investment and interest income	4,920,435	-	-	-	-	-	4,920,435	4,644,438
Unrealized (loss) gain on investments	(692,187)	-	-	-	-	-	(692,187)	1,065,018
Loss on disposal of assets	-	-	-	-	(70,737)	-	(70,737)	(151,258)
Capital grants	-	-	-	-	239,517	-	239,517	1,243,506
Interest on capital asset - related debt	-	-	-	-	(334,732)	-	(334,732)	(334,192)
Net other nonoperating revenues (expenses)	4,228,248	-	-	-	(165,952)	-	4,062,296	6,467,512
Transfers (out) in	(25,976,692)	200,817	-	(1,250,000)	27,025,875	-	-	-
Net increase in net position	1,630,763	-	24,324,926	115,816	18,444,866	-	44,516,371	50,768,778
Net position (deficit), beginning of year	59,342,138	-	(105,202,579)	258,241	199,902,894	-	154,300,694	103,531,916
Net position (deficit), end of year	\$ 60,972,901	\$ -	\$ (80,877,653)	\$ 374,057	\$ 218,347,760	\$ -	\$ 198,817,065	\$ 154,300,694