

Audited Financial Statements
and Other Supplementary Information

Washtenaw Community College

Year Ended June 30, 2021
with Report of Independent Auditors

Washtenaw Community College
Audited Financial Statements
and Other Supplementary Information

June 30, 2021

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Management's Discussion and Analysis

Washtenaw Community College
Management's Discussion and Analysis

Year Ended June 30, 2021

Introduction to the Financials

The discussion and analysis of Washtenaw Community College's ("College" or "WCC") financial statements provide an overview of the College's financial activities for the year ended June 30, 2021. 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.

Using this Report

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 supplemental information.

These statements are organized so the reader can understand the College financially as a whole. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

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 of the current year's revenues and expenses are recognized as incurred.

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

Excluding the impact of GASB Statements 68 and 75, the College's net position increased by approximately \$15.2 million, or 8.7 percent for the year ended June 30, 2021. Of this change, unrestricted net position increased \$16.2 million. The amount invested in capital assets decreased by approximately \$1.0 million, as \$7.4 million in depreciation expense offsets \$5.3 million in new asset purchases and \$1.1 million in principal debt reductions.

The College's financial position continues to be impacted negatively by GASB Statements 68 and 75. The College's overall net position increased approximately \$10.3 million during the fiscal year ended June 30, 2021, which includes a negative \$4.9 million impact due to the recording of net pension and other postemployment benefits (OPEB) liabilities per GASB Statements 68 and 75.

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The College's net liabilities for pension and OPEB costs decreased \$16.4 million, from \$192.5 million to \$176.1 million as of June 30, 2020 and June 30, 2021, respectively. The decrease was due to plan performance, changes in assumptions, and a decrease in the College's proportionate share of the overall net liability of the MPSERS pension plan. The College's total assets at fiscal year-end were \$209.5 million, an increase of 8.1 percent or \$15.6 million. The increase is primarily due to the increase in the restricted fund accounts receivable relating to Higher Education Emergency Relief Fund (HEERF) funding. The following is a comparison of the major components of the net position of the College as of June 30, 2021, June 30, 2020, and June 30, 2019:

Net Position as of June 30 (in thousands)

	2021	2020	2019
Assets			
Current assets	\$ 56,009	\$ 39,266	\$ 40,515
Noncurrent assets:			
Capital assets, net	137,421	139,421	140,468
Investments	16,057	15,153	16,784
Total assets	209,487	193,840	197,767
Deferred outflows of resources	42,056	54,509	55,991
Liabilities			
Current liabilities	14,626	13,097	17,264
Noncurrent liabilities:			
Net pension & OPEB liabilities	176,120	192,456	183,266
Other	5,758	6,839	7,896
Total liabilities	196,504	212,392	208,426
Deferred inflows of resources	35,310	26,487	25,797
Net Position			
Invested in capital assets	130,892	131,882	131,795
Unrestricted (deficit) net position:			
Net Pension & OPEB deficits	(169,684)	(164,791)	(153,473)
Other unrestricted	58,521	42,379	41,213
Total net position	\$ 19,729	\$ 9,470	\$ 19,535

Washtenaw Community College
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Year Ended June 30, 2021

Internally, the College accounts for its activities using fund accounting, which is then reorganized into operating 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 Michigan Public Schools Employees Retirement System ("MPERS") 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, 2021, June 30, 2020, and June 30, 2019:

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

	2021	2020	2019
Operating Revenues	\$ 32,135	\$ 41,382	\$ 43,827
Operating Expenses			
MPERS – restricted & GASB 68/75	10,307	16,806	11,851
Operating expenses – all other	126,074	126,500	126,979
	136,381	143,306	138,830
Operating Loss	(104,246)	(101,924)	(95,003)
Nonoperating Revenues	114,505	91,859	89,876
Increase (Decrease) in Net Position	10,259	(10,065)	(5,127)
Net Position			
Beginning of year	9,470	19,535	24,662
End of year	\$ 19,729	\$ 9,470	\$ 19,535

Operating Revenues

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

Washtenaw Community College

Management's Discussion and Analysis

Year Ended June 30, 2021

The following table shows operating revenues by source for the years ended June 30, 2021, June 30, 2020, and June 30, 2019:

	2021		2020		2019	
	<u>\$ in 000's</u>	<u>% of total</u>	<u>\$ in 000's</u>	<u>% of total</u>	<u>\$ in 000's</u>	<u>% of total</u>
Tuition and fees	\$ 23,253	72%	\$ 27,235	66%	\$ 27,789	63%
Grants and contracts	3,089	10%	3,807	9%	4,024	9%
Auxiliary services	1,962	6%	3,990	10%	5,444	13%
Other sources	3,831	12%	6,350	15%	6,570	15%
	<u>\$ 32,135</u>		<u>\$ 41,382</u>		<u>\$ 43,827</u>	

Fiscal Year 2021

For the College as a whole, total operating revenue decreased by 22.3 percent or \$9.2 million, compared to the prior year.

Significant changes included the following:

- Student tuition and fees revenue decreased 14.6 percent or \$4.0 million compared to the prior year. Credit hours for the College's Fall and Winter semesters fell 4.5 percent and 2.8 percent, respectively, compared to the prior year. Also contributing to this decrease was primarily all of the College's classes being offered online. Rates for online classes are an average of 43.0 percent less than face to face classes for out of district, out of state, and international enrollments. Online courses also drastically reduce excess contact hour fees which comprised \$1.4 million of the overall tuition and fees decrease.
- Grant and contract revenue decreased by \$0.7 million or 18.8 percent. This decrease is attributed to the completion of the Job Seekers grant funded through the Department of Labor.
- Auxiliary services revenue decreased by 50.8 percent, or \$2.0 million. This decrease stems from the closure of the Health and Fitness Center at Washtenaw Community College for the months of July through mid-September of 2020 due to the COVID-19 pandemic and in accordance with the executive order of the governor. As uncertainties surrounding the pandemic continued upon reopening, the center experienced a substantial decrease in its membership.

Washtenaw Community College
Management's Discussion and Analysis

Year Ended June 30, 2021

Fiscal Year 2020

For the College as a whole, total operating revenue decreased by 2.0 percent or \$0.9 million, compared to the prior year.

Significant changes included the following:

- Student tuition and fees revenue decreased 2.0 percent or \$0.6 million compared to the prior year. Credit hours for the College's Fall and Winter semesters fell 3.3 percent and 2.5 percent respectively, compared to the prior year. Both semester enrollment variances fell predominantly in the returning student demographic. The College attributes this primarily to sustained economic improvement and historic low unemployment levels prior to the COVID-19 pandemic, along with the College's initiatives to improve student completion rates. The COVID-19 pandemic did not have a severe impact on tuition revenue in fiscal year 2020 for the College. This is due in large part to the College doing an outstanding job transitioning to a primarily online and virtual learning environment.
- Auxiliary services revenue decreased by 26.7 percent, or \$1.5 million. This decrease stems from the closure of the Health and Fitness Center at Washtenaw Community College for the months of April, May, and June 2020 due to the COVID-19 pandemic and in accordance with the executive order of the governor.

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 and are then categorized by function. For this financial report, the different funds of the College are netted and interfund activities are eliminated.

Washtenaw Community College

Management's Discussion and Analysis

Year Ended June 30, 2021

The following table shows operating expenses by function for the institution as a whole at June 30, 2021, June 30, 2020, and June 30, 2019.

	2021		2020		2019	
	<u>\$ in 000's</u>	<u>% of total</u>	<u>\$ in 000's</u>	<u>% of total</u>	<u>\$ in 000's</u>	<u>% of total</u>
Instruction	\$ 47,444	35%	\$ 52,650	37%	\$ 50,176	36%
Technology	9,269	7%	8,743	6%	11,166	8%
Public Service	3,246	2%	5,468	4%	5,947	4%
Instructional Support	14,073	10%	15,518	11%	13,740	10%
Student Services and Student Aid	29,598	22%	24,665	17%	22,447	16%
Institutional Administration	11,104	8%	14,314	10%	14,079	10%
Physical Plant Operations	14,307	11%	14,514	10%	14,047	10%
Depreciation	7,340	5%	7,434	5%	7,228	6%
	<u>\$136,381</u>		<u>\$143,306</u>		<u>\$138,830</u>	

Fiscal Year 2021

During fiscal year 2021, institution-wide operating expenses decreased 4.8 percent, or \$6.9 million. A decrease in the combined GASB 68 pension expense and GASB 75 OPEB expense of 60.6 percent or \$6.9 million was recognized in fiscal 2021. This decrease was primarily a result of a decrease in the College's proportionate share of the total liabilities of both the pension and OPEB plans as well as changes in plan assumptions and performance. Expenses in the general fund decreased by 7.5 percent, or \$7.8 million. The decrease was largely as a result of a reduced cost base as the College operated in a remote environment. This reduction was largely offset by an \$8.0 million, or 33.3 percent, increase in the restricted fund pertaining primarily to increased expenditures recognized under the various HEERF programs.

Fiscal Year 2020

During fiscal year 2020, institution-wide operating expenses increased 3.2 percent, or \$4.5 million. An increase in the combined GASB 68 pension expense and GASB 75 OPEB expense of 79.0 percent or \$5.0 million was recognized in fiscal 2020. The increase was primarily a result of a change in actuarial assumptions for the MPSERS pension plan. Excluding that amount, operating expenses decreased \$478,000, or 0.4 percent due in part to the shutdown of operations caused by the COVID outbreak.

