

WBHM RADIO
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

**WBHM RADIO
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SEPTEMBER 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the University of Alabama
Birmingham, Alabama

We have audited the accompanying financial statements of WBHM Radio (WBHM), a department of the University of Alabama at Birmingham (UAB), a campus of the University of Alabama System, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WBHM Radio as of September 30, 2018 and 2017, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of WBHM are intended to present the financial position, the changes in net position, and cash flows of only that portion of UAB, a campus of the University of Alabama System, that is attributable to the transactions of WBHM. They do not purport to, and do not, present fairly the financial position of UAB, a campus of the University of Alabama System, as of September 30, 2018 and 2017, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, WBHM adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) on pages 3 through 8 and schedules of proportionate share of net pension liability and employer contributions on pages 37 through 40 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 audits 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.

Warren Averett, LLC

Birmingham, Alabama
April 2, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017**

WBHM Radio (WBHM) is a not-for-profit radio station licensed to the Board of Trustees of the University of Alabama for the University of Alabama at Birmingham (UAB). WBHM is accounted for as a department of UAB, which is a campus of the University of Alabama System (the System). UAB is one of three campuses of the System, which is a discretely-presented component unit of the State of Alabama. The financial statements of WBHM are intended to present the financial position, the changes in net position, and cash flows of only that portion of UAB that is attributable to the transactions of WBHM. As a department of UAB, a public institution, the financial statements of WBHM have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

WBHM operates from a building on campus at UAB, and its main purpose is to provide noncommercial public broadcasting and educational telecommunications services throughout Alabama. WBHM began broadcasting in December 1976 and was the first full-service public radio station in north central Alabama. It operates at 90.3 FM with an effective radiated power of 32,000 watts. The transmitter is co-located with WBRC-TV on Red Mountain in Birmingham. The broadcast service area covers a radius of almost 70 miles from Birmingham and serves a population of approximately 1,250,000. WBHM broadcasts seven days a week, 24 hours a day. A secondary signal acquired in 2016 operates 106.1 FM and reaches parts of southern Birmingham and the near southern suburbs.

WBHM, through the Alabama Radio Reading Service (ARRS), provides local and national programming to blind and print-handicapped Alabamians. ARRS operates on a subcarrier of WBHM, and the audio is accessible to users via a toll-free telephone number, a digital stream on the web, as well as available on a mobile app.

The following discussion and analysis of WBHM's financial performance presents an overview of WBHM's financial activities for the fiscal years ended September 30, 2018 and 2017. This discussion and analysis has been prepared by management and should be read in conjunction with the accompanying audited financial statements and notes to the financial statements.

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017**

Financial Highlights

WBHM has total assets of \$463,252 and \$539,923 as of September 30, 2018 and 2017, respectively, and total liabilities of \$1,809,321 and \$1,215,803, respectively. Net position, which represents the excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources, decreased by \$140,055 in fiscal year 2018, as compared to a fiscal year 2017 increase of \$221,064. This change is summarized below:

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 1,744,782	\$ 2,185,952
Operating expenses	<u>2,213,633</u>	<u>2,353,986</u>
Operating loss	(468,851)	(168,034)
Nonoperating items and other changes	<u>328,796</u>	<u>389,098</u>
Change in net position	<u>\$ (140,055)</u>	<u>\$ 221,064</u>

WBHM reports as a business-type activity as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as an amendment to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of WBHM have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has occurred (see Note 2 of the financial statements).

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017**

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Capital assets	\$ 68,696	\$ 64,419
Other assets	<u>394,556</u>	<u>475,504</u>
Total assets	463,252	539,923
Deferred outflows of resources:		
Deferred outflows of resources from pension and OPEB related obligations	<u>232,223</u>	<u>187,650</u>
Total deferred outflows of resources	232,223	187,650
Total assets and deferred outflows of resources	<u>695,475</u>	<u>727,573</u>
Liabilities:		
Current liabilities	142,360	108,088
Noncurrent liabilities	<u>1,666,961</u>	<u>1,107,715</u>
Total liabilities	1,809,321	1,215,803
Deferred inflows of resources:		
Deferred inflows of resources from pension and OPEB related obligations	<u>161,899</u>	<u>65,423</u>
Total deferred inflows of resources:	161,899	65,423
Total liabilities and deferred inflows of resources	<u>1,971,220</u>	<u>1,281,226</u>
Net position:		
Unrestricted	(1,344,441)	(618,072)
Net investment in capital assets	<u>68,696</u>	<u>64,419</u>
Total net position	<u>\$ (1,275,745)</u>	<u>\$ (553,653)</u>