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Management's Discussion and Analysis

Year Ended June 30, 2021

Non-operating Revenues (Expenses)

The following table shows net non-operating revenues (expenses) for the years ended June 30, 2021, June 30, 2020, and June 30, 2019:

	2021	2020	Change 2021 to 2020	2019	Change 2020 to 2019
	\$ in 000's				
Pell Grant Award	\$ 11,773	\$ 12,744	\$ (971)	\$ 13,102	\$ (358)
Federal Grant – HEERF student	7,985	1,350	6,635	-	1,350
Federal Grant – HEERF institutional/CRF	14,657	231	14,426	-	231
State appropriations	21,030	19,526	1,504	21,219	(1,693)
Property taxes	58,904	56,669	2,235	53,943	2,726
Investment and interest income	482	1,010	(528)	1,158	(148)
Unrealized gain (loss) on investments	(120)	561	(681)	716	(155)
Interest on capital asset - related debt	(206)	(232)	26	(262)	30
	\$ 114,505	\$ 91,859	\$ 22,646	\$ 89,876	\$ 1,983

Fiscal Year 2021

Net non-operating revenues increased by \$22.6 million compared to the prior year. Significant variance items include the following:

- The most significant increase in non-operating revenue stems from increases in Federal HEERF Grants. These federal grants, issued under the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA) all fall within the HEERF program. Awards were received for these programs in April 2020, December 2020, and May 2021, respectively. Each grant includes a student and institutional portion. Guidance on administration of the grants and allowable spending has also been released with the acts. Given the timing of the award for the CARES Act, the College had only two months of expenditures in fiscal year 2020. The increase in revenue and related expenditures, which are included in operating expenses as noted above, stems from an entire year of processing emergency grants to students as well eligible expenses processed with institutional funds.

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Year Ended June 30, 2021

Eligible expenses include lost revenue. For fiscal year 2021, the college recognized approximately \$12.2 million of eligible lost revenue expense including \$6.2 million from academic sources, \$1.5 million from non-academic sources, and \$4.5 million from auxiliary fund sources related to the fitness center.

- Federal Pell Grant decreased by 7.6 percent, or \$971,000. The decline followed the College's decrease in enrollment.
- State Appropriations increased by 7.7 percent, or \$1.5 million. This is a result of budget reductions of 8.0 percent in fiscal 2020 at the state level in response to the COVID-19 pandemic. For Fiscal 2021, the state restored the College's annual appropriation to pre-pandemic levels.
- Local government (property) taxes increased by 3.9 percent, or \$2.2 million, due to increased taxable values throughout the county.
- The College recognized an unrealized loss on investments of \$120,000, a decrease of 121.4 percent, or \$681,000 as compared to the unrealized gain on investments of \$561,000 recorded in Fiscal 2020. 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.

Fiscal Year 2020

Net non-operating revenues increased by \$2.0 million compared to the prior year. Significant variance items include the following:

- Federal HEERF Grant was new for fiscal year 2020. This grant was awarded to the College to defray costs associated with the COVID-19 pandemic and transitioning to online courses as well as to provide financial support to WCC students in the form of emergency grants. The College recognized revenue and related expenses in the amounts of \$1.4 million and \$231,000 for these purposes, respectively.
- Federal Pell Grant decreased by 2.7 percent, or \$358,000. The decline was synonymous with the decline in enrollment experienced by the College.
- State Appropriations decreased by 8.0 percent, or \$1.7 million, as a result of budget reductions at the state level in response to the COVID-19 pandemic.
- Local government (property) taxes increased by 5.1 percent, or \$2.7 million, due to increased taxable values throughout the county.

Washtenaw Community College

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Year Ended June 30, 2021

- The College recognized an unrealized gain on investments of \$561,000, a decrease of 21.6 percent, or \$155,000 as compared to the unrealized gain on investments of \$716,000 recorded in Fiscal 2019. 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.

Statement 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 Year Ended June 30 (in thousands)

	2021	2020	Change 2021 to 2020	2019	Change 2020 to 2019
\$ in 000's					
Cash (Used in) Provided by:					
Operating activities	\$ (90,818)	\$ (87,714)	\$ (3,104)	\$(78,538)	\$ (9,176)
Noncapital financing activities	101,690	91,177	10,513	87,678	3,499
Capital and related financing activities	(6,457)	(8,101)	1,644	(6,598)	(1,503)
Investing activities	(10,015)	5,182	(15,197)	(883)	6,065
Net (Decrease) Increase in Cash	(5,600)	544	(6,144)	1,659	(1,115)
Cash – Beginning of year	19,084	18,540	544	16,881	1,659
Cash – End of year	\$ 13,484	\$ 19,084	\$ (5,600)	\$ 18,540	\$ 544

Fiscal Year 2021

Cash flows decreased \$5.6 million for the year ended June 30, 2021. 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 property tax revenue and state appropriations, net of operating expenses, generated approximately \$10.9 million in cash flows during fiscal 2021.

Washtenaw Community College

Management's Discussion and Analysis

Year Ended June 30, 2021

This net cash flow then financed \$5.3 million of investments in capital assets and \$1.2 million of principal debt reduction. As the College continues to execute both its long-term and short-term investment strategy, an additional \$10.0 million was allocated to investments. The College invests in a wide variety of interest-bearing vehicles maximizing investment returns with minimal increase in risk.

Fiscal Year 2020

Cash flows increased \$544,000 for the year ended June 30, 2020. 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 property tax revenue and state appropriations, net of operating expenses, generated approximately \$3.4 million in cash flows during fiscal 2020. This net cash flow then financed \$6.7 million of investments in capital assets and \$1.4 million of principal debt reduction. As the College continues to execute both its long-term and short-term investment strategy, net investing activities generated \$5.2 million of cash in Fiscal Year 2020. The College invests in a wide variety of interest-bearing vehicles maximizing investment returns with minimal increase in risk.

Supplementary Information

Immediately following the footnotes to the financial statements are four additional schedules of required supplementary information and two statements of other supplementary information. The Schedule of the College's Proportionate Share of Net Pension Liability and the Schedule of the College's Pension Contributions are related to GASB 68. The Schedule of the College's Proportionate Share of Net Other Postemployment Benefits Liability and the Schedule of the College's Other Postemployment Benefits Contributions are related to GASB 75. All four of these schedules reflect the College's participation in the MPSERS retirement plan. The Combining Statement of Net Position and Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position show the breakdown of the College's financial information into the various fund types which the College uses to manage its activities. The GASB 68 and GASB 75 entries are combined and reflected in a separate column labeled, Pension & OPEB Liabilities Fund, in order to provide a clearer picture of the impact of this significant activity. The College accounts for its primary programs and operations in its General Fund. The General Fund is primarily financed through the following sources of revenue: tuition and fees, local government taxes, state (aid) appropriations, and other sources, including investment income. For this report, these sources of revenue are classified as both operating and non-operating.

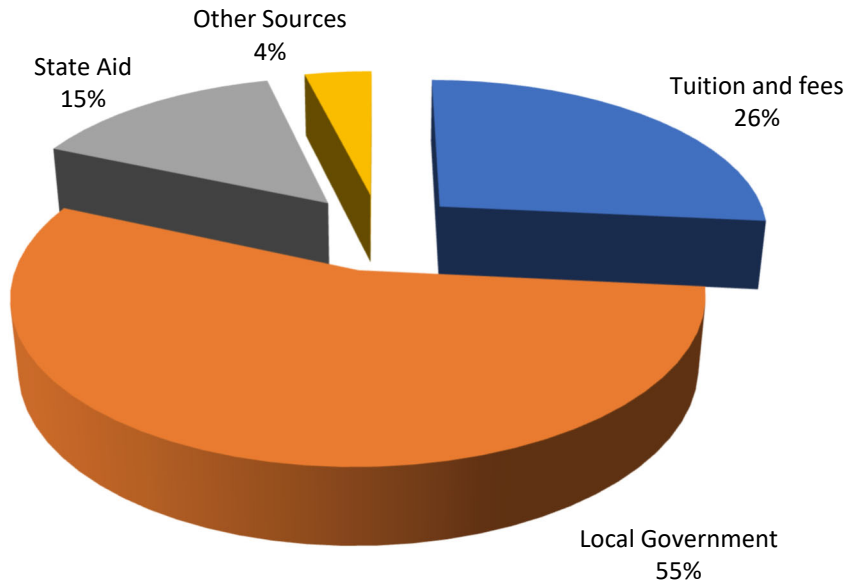
General Fund expenditures are classified by functional area and include both personnel and direct expenditures. Personnel and related expenditures accounted for approximately 79.0 percent of the General Fund operating expenses for the year ended June 30, 2021.

Washtenaw Community College
Management's Discussion and Analysis

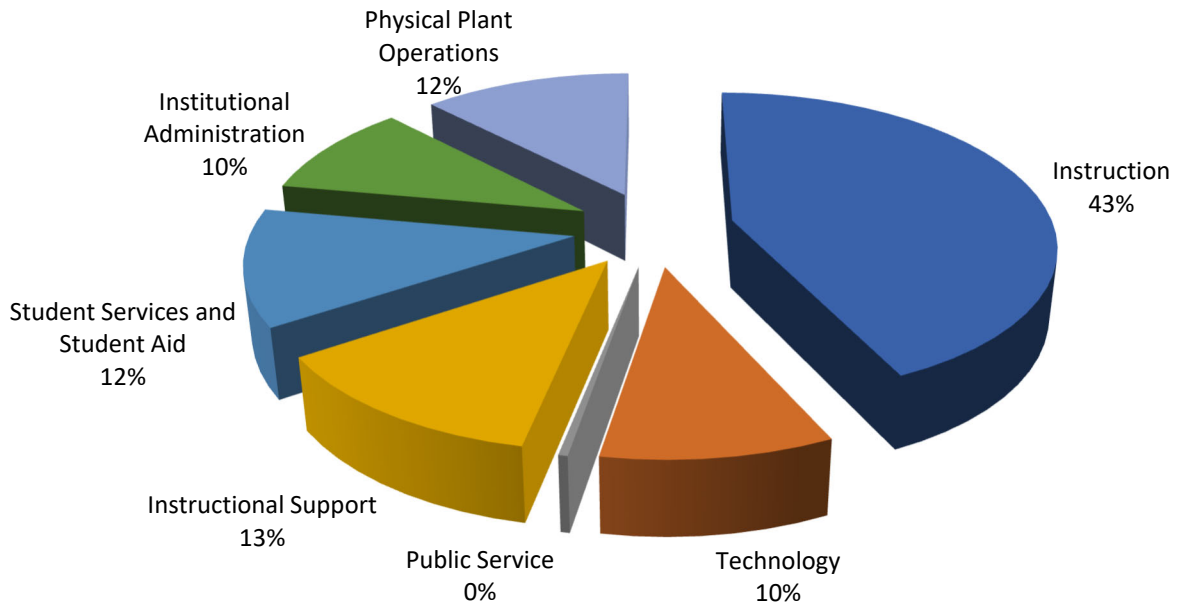
Year Ended June 30, 2021

The following charts show the percentage of revenues, by source, and the percentage of expenses, by function, as they were reported in the General Fund for the year ended June 30, 2021.

General Fund Revenues - By Source



General Fund Expenses - By Function



Washtenaw Community College
Management's Discussion and Analysis

Year Ended June 30, 2021

Capital Assets and Debt Administration

Capital Assets

Fiscal Year 2021

At June 30, 2021, the College had \$137.4 million invested in capital assets, net of accumulated depreciation of approximately \$140.1 million. Depreciation charges totaled \$7.4 million for the current fiscal year.

Major capital projects in progress at June 30, 2021, were as follows:

- Morris Lawrence Building renovations
- Campus security upgrades

Fiscal Year 2020

At June 30, 2020, the College had \$139.4 million invested in capital assets, net of accumulated depreciation of approximately \$132.7 million. Depreciation charges totaled \$7.4 million for the current fiscal year.

Major capital projects in progress at June 30, 2020, is as follows:

- Energy center campus cooling tower replacement

Debt

At June 30, 2021 and 2020, the College had \$6.5 million and \$7.5 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. The impact of the refinancing will result in savings of approximately \$1.5 million over the remaining life of the bonds, from the point of refunding. Footnote 7 to these financial statements discusses the transaction in greater detail.

Economic Factors that Will Affect the Future

Higher education and community colleges face ongoing challenges in relation to the COVID-19 pandemic. WCC has done an exceptional job responding to the pandemic. The College's top priority is the safety of its students, faculty, and staff and as a result has been able to successfully transition to an alternative online and virtual learning environment for most of its courses. However, COVID-19 is having a direct impact on enrollment. A persistent risk remains that the College may fall short of its tuition revenue budget for the upcoming year. Given current economic uncertainties, the College expects additional pressure on a number of its funding sources such as auxiliary revenue in addition to tuition revenue. The extent of this downward pressure on revenue is difficult to quantify and as such, the College will be required to maintain financial flexibility to maintain a balanced budget.

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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, our students still greatly rely on federal and state aid and loans to fund their educational pursuit. In FY 2021, WCC students received in excess of \$25 million in federal and state funding to support the cost of their education at WCC, which is approximately \$3 million less than in FY 2020. To the extent that these funding sources could change due to future legislation, this may impact students' ability to pursue their education.

WCC is committed to providing quality, affordable education for our credit and non-credit students, while also serving as a resource for our entire community. FY 2021 in-district tuition rates remained flat in comparison with the prior year. 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 modestly in the upcoming year as property values in Washtenaw County continue to improve.

State funding continues to account for approximately 15 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.

MPSERS, the state-run pension fund in which many of the College's employees participate, continues to be a significant and increasing cost to the College. Per MPSERS' comprehensive annual financial report as of September 30, 2020, the combined unfunded actuarial accrued liability for pensions and other postemployment benefits ("OPEB/Healthcare") for MPSERS is \$40 billion. As of September 30, 2019, the combined unfunded actuarial liability for pensions and OPEB was \$40 billion. This decrease of 1.2 percent in the combined unfunded accrued liability for pensions and OPEB stems primarily from adjustments to actuarial assumptions. Pursuant to accounting standards for pensions (GASB 68), and OPEB (GASB 75), the College's financial statements reflect liabilities totaling \$176 million as of June 30, 2021, its proportionate share of the unfunded pension and OPEB liabilities. The State has begun to address this funding obligation by increasing the level of mandatory contributions by the College to MPSERS on behalf of its plan participants. Since 2013, the State has also provided additional restricted funding to the College to supplement the College's contribution to MPSERS. That supplemental State funding has more than doubled since 2014 and is absorbing a larger portion of the State budget. As a result, the State passed a new MPSERS reform law in July 2017 in a further attempt to reduce the potential for continued growth in these unfunded liabilities. The new plan structure encourages new plan members to select the defined contribution (DC) plan over the traditional defined benefit (DB) plan with more generous employer contributions to the DC plan and higher employee contributions to the DB plan. In the short-term, it actually increases costs due to the more generous employer match; however, the long-term goal is to reduce the risk and cost associated with the DB plan model.

Basic Financial Statements

Report of Independent Auditors

To the Board of Trustees
Washtenaw Community College
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Washtenaw Community College (College), and the Washtenaw Community College Foundation (Foundation), a discretely presented component unit of the College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Washtenaw Community College and its discretely presented component unit, Washtenaw Community College Foundation, as of June 30, 2021, and the respective changes in financial position and Washtenaw Community College's cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Washtenaw Community College and the Washtenaw Community College Foundation, a discretely presented component unit, as of and for the year ended June 30, 2020 were audited by other auditors whose report dated December 7, 2020 expressed an unmodified opinion on those statements.

Other Matters

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 benefit plans and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021, on our consideration of Washtenaw Community 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washtenaw Community College's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Auburn Hills, Michigan
September 15, 2021

Washtenaw Community College

Statements of Net Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,483,761	\$ 19,084,330
Investments	22,040,319	12,551,341
Property taxes receivable, net	138,125	657,115
State appropriations receivable	3,732,113	1,956,366
Accounts receivable, net	15,700,651	4,253,414
Accrued interest receivable	71,377	86,929
Inventories	246,045	142,834
Prepaid and other assets	596,994	533,912
Total current assets	56,009,385	39,266,241
Noncurrent assets:		
Investments	16,056,440	15,152,687
Capital assets, net	137,420,793	139,421,309
Total noncurrent assets	153,477,233	154,573,996
Total assets	209,486,618	193,840,237
Deferred outflows of resources		
Deferred charge on refunding	310,705	357,230
Deferred OPEB amounts	10,064,561	9,752,957
Deferred pension amounts	31,680,898	44,398,973
Total deferred outflows of resources	42,056,164	54,509,160
Liabilities		
Current liabilities:		
Accounts payable	3,318,007	2,387,838
Accrued payroll and withholdings	4,519,901	4,148,922
Accrued vacation	2,789,419	2,732,059
Accrued interest payable	60,719	70,169
Deposits	343,289	306,189
Unearned revenue	2,514,123	2,395,034
Bonds payable, current portion	1,081,091	1,056,843
Total current liabilities	14,626,549	13,097,054
Noncurrent liabilities:		
Bonds payable, net of current portion	5,758,131	6,839,222
Net OPEB liability	22,726,502	34,001,908
Net pension liability	153,393,110	158,454,498
Total noncurrent liabilities	181,877,743	199,295,628
Total liabilities	196,504,292	212,392,682
Deferred inflows of resources		
Deferred OPEB amounts	21,119,828	13,940,637
Deferred pension amounts	14,189,959	12,546,003
Total deferred inflows of resources	35,309,787	26,486,640
Net position		
Net investment in capital assets	130,892,276	131,882,474
Unrestricted deficit	(111,163,573)	(122,412,399)
Total net position	\$ 19,728,703	\$ 9,470,075

See accompanying notes.