Total assets decreased by 14.2% in 2018 from 2017. This is due primarily to decreases in pledges receivable for memberships and prepaid expenses during the year offset by increases in cash and cash equivalents, accounts receivable for underwriting, and capital assets. Total assets increased by 12.5% in 2017 from 2016. This is due primarily to increases in cash and cash equivalents, accounts receivable for memberships and prepaid expenses, offset by decreases in accounts receivable for underwriting and grants, and capital assets.

WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017

Total liabilities increased by 48.8% in 2018 from 2017. This is due primarily to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. At September 30, 2018, WBHM reported a pension liability for other postemployment benefits of \$671,820. At September 30, 2017, WBHM had not recorded a share in this liability. Total liabilities decreased by 10.8% in 2017 from 2016. This is due primarily to decreases in cash overdraft and accounts payable for programming, offset by increases in pension liability and unearned revenue for underwriting.

At September 30, 2018, deferred outflows from pension obligations were \$107,095 and deferred inflows from pension obligations were \$89,947. At September 30, 2017, WBHM reported deferred outflows from pension obligations of \$187,650 and deferred inflows from pension obligations were \$65,423. The decrease in deferred outflows from pension obligations is a result of a decrease change in assumptions and net difference between projected and actual earnings on pension plan investments. The increase in deferred inflows from pension obligations is a result of an increase in difference between expected and actual experience.

At September 30, 2018, deferred outflows from OPEB obligations were \$125,128, and deferred inflows from OPEB obligations were \$71,952. WBHM recorded these balances for the first time in fiscal year 2018 upon implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

**WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017**

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

	<u>2018</u>	<u>2017</u>
Operating revenues and expenses:		
Revenues	\$ 1,744,782	\$ 2,185,952
Expenses	<u>2,213,633</u>	<u>2,353,986</u>
Operating loss	(468,851)	(168,034)
Nonoperating revenues:		
State appropriations	-	1,367
University support	<u>250,115</u>	<u>250,000</u>
Total nonoperating revenues	<u>250,115</u>	<u>251,367</u>
Income (loss) before other changes	(218,736)	83,333
Other changes in net position:		
Transfers from UAB	<u>78,681</u>	<u>137,731</u>
Total other changes in net position	<u>78,681</u>	<u>137,731</u>
Change in net position	(140,055)	221,064
Net position:		
Net position at beginning of year, as previously reported	(553,653)	(774,717)
Adoption of GASB Statement No. 75	<u>(582,037)</u>	<u>-</u>
Net position at beginning of year, as adjusted	(1,135,690)	(774,717)
Net position at end of year	<u>\$ (1,275,745)</u>	<u>\$ (553,653)</u>

The statements of revenues, expenses, and changes in net position show operating and nonoperating revenues and expenses. A summarized comparison of WBHM's revenues, expenses, and changes in net position for the years ended September 30, 2018 and 2017, is presented above. WBHM's net position decreased by \$140,055 in fiscal year 2018, as compared to a fiscal year 2017 increase of \$221,064.

WBHM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2018 AND 2017

During fiscal year 2018, the overall increase in operating loss is primarily attributable to a decrease in overall revenues of 20.2%. The fiscal year 2017 decrease in operating loss was primarily attributable to an increase in overall revenues of 19.8%, offset by a 2.0% decrease in operating expenses.

Also during 2018, WBHM's nonoperating revenues decreased by 0.5%, primarily due to decreases in University support from UAB for operating expenses, as compared to an 3.1% increase in fiscal year 2017.

Factors Impacting Future Periods

Significant factors expected to impact WBHM's financial performance in future periods include, but are not limited to:

- The changing nature of consumers' media