Washtenaw Community College

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2021	2020
Operating revenues		
Tuition and fees, net of scholarship allowance of \$5,162,566 (\$5,769,258 in 2020)	\$ 23,252,925	\$ 27,234,723
Federal grants and contracts	2,434,940	3,141,947
State grants and contracts	487,780	531,086
Private grants and contracts	166,677	133,562
Sales and services of educational activities	44,852	169,640
Auxiliary services	1,962,421	3,990,275
Other sources	3,785,704	6,180,677
Total operating revenues	32,135,299	41,381,910
Operating expenses		
Instruction	47,444,032	52,649,584
Technology	9,269,376	8,742,816
Public service	3,245,908	5,468,089
Instructional support	14,072,504	15,518,237
Student services and student aid	29,597,586	24,665,222
Institutional administration	11,104,153	14,313,756
Physical plant operations	14,307,327	14,513,989
Depreciation	7,340,089	7,434,482
Total operating expenses	136,380,975	143,306,175
Operating loss	(104,245,676)	(101,924,265)
Nonoperating revenues (expenses)		
Federal grant - Pell award	11,772,577	12,743,621
Federal grant - HEERF/CRF	22,642,207	1,580,671
State appropriations	21,029,431	19,526,246
Property taxes	58,904,247	56,669,556
Investment and interest income	481,673	1,010,169
Unrealized (loss) gain on investments	(119,924)	560,791
Interest on capital asset - related debt	(205,907)	(231,777)
Net nonoperating revenues	114,504,304	91,859,277
Change in net position	10,258,628	(10,064,988)
Net position, beginning of year	9,470,075	19,535,063
Net position, end of year	\$ 19,728,703	\$ 9,470,075

See accompanying notes.

Washtenaw Community College

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
Cash flows from operating activities		
Tuition and fees	\$ 24,254,334	\$ 26,174,427
Grants and contracts	2,216,420	3,891,185
Payments to suppliers and students	(38,683,177)	(35,656,366)
Payments to employees	(84,353,734)	(92,294,276)
Other	5,748,125	10,170,952
Net cash used in operating activities	(90,818,032)	(87,714,078)
Cash flows from noncapital financing activities		
Federal grant - Pell award	11,772,866	12,687,967
Federal grant - HEERF/CFR	10,829,135	1,349,500
Property tax	59,423,237	56,085,345
State appropriations	19,660,154	21,081,953
Federal Direct Student Loan receipts	11,228,530	13,774,111
Federal Direct Student Loan disbursements	(11,223,976)	(13,801,256)
External scholarships and grant receipts	3,633,728	3,094,411
External scholarships and grant disbursements	(3,633,728)	(3,094,411)
Net cash provided by noncapital financing activities	101,689,946	91,177,620
Cash flows from capital and related financing activities		
Purchases of capital assets	(5,627,878)	(6,376,282)
Principal paid on capital debt	(945,000)	(1,051,455)
Capital accounts receivable	396,500	(350,000)
Interest paid on capital debt	(280,675)	(323,429)
Net cash used in capital and related financing activities	(6,457,053)	(8,101,166)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	84,500,000	68,500,000
Interest on investments	492,944	842,565
Purchase of investments	(95,008,374)	(64,160,684)
Net cash provided by (used in) investing activities	(10,015,430)	5,181,881
Net (decrease) increase in cash and cash equivalents	(5,600,569)	544,257
Cash and cash equivalents, beginning of year	19,084,330	18,540,073
Cash and cash equivalents, end of year	\$ 13,483,761	\$ 19,084,330

See accompanying notes.

Washtenaw Community College

Statements of Cash Flows (continued)

	Year Ended June 30	
	2021	2020
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (104,245,676)	\$ (101,924,265)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,340,089	7,434,482
Bad debts	(229,099)	822,253
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	193,591	(1,403,626)
Inventories, prepaid and other assets	(166,293)	13,676
Accounts payable	1,218,474	(654,235)
Accrued payroll and other compensation	428,339	(2,829,835)
Unearned revenue	119,089	(563,973)
Deposits	37,100	(67)
Change in net pension and OPEB liability and deferred amounts	4,486,354	11,391,512
Cash used in operating activities	<u>\$ (90,818,032)</u>	<u>\$ (87,714,078)</u>

See accompanying notes.

Washtenaw Community College

Foundation Statements of Financial Position

	June 30	
	2021	2020
Assets		
Cash and cash equivalents	\$ 561,128	\$ 26,195
Contributions receivable, net of discount and allowance	190,542	236,011
Revolving loan fund receivable	10,802	10,632
Investments	30,514,418	24,638,933
Investments held under split-interest agreements	119,021	101,420
Beneficial interest in charitable remainder trust	525,601	406,508
Total assets	<u>\$ 31,921,512</u>	<u>\$ 25,419,699</u>
Liabilities and Net Assets		
Liabilities		
Accounts and grants payable	\$ 17,122	\$ 11,353
Revolving loan fund advance	100,000	100,000
Split-interest agreements payable	26,699	28,186
Total liabilities	<u>143,821</u>	<u>139,539</u>
Net assets		
Without donor restrictions:		
Board designated	148,341	423,341
Undesignated	2,220,718	1,465,541
With donor restrictions	29,408,632	23,391,278
Total net assets	<u>31,777,691</u>	<u>25,280,160</u>
Total liabilities and net assets	<u>\$ 31,921,512</u>	<u>\$ 25,419,699</u>

See accompanying notes.

Washtenaw Community College

Foundation Statements of Activities

	Year Ended June 30	
	2021	2020
Revenue, gains, and other support		
Contributions	\$ 938,492	\$ 1,245,331
Fundraising events, net of related expenses of \$58,594 in 2021 (\$154,707 in 2020)	24,388	(6,295)
Changes in value of split-interest agreements	19,089	1,024
Change in value of charitable remainder unitrust	119,093	(22,862)
Net investment return	7,184,819	382,439
Personnel services received from affiliate	378,593	367,151
Total revenue, gains, and other support	<u>8,664,474</u>	<u>1,966,788</u>
Expenses		
Support services:		
Salaries	252,676	249,975
Marketing	8,432	31,316
Computer training and support	33,226	23,536
Bad debt (recoveries)	(2,391)	3,565
Personnel services received from affiliate	378,593	367,151
Other	14,994	20,408
Program services:		
Scholarships	1,367,498	1,780,353
Other grants to College	113,915	129,734
Total expenses	<u>2,166,943</u>	<u>2,606,038</u>
Change in net assets	6,497,531	(639,250)
Net assets, beginning of year	<u>25,280,160</u>	25,919,410
Net assets, end of year	<u>\$ 31,777,691</u>	<u>\$ 25,280,160</u>

See accompanying notes.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

1. Basis of Presentation and Significant Accounting Policies

Reporting Entity

Washtenaw Community College (College) is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) No. 35 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 accounting principles generally accepted in the United States of America, these financial statements present the College and its component unit, Washtenaw Community College Foundation (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 criteria are met.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from estimated amounts.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

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, which is determined generally by using quoted market prices. 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

June 30, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

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

Property and Equipment

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 improvement	40 years
Equipment, furniture, and software	3-7 years
Library books	7 years

Accrued Vacation

Accrued vacation represents the accumulated liability to be paid under the College's vacation leave policy. The amount of accrued vacation to be paid during the next fiscal year is classified as current in the accompanying statements of net position.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

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, 2021 and 2020 consists of approximately \$2,005,000 and \$1,773,000 of tuition revenue for the 2021 and 2020 spring/summer semesters, respectively. Unearned revenue also includes approximately \$213,000 at June 30, 2021 for payments received toward Fall 2021 tuition and fees and approximately \$248,000 of Fitness Center membership fees. There was no unearned revenue related to Fall 2020 tuition and fees or fitness center memberships at June 30, 2020. Grants received prior to qualifying expenditures are also included in unearned revenue.

Net OPEB Liability

For purposes of measuring the net OPEB liability, 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 statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position 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

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

Deferred Outflows of Resources (continued)

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 pension and OPEB amounts, can be found in Note 8.

Deferred Inflows of Resources

In addition to liabilities, the statement 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 position 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 Deficit

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

	<u>2021</u>	<u>2020</u>
Encumbrances	\$ 1,669,238	\$ 699,786
Future conference funds	165,852	100,067
Health insurance claims	300,000	300,000
Designated for capital improvements	12,794,164	4,575,576
Pension and OPEB liabilities fund deficit	(169,683,940)	(164,791,116)
Unrestricted and unallocated	43,591,113	36,703,288
Total unrestricted net deficit	<u>\$ (111,163,573)</u>	<u>\$ (122,412,399)</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

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

Revenue and Expense Recognition (continued)

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, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, State appropriations, property taxes, Higher Education Emergency Relief Funds (HEERF)/Coronavirus Relief Funds (CRF), and Pell Grant revenue are components of nonoperating and other 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.

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

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 \$58,904,247 and \$56,669,556 based on \$3.3538 and \$3.3763 of tax per \$1,000 of taxable property value in the College's taxing district for the years ended June 30, 2021 and 2020, respectively.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

3. Cash and Investments

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 13,483,761	\$ 19,084,330
Investments	38,096,759	27,704,028
Total	<u>\$ 51,580,520</u>	<u>\$ 46,788,358</u>

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

	<u>2021</u>	<u>2020</u>
Bank deposits (checking, savings, and money market accounts and certificates of deposit)	\$ 13,482,041	\$ 19,082,610
Petty cash or cash on hand	1,720	1,720
Total	<u>\$ 13,483,761</u>	<u>\$ 19,084,330</u>

Deposits

The above deposits at June 30, 2021 and 2020 were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$8,019,310 and \$13,714,774, respectively. Of the amount at June 30, 2021, \$730,573 was covered by federal depository insurance and \$7,288,737 was uninsured and uncollateralized. Of the amount at June 30, 2020, \$1,006,463 was covered by federal depository insurance and \$12,708,311 was uninsured and uncollateralized.

Investments

The College utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2021 or 2020.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

3. Cash and Investments (continued)

Investments (continued)

U.S. agencies: U.S. agencies funds valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

U.S. treasuries: U.S. treasuries funds valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

Municipal bonds: Certain municipal bonds and debentures valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

State of Michigan bonds: Level 1 fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded.

Commercial paper: Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

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:

	Level 1	Level 2	Level 3	Total
2021				
U.S. agencies	\$ 4,074,470	\$ -	\$ -	\$ 4,074,470
U.S. treasuries	13,998,431	-	-	13,998,431
Municipal bonds	11,940,924	-	-	11,940,924
State of Michigan bonds	4,084,740	-	-	4,084,740
Commercial paper	3,998,194	-	-	3,998,194
Total investments at fair value	\$ 38,096,759	\$ -	\$ -	\$ 38,096,759
2020				
U.S. agencies	\$ 3,120,240	\$ -	\$ -	\$ 3,120,240
U.S. treasuries	4,998,491	-	-	4,998,491
Municipal bonds	12,468,454	-	-	12,468,454
State of Michigan bonds	5,117,480	-	-	5,117,480
Commercial paper	1,999,363	-	-	1,999,363
Total investment at fair value	\$ 27,704,028	\$ -	\$ -	\$ 27,704,028

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

3. Cash and Investments (continued)

Investments (continued)

As of June 30, 2021, 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	Greater Than 10
Municipal bonds	\$ 11,940,924	\$ 2,032,330	\$ 5,656,954	\$ 3,241,770	\$ 1,009,870
U.S. treasuries	13,998,431	13,998,431	-	-	-
U.S. agencies	4,074,470	1,007,430	3,067,040	-	-
State of Michigan bonds	4,084,740	1,005,390	2,028,770	1,050,580	-
Commercial paper	3,998,194	3,998,194	-	-	-
Total	\$ 38,096,759	\$ 22,041,775	\$10,752,764	\$ 4,292,350	\$ 1,009,870

As of June 30, 2020, 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	Greater Than 10
Municipal bonds	\$ 12,468,454	\$ 2,524,937	\$ 4,752,485	\$ 5,191,032	\$ -
U.S. treasuries	4,998,491	4,998,491	-	-	-
U.S. agencies	3,120,240	1,001,110	2,119,130	-	-
State of Michigan bonds	5,117,480	2,027,440	2,042,410	1,047,630	-
Commercial paper	1,999,363	1,999,363	-	-	-
Total	\$ 27,704,028	\$ 12,551,341	\$ 8,914,025	\$ 6,238,662	\$ -

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.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

3. Cash and Investments (continued)

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 Aaa by Moody's Investors Service at June 30, 2021 and 2020. The College's investments in U.S. treasuries were rated Aaa by Moody's at June 30, 2021 and 2020. The College's investments in Michigan municipalities were rated AA to AA+ by Standard & Poor's and/or Aa1 to Aaa by Moody's at June 30, 2021 and 2020. Additionally, as of June 30, 2021 and 2020, 68 and 77 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, 2021 and 2020, 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 by Standard & Poor's and Aa2 to Aa1 by Moody's at June 30, 2021 and 2020. The College's investments in Commercial Paper were rated A-1+ to A-2 by Standard & Poor's at June 30, 2021 and 2020.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. As of June 30, 2021, the College's investments were concentrated by issuer as follows: 31 percent issued by Michigan municipalities; 11 percent issued by U.S. agencies; 37 percent issued by U.S. treasuries; 10 percent commercial paper; and 11 percent State of Michigan bonds. As of June 30, 2020, the College's investments were concentrated by issuer as follows: 38 percent issued by Michigan municipalities; 11 percent issued by U.S. agencies; 18 percent issued by U.S. treasuries; 18 percent commercial paper; and 15 percent State of Michigan bonds. For the years ended June 30, 2021 and 2020, the College had 17 unique bond issuers within its portfolio. The largest single issuer, U.S. Treasury, accounted for approximately 32 and 18 percent of the investment portfolio as of June 30, 2021 and 2020, respectively, and was rated Aaa by Moody's.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

3. Cash and Investments (continued)

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, 2021, approximately 34 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 39 percent were in the custody of Key Bank Capital Markets; 12 percent were in the custody of PNC Capital Markets; and 15 percent were in the custody of Stifel, Nicolaus & Company, Inc. At June 30, 2020, approximately 37 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 25 percent were in the custody of Key Bank Capital Markets; 20 percent were in the custody of PNC Capital Markets; and 18 percent were in the custody of Stifel, Nicolaus & Company, Inc.

4. Accounts Receivable

Accounts receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Student accounts	\$ 3,549,119	\$ 5,295,118
Miscellaneous grants	1,399,028	526,050
Higher Education Emergency Relief Fund (HEERF)	12,207,008	393,936
Pell	118,821	119,110
Federal Direct Loans	92,372	96,926
Other	207,014	420,792
Total	<u>17,573,362</u>	<u>6,851,932</u>
Less allowance for doubtful accounts	1,872,711	2,598,518
Accounts receivable, net	<u>\$ 15,700,651</u>	<u>\$ 4,253,414</u>

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

5. Capital Assets

The following tables present the changes in each of the capital assets class categories for the years ended June 30, 2021 and 2020:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Assets, not being depreciated:					
Land	\$ 2,086,937	\$ -	\$ -	\$ -	\$ 2,086,937
Construction in progress	2,654,691	1,999,051	-	(2,132,546)	2,521,196
Other non-depreciable assets	142,510	-	-	-	142,510
Total capital assets, not being depreciated	4,884,138	1,999,051	-	(2,132,546)	4,750,643
Capital assets being depreciated:					
Land improvements and infrastructure	16,896,468	111,155	-	121,046	17,128,669
Buildings and improvements	193,473,679	94,834	-	312,802	193,881,315
Equipment, furniture and software	53,076,162	3,094,327	17,109	1,698,698	57,886,296
Library books	3,826,898	40,206	-	-	3,867,104
Total capital assets being depreciated	267,273,207	3,340,522	17,109	2,132,546	272,763,384
Less accumulated depreciation:					
Land improvements and infrastructure	11,626,519	703,257	-	-	12,329,776
Buildings and improvements	81,956,134	3,876,761	-	-	85,832,895
Equipment, furniture, and software	35,507,758	2,693,520	17,109	-	38,218,387
Library materials	3,645,625	66,551	-	-	3,712,176
Total accumulated depreciation	132,736,036	7,340,089	17,109	-	140,093,234
Capital assets, being depreciated, net	134,537,171	(3,999,567)	-	2,132,546	132,670,150
Capital assets, net	\$ 139,421,309	\$ (2,000,516)	\$ -	\$ -	\$ 137,420,793

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

5. Capital Assets (continued)

	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Assets, not being depreciated:					
Land	\$ 2,086,937	\$ -	\$ -	\$ -	\$ 2,086,937
Construction in progress	1,875,611	2,161,365	-	(1,382,285)	2,654,691
Other non-depreciable assets	142,510	-	-	-	142,510
Total capital assets, not being depreciated	4,105,058	2,161,365	-	(1,382,285)	4,884,138
Capital assets being depreciated:					
Land improvements and infrastructure	16,884,322	12,146	-	-	16,896,468
Buildings and improvements	193,473,679	(49,444)	-	49,444	193,473,679
Equipment, furniture and software	48,442,499	4,216,118	(915,296)	1,332,841	53,076,162
Library books	3,779,166	47,732	-	-	3,826,898
Total capital assets being depreciated	262,579,666	4,226,552	(915,296)	1,382,285	267,273,207
Less accumulated depreciation:					
Land improvements and infrastructure	10,909,660	716,859	-	-	11,626,519
Buildings and improvements	77,917,859	4,038,275	-	-	81,956,134
Equipment, furniture, and software	33,820,877	2,602,177	(915,296)	-	35,507,758
Library materials	3,568,454	77,171	-	-	3,645,625
Total accumulated depreciation	126,216,850	7,434,482	(915,296)	-	132,736,036
Capital assets, being depreciated, net	136,362,816	(3,207,930)	-	1,382,285	134,537,171
Capital assets, net	\$ 140,467,874	\$ (1,046,565)	\$ -	\$ -	\$ 139,421,309

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

5. Capital Assets (continued)

The College is in the process of upgrading technology and equipment, renovating existing buildings, and improving infrastructure on College grounds. As of June 30, 2021 and 2020, construction in progress for these capital improvement projects was as follows:

	2021	2020
Campus Cooling Tower	\$ -	\$ 1,248,374
Morris Lawrence Building Renovations	661,773	335,164
Campus Security Upgrades	390,745	-
Student Center Renovations	347,579	346,641
ATC Design	290,869	156,203
Miscellaneous construction projects	120,498	163,505
Elevator Upgrades	173,239	-
Wireless Upgrades	172,429	253,159
Campus Lighting Upgrades	148,890	-
GL Renovations	119,410	-
GM Garden Level Lighting	95,764	-
TI Renovations	-	80,438
Health and Fitness Center Projects	-	71,207
Total construction in progress	\$ 2,521,196	\$ 2,654,691

Total future commitments as of June 30, 2021 and 2020 related to these projects approximated \$9,318,000 and \$1,082,000, respectively. The largest part of the commitments is \$8,796,000 for the Morris Lawrence Building renovations.

6. Capital Leases

The College completed its last capital lease obligation in fiscal year 2020 and currently has no capital leases or negotiations for fiscal year 2022 and beyond.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

7. Long-term Obligations

Long-term obligation activity during the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2015 Refunding Bonds	\$ 7,465,000	\$ -	\$ (945,000)	\$ 6,520,000	\$ 985,000
Bond Premium on 2015 Refunding Bonds	431,065	-	(111,843)	319,222	96,091
Total bonds payable	<u>\$ 7,896,065</u>	<u>\$ -</u>	<u>\$ (1,056,843)</u>	<u>\$ 6,839,222</u>	<u>\$ 1,081,091</u>

Long-term obligation activity during the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2015 Refunding Bonds	\$ 8,375,000	\$ -	\$ (910,000)	\$ 7,465,000	\$ 945,000
Bond Premium on 2015 Refunding Bonds	558,062	-	(126,997)	431,065	111,843
Total bonds payable	<u>\$ 8,933,062</u>	<u>\$ -</u>	<u>\$ (1,036,997)</u>	<u>\$ 7,896,065</u>	<u>\$ 1,056,843</u>

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. At June 30, 2021 and 2020, \$6,980,000 and \$7,975,000 of bonds outstanding are considered defeased, respectively.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

7. Long-term Obligations (continued)

General Obligation Bonds

General obligation bonds totaling \$6,520,000 and \$7,465,000 were outstanding at June 30, 2021 and 2020, respectively, with interest rates varying from 2.5% to 4.0%. Principal payments are due annually in April with payments for the upcoming year totaling \$985,000 and payments of \$945,000 made during fiscal 2021. Interest payments are due semi-annually in April and October in the amount of \$121,438 each for fiscal 2022 and \$141,000 each during fiscal 2021. 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, 2021 are summarized as follows:

Years Ending	Debt Obligations			
	June 30	Principal	Interest	Amount
2022		\$ 985,000	\$ 242,875	\$ 1,227,875
2023		1,020,000	203,475	1,223,475
2024		1,065,000	162,675	1,227,675
2025		1,105,000	120,075	1,225,075
2026		1,150,000	75,875	1,225,875
2027		1,195,000	29,875	1,224,875
Total		\$ 6,520,000	\$ 834,850	\$ 7,354,850

Accrued Vacation Pay

The liability has been recorded based on the number of days available for each employee.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans

Defined Benefit Plan

Plan Description

The College contributes to the Michigan Public School Employees Retirement System (MPSERS), 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 Employee’s 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.

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.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Pension Benefits Provided (continued)

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.

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

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Other Postemployment Benefits Provided (continued)

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 transaction 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 give 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 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

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Contributions (continued)

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2021, which excludes supplemental MPSERS UALL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.21% to 12.41% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% – 4.00%	19.41%
Member Investment Plan (MIP)	3.00% – 7.00%	19.41%
Pension Plus	3.00% – 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Retirement contributions to the pension plan from the College were \$12,272,000, \$12,509,000, and \$12,687,000 for the years ended June 30, 2021, 2020 and 2019, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the College were \$2,997,000, \$3,128,000, and \$3,231,000 for the years ended June 30, 2021, 2020, and 2019, respectively.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Contributions (continued)

The table below summarizes deferred contribution rates in effect for fiscal year 2021:

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, 2021, 2020, and 2019, required and actual contributions from the College for those members with a defined contribution benefit were \$693,134, \$735,428, and \$684,434, respectively.

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

At June 30, 2021 and 2020, the College reported a liability of \$153,393,110 and \$158,454,498, respectively, for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019 and 2018, 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. At September 30, 2020, the College's proportion was 0.44655%, which was a decrease of 0.03192% from its proportion measured as of September 30, 2019 of 0.47847%.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

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

For the year ended June 30, 2021, the College recognized pension expense of \$21,207,051. As of June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Change in assumptions	\$ 16,997,435	\$ -	\$ 16,997,435
Differences between expected and actual experience	2,343,721	327,395	2,016,326
Changes in proportion and differences between employer contributions and proportionate share	516,451	8,042,024	(7,525,573)
Net difference between projected and actual earnings on pension plan investments	644,489	-	644,489
	<u>20,502,096</u>	<u>8,369,419</u>	<u>12,132,677</u>
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	5,820,540	(5,820,540)
College contributions subsequent to the measurement date	11,178,802	-	11,178,802
Total	<u>\$ 31,680,898</u>	<u>\$ 14,189,959</u>	<u>\$ 17,490,939</u>

The \$11,178,802 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 fiscal year ended June 30, 2022. The \$5,820,540 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147 of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriation revenue for the fiscal year ending June 30, 2022.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30:

2022	\$ 6,976,737
2023	3,973,959
2024	1,142,711
2025	39,270
Total	<u>\$ 12,132,677</u>

For the year ended June 30, 2020, the College recognized pension expense of \$25,861,455. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Change in assumptions	\$ 31,025,502	\$ -	\$ 31,025,502
Differences between expected and actual experience	710,243	660,740	49,503
Changes in proportion and differences between employer contributions and proportionate share	1,798,048	1,392,996	405,052
Net difference between projected and actual earnings on pension plan investments	-	5,078,197	(5,078,197)
	<u>33,533,793</u>	<u>7,131,933</u>	<u>26,401,860</u>
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	5,414,070	(5,414,070)
College contributions subsequent to the measurement date	10,865,180	-	10,865,180
Total	<u>\$ 44,398,973</u>	<u>\$ 12,546,003</u>	<u>\$ 31,852,970</u>

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

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

As of June 30, 2021 and 2020, the College reported a liability of \$22,726,502 and \$34,001,908, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019 and 2018. The College's proportion of the net OPEB liability 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. As of September 30, 2020, the College's proportion was 0.42422%, which was decrease of 0.04949% from its proportion measured as of September 30, 2019 of 0.47371%.

For the year ended June 30, 2021, the College recognized OPEB expense of negative \$1,534,207. As of June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 16,933,368	\$ (16,933,368)
Changes in assumptions	7,493,379	-	7,493,379
Net difference between projected and actual earnings on OPEB plan investments	189,678	-	189,678
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,186,460	(4,186,460)
	<u>7,683,057</u>	<u>21,119,828</u>	<u>(13,436,771)</u>
College contributions subsequent to the measurement date	2,381,504	-	2,381,504
Total	<u>\$ 10,064,561</u>	<u>\$ 21,119,828</u>	<u>\$ (11,055,267)</u>

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

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

The \$2,381,504 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 liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ended June 30:

2022	\$ (3,417,824)
2023	(3,144,340)
2024	(2,712,075)
2025	(2,279,146)
2026	(1,883,386)
Total	<u>\$ (13,436,771)</u>

For the year ended June 30, 2020, the College recognized OPEB expense of \$668,159. As of June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 12,476,261	\$ (12,476,261)
Changes in assumptions	7,367,525	-	7,367,525
Net difference between projected and actual earnings on OPEB plan investments	-	591,309	(591,309)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	873,067	(873,067)
	<u>7,367,525</u>	<u>13,940,637</u>	<u>(6,573,112)</u>
College contributions subsequent to the measurement date	2,385,432	-	2,385,432
Total	<u>\$ 9,752,957</u>	<u>\$ 13,940,637</u>	<u>\$ (4,187,680)</u>

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

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, 2019 and 2018 actuarial valuations (for fiscal years ended June 30, 2021 and 2020) 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)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	2020 – RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
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	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Actuarial Assumptions (continued)

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2020, are based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4892 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5.0000 years.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5.0000 years.

Long-Term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension 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 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 plan's target asset allocation as of September 30, 2020 and 2019, are summarized in the following tables:

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Long-Term Expected Return on Pension Plan Assets (continued)

2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.60%	1.40%
International equity	15.00%	7.40%	1.11%
Private Equity Pools	16.00%	9.30%	1.49%
Real estate and infrastructure pools	10.00%	4.90%	0.49%
Fixed income pools	10.50%	0.50%	0.05%
Absolute return pools	9.00%	3.20%	0.29%
Real Return / Opportunistic Pools	12.50%	6.60%	0.83%
Short-term investment pools	2.00%	-0.10%	0.00%
	<u>100.00%</u>		<u>5.66%</u>
Inflation			2.10%
Risk adjustment			-0.96%
Investment rate of return			<u>6.80%</u>

2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Alternative investment pools	18.00%	8.60%	1.55%
International equity	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		<u>5.65%</u>
Inflation			2.30%
Risk adjustment			-1.15%
Investment rate of return			<u>6.80%</u>

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on 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 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 OPEB plan's target asset allocation as of September 30, 2020 and 2019, are summarized in the following tables:

2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.60%	1.40%
International equity	15.00%	7.40%	1.11%
Private equity pools	16.00%	9.30%	1.49%
Real estate and infrastructure pools	10.00%	4.90%	0.49%
Fixed income pools	10.50%	0.50%	0.05%
Absolute return pools	9.00%	3.20%	0.29%
Real Return / Opportunistic Pools	12.50%	6.60%	0.83%
Short-term investment pools	2.00%	-0.10%	0.00%
	<u>100.00%</u>		<u>5.66%</u>
Inflation			2.10%
Risk adjustment			-0.81%
Investment rate of return			<u>6.95%</u>

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Long-term Expected Return on OPEB Plan Assets (continued)

2019

Asset Class	Target Allocation	Long Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Alternative investment pools	18.00%	8.60%	1.55%
International equity	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		<u>5.65%</u>
Inflation			2.30%
Risk adjustment			-1.00%
Investment rate of return			<u>6.95%</u>

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24%, respectively. For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability, (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), both of which are hybrid plans provided through non-university employers only and a discount rate of 6.95% was used to measure the total OPEB liability for fiscal years 2021 and 2020. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95% for fiscal years 2021 and 2020. 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.

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 6.80% (6.80% 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, 2021:

As of June 30, 2021	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	\$ 198,541,359	\$ 153,393,110	\$ 115,975,274

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% 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, 2020:

As of June 30, 2020	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	\$ 206,000,985	\$ 158,454,498	\$ 119,036,823

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

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB 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, 2021:

As of June 30, 2021	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	\$ 29,194,774	\$ 22,726,502	\$ 17,280,758

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate (continued)

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB 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, 2020:

As of June 30, 2020	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	\$ 41,708,449	\$ 34,001,908	\$ 27,530,553

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

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

As of June 30, 2021	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net OPEB liability	\$ 17,072,251	\$ 22,726,502	\$ 29,157,514

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

Defined Benefit Plan (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (continued)

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2020:

As of June 30, 2020	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	\$ 27,256,196	\$ 34,001,908	\$ 41,707,535

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

As of June 30, 2021, the College reported a payable of \$1,170,811 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2021. As of June 30, 2020, the College reported a payable of \$1,066,760 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020.

Payable to the OPEB Plan

At June 30, 2021, the College reported a payable of \$49,779 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2021. At June 30, 2020, the College reported a payable of \$36,052 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

8. Retirement Plans (continued)

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 187 and 189 members as of June 30, 2021 and 2020, respectively.

The plan requires College and participant contributions to be made as a percentage of the participants' gross earnings. The College must contribute 12 percent of gross earnings, and the participants must contribute 3 percent of gross earnings. The College made contributions to the plan totaling approximately \$2,200,000 for the years ended June 30, 2021 and 2020.

9. Risk Management

The College funds its employees' health benefit plan on a partially uninsured basis, providing coverage for employees' medical, dental, and vision claims. The College's maximum stop-loss is limited to \$55,000 per employee contract covered under the plan. At June 30, 2021 and 2020, the estimated maximum stop-loss that the College could incur approximated \$1,455,000 and \$1,633,000, respectively.

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, 2023.

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, 2021 and 2020, changes in the estimated liabilities were as follows:

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

9. Risk Management (continued)

	Workers' Compensation	Health Benefits
Estimated liability, July 1, 2018	\$ 14,453	\$ 973,196
Estimated claims incurred, including changes in estimates	56,530	3,076,066
Less claim payments	39,988	3,283,209
Estimated liability, June 30, 2019	<u>30,995</u>	<u>766,053</u>
Estimated claims incurred, including changes in estimates	61,183	2,407,720
Less claim payments	78,712	2,452,517
Estimated liability, June 30, 2020	<u>13,466</u>	<u>721,256</u>
Estimated claims incurred, including changes in estimates	3,406	2,033,141
Less claim payments	9,946	2,366,110
Estimated liability, June 30, 2021	<u>\$ 6,926</u>	<u>\$ 388,287</u>

10. Related Parties

The Washtenaw Community College 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, 2021 and 2020 was approximately \$424,000 and \$441,000, respectively.

In addition, the College received payments from the Foundation for student scholarships and support totaling approximately \$1,713,000 and \$2,101,000 for the years ended June 30, 2021 and 2020, respectively. The Foundation also makes direct payments on behalf of students and faculty.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

10. Related Parties (continued)

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 years ended June 30, 2021 and 2020, 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 \$1,520,000 and \$1,602,000 for the years ended June 30, 2021 and 2020, respectively.

11. Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to impact industries throughout world including higher education. Throughout fiscal year 2021, Executive Orders issued by Michigan’s Governor effectively prohibited certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume normal campus operations including in-person learning. The full extent and the ultimate impact of the pandemic on the College’s operational and financial performance will depend on various developments, including the duration and spread of the outbreak and any future COVID-19 variants, and its impact on students, employees, and vendors, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the College’s financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Washtenaw Community College

Notes to Financial Statements

June 30, 2021

11. Risks and Economic Uncertainties (continued)

In response to the pandemic, the College was allocated funding as detailed in the table below. Subsequent to June 30, 2021, an additional grant in the amount of \$915,128 was awarded to the College under the Strengthening Institutions Program within the American Rescue Plan Act.

Grant	Total Award	Amount Expended for year ended June 30, 2021
Coronavirus Aid, Relief and Economic Security (CARES) Act – Student Portion	\$ 2,484,445	\$ 1,134,945
CARES Act – Institutional Portion	2,484,445	2,111,509
CARES Act – Strengthening Institutions Program	249,088	249,088
Coronavirus Relief Fund – CARES Act funds passed through State of Michigan	1,552,900	1,552,900
Coronavirus Emergency Supplemental Funding – CARES Act funds passed through Michigan State Police	3,366	3,366
Child Care Relief Fund – CARES Act funds passed through Michigan Department of Education	7,800	7,800
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) – Student Portion	2,484,445	2,484,445
CRRSAA – Institutional Portion	9,418,041	9,408,515
CRRSAA – Strengthening Institutions Program	500,503	500,503
American Rescue Plan Act (ARPA) – Student Portion	10,658,542	2,662,205
ARPA – Institutional Portion	10,113,494	2,526,931
Total HEERF and COVID-19 Funding	\$ 39,957,069	\$ 22,642,207

Required Supplementary Information

Washtenaw Community College

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Years Ended June 30						
	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.44655%	0.47847%	0.48233%	0.48038%	0.46738%	0.45330%	0.44402%
College's proportionate share of the net pension liability	\$ 153,393,110	\$ 158,454,498	\$ 144,998,202	\$ 124,486,379	\$ 116,608,139	\$ 110,718,864	\$ 97,802,079
College's covered payroll	37,883,972	41,650,413	41,155,423	41,032,987	41,220,476	38,675,423	38,039,183
College's proportionate share of the net pension liability as a percentage of its covered payroll	404.90%	380.44%	352.32%	303.38%	282.89%	286.28%	257.11%
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

The amounts presented for the fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

Washtenaw Community College
MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the College's Pension Contributions

	Years Ended June 30						
	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 12,576,192	\$ 12,508,574	\$ 12,687,042	\$ 12,882,238	\$ 11,196,524	\$ 10,532,263	\$ 8,277,610
Contributions in relation to the statutorily required contributions	(12,576,192)	(12,508,574)	(12,687,042)	(12,882,238)	(11,196,524)	(10,532,263)	(8,277,610)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 36,755,087	\$ 39,673,313	\$ 41,593,322	\$ 39,073,246	\$ 40,900,320	\$ 37,968,811	\$ 38,653,956
Contributions as a percentage of covered payroll	34.22%	31.53%	30.50%	32.97%	27.38%	27.74%	21.41%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

Washtenaw Community College

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Years Ended June 30			
	2021	2020	2019	2018
College's proportion of the net OPEB liability	0.42422%	0.47371%	0.48142%	0.41840%
College's proportionate share of the net OPEB liability	\$ 22,726,502	\$ 34,001,908	\$ 38,267,510	\$ 42,669,543
College's covered payroll	37,883,972	41,650,413	41,155,423	41,032,987
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.99%	81.64%	92.98%	103.99%
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%	42.95%	36.39%

The amounts presented for the fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

Washtenaw Community College

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefits Contributions

	Years Ended June 30			
	2021	2020	2019	2018
Statutorily required contributions	\$ 2,988,560	\$ 3,127,748	\$ 3,230,731	\$ 2,830,342
Contributions in relation to the statutorily required contributions	<u>(2,988,560)</u>	<u>(3,127,748)</u>	<u>(3,230,731)</u>	<u>(2,830,342)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 36,755,087	\$ 39,673,313	\$ 41,593,322	\$ 39,073,246
Contributions as a percentage of covered payroll	8.13%	7.88%	7.77%	7.24%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

Washtenaw Community College

Notes to Required Supplementary Information

June 30, 2021

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension 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 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:

- 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 Plan for the September 30, 2019 actuarial valuation.
- 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 Plan for the September 30, 2018 actuarial valuation.
- 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 for the September 30, 2017 actuarial valuation.

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 schedules of the College's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

- 2020 – The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95% for the September 30, 2019 actuarial valuation.
- 2019 – The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15% for the September 30, 2018 actuarial valuation.

Other Supplementary Information

Washtenaw Community College
Combining Statement of Net Position

June 30, 2021
(With Comparative Totals for June 30, 2020)

	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund	Auxiliary Fund	Plant Fund	Custodial Fund	Eliminations	June 30, 2021	June 30, 2020
Assets									
Current assets:									
Cash and cash equivalents	\$ 506,470	\$ -	\$ -	\$ 219,851	\$ 12,443,627	\$ 313,813	\$ -	\$ 13,483,761	\$ 19,084,330
Investments	22,040,319	-	-	-	-	-	-	22,040,319	12,551,341
Accounts receivable:									
Property taxes receivable, less allowance of \$88,000 (\$73,000 in 2020)	138,125	-	-	-	-	-	-	138,125	657,115
State appropriations receivable	2,673,833	1,058,280	-	-	-	-	-	3,732,113	1,956,366
Accounts receivable, less allowance of \$1,873,000 (\$2,599,000 in 2020)	1,676,408	13,817,229	-	205,741	-	1,273	-	15,700,651	4,253,414
Accrued interest receivable	71,377	-	-	-	-	-	-	71,377	86,929
Due from (to) other funds	12,304,302	(13,447,900)	-	194,783	948,815	-	-	-	-
Inventories	244,293	-	-	1,752	-	-	-	246,045	142,834
Prepaid and other assets	585,593	-	-	11,401	-	-	-	596,994	533,912
Total current assets	40,240,720	1,427,609	-	633,528	13,392,442	315,086	-	56,009,385	39,266,241
Noncurrent assets:									
Investments	16,056,440	-	-	-	-	-	-	16,056,440	15,152,687
Capital assets, net									
Land	-	-	-	-	2,086,937	-	-	2,086,937	2,086,937
Land improvements and infrastructure	-	-	-	-	4,798,893	-	-	4,798,893	5,269,949
Buildings and improvements	-	-	-	-	108,048,420	-	-	108,048,420	111,517,545
Equipment, furniture, and software	-	-	-	-	19,667,909	-	-	19,667,909	17,568,404
Library books	-	-	-	-	154,928	-	-	154,928	181,273
Other non-depreciable assets	-	-	-	-	142,510	-	-	142,510	142,510
Construction in progress	-	-	-	-	2,521,196	-	-	2,521,196	2,654,691
Total noncurrent assets	16,056,440	-	-	-	137,420,793	-	-	153,477,233	154,573,996
Total assets	56,297,160	1,427,609	-	633,528	150,813,235	315,086	-	209,486,618	193,840,237
Deferred outflows of resources:									
Deferred charge on refunding	-	-	-	-	310,705	-	-	310,705	357,230
Deferred OPEB amounts	-	-	10,064,561	-	-	-	-	10,064,561	9,752,957
Deferred pension amounts	-	-	31,680,898	-	-	-	-	31,680,898	44,398,973
Total deferred outflows of resources	-	-	41,745,459	-	310,705	-	-	42,056,164	54,509,160

Washtenaw Community College
Combining Statement of Net Position

June 30, 2021
(With Comparative Totals for June 30, 2020)

	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund	Auxiliary Fund	Plant Fund	Custodial Fund	Eliminations	June 30, 2021	June 30, 2020
Liabilities									
Current liabilities:									
Accounts payable	\$ 2,249,121	\$ 211,033	\$ -	\$ 320,293	\$ 537,560	\$ -	\$ -	\$ 3,318,007	\$ 2,387,838
Accrued expenses:									
Payroll and withholdings	3,417,057	1,102,219	-	-	-	625	-	4,519,901	4,148,922
Vacation – current	2,715,028	66,223	-	-	-	8,168	-	2,789,419	2,732,059
Interest payable	-	-	-	-	60,719	-	-	60,719	70,169
Deposits	36,996	-	-	-	-	306,293	-	343,289	306,189
Unearned revenue	2,217,896	48,134	-	248,093	-	-	-	2,514,123	2,395,034
Bonds payable, current portion	-	-	-	-	1,081,091	-	-	1,081,091	1,056,843
Total current liabilities	10,636,098	1,427,609	-	568,386	1,679,370	315,086	-	14,626,549	13,097,054
Noncurrent liabilities:									
Bonds payable	-	-	-	-	5,758,131	-	-	5,758,131	6,839,222
Net OPEB liability	-	-	22,726,502	-	-	-	-	22,726,502	34,001,908
Net pension liability	-	-	153,393,110	-	-	-	-	153,393,110	158,454,498
Total noncurrent liabilities	-	-	176,119,612	-	5,758,131	-	-	181,877,743	199,295,628
Total liabilities	10,636,098	1,427,609	176,119,612	568,386	7,437,501	315,086	-	196,504,292	212,392,682
Deferred inflows of resources:									
Deferred OPEB amounts	-	-	21,119,828	-	-	-	-	21,119,828	13,940,637
Deferred pension amounts	-	-	14,189,959	-	-	-	-	14,189,959	12,546,003
Total deferred inflows of resources	-	-	35,309,787	-	-	-	-	35,309,787	26,486,640
Net position									
Net investment in capital assets	-	-	-	-	130,892,276	-	-	130,892,276	131,882,474
Unrestricted deficit	45,661,062	-	(169,683,940)	65,142	12,794,163	-	-	(111,163,573)	(122,412,399)
Total net position (deficit)	\$ 45,661,062	\$ -	\$ (169,683,940)	\$ 65,142	\$ 143,686,439	\$ -	\$ -	\$ 19,728,703	\$ 9,470,075

Washtenaw Community College

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position

Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	Current Funds					Combined Totals		
	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund	Auxiliary Fund	Plant Fund	Eliminations	June 30, 2021	June 30, 2020
Operating revenues								
Tuition and fees, net of scholarship allowance of \$5,162,566 (\$5,769,258 in 2020)	\$ 28,415,491	\$ -	\$ -	\$ -	\$ -	\$ (5,162,566)	\$ 23,252,925	\$ 27,234,723
Federal grants and contracts	-	2,434,940	-	-	-	-	2,434,940	3,141,947
State grants and contracts	-	487,780	-	-	-	-	487,780	531,086
Private grants and contracts	-	166,677	-	-	-	-	166,677	133,562
Sales and services of educational activities	44,852	-	-	-	-	-	44,852	169,640
Current fund expenditures for equipment and capital improvements	-	-	-	-	1,047,876	(1,047,876)	-	-
Auxiliary services	-	-	-	1,962,421	-	-	1,962,421	3,990,275
Other sources	3,737,829	41,075	-	-	6,800	-	3,785,704	6,180,677
Total operating revenues	32,198,172	3,130,472	-	1,962,421	1,054,676	(6,210,442)	32,135,299	41,381,910
Operating expenses								
Instruction	41,179,361	4,361,705	2,268,749	-	-	(365,783)	47,444,032	52,649,584
Technology	9,213,305	472,649	35,442	-	-	(452,020)	9,269,376	8,742,816
Public service	373,533	684,026	22,432	2,165,917	-	-	3,245,908	5,468,089
Instructional support	11,997,215	1,477,178	640,203	-	-	(42,092)	14,072,504	15,518,237
Student services and student aid	11,649,855	22,572,428	568,421	-	-	(5,193,118)	29,597,586	24,665,222
Institutional administration	9,408,839	1,226,938	468,376	-	-	-	11,104,153	14,313,756
Physical plant operations	11,733,915	1,292,144	482,731	-	955,966	(157,429)	14,307,327	14,513,989
Depreciation	-	-	-	-	7,340,089	-	7,340,089	7,434,482
Total operating expenses	95,556,023	32,087,068	4,486,354	2,165,917	8,296,055	(6,210,442)	136,380,975	143,306,175
Operating loss	(63,357,851)	(28,956,596)	(4,486,354)	(203,496)	(7,241,379)	-	(104,245,676)	(101,924,265)
Nonoperating revenues (expenses)								
Federal grant – Pell award	-	11,772,577	-	-	-	-	11,772,577	12,743,621
Federal grant – HEERF student	-	7,984,650	-	-	-	-	7,984,650	1,349,500
Federal grant – HEERF institutional/CRF	-	14,657,557	-	-	-	-	14,657,557	231,171
State appropriations	15,615,365	5,820,536	(406,470)	-	-	-	21,029,431	19,526,246
Property taxes	58,904,247	-	-	-	-	-	58,904,247	56,669,556
Investment and interest income	481,673	-	-	-	-	-	481,673	1,010,169
Unrealized loss on investments	(119,924)	-	-	-	-	-	(119,924)	560,791
Interest on capital asset – related debt	-	-	-	-	(205,907)	-	(205,907)	(231,777)
Total nonoperating revenues (expenses)	74,881,361	40,235,320	(406,470)	-	(205,907)	-	114,504,304	91,859,277
Increase (decrease) in net position – before transfers	11,523,510	11,278,724	(4,892,824)	(203,496)	(7,447,286)	-	10,258,628	(10,064,988)
Transfers (out) in	(3,607,061)	(11,278,724)	-	210,110	14,675,675	-	-	-
Net increase (decrease) in net position	7,916,449	-	(4,892,824)	6,614	7,228,389	-	10,258,628	(10,064,988)
Net position, beginning of year	37,744,613	-	(164,791,116)	58,528	136,458,050	-	9,470,075	19,535,063
Net position, end of year	\$ 45,661,062	\$ -	\$ (169,683,940)	\$ 65,142	\$ 143,686,439	\$ -	\$ 19,728,703	\$ 9,470,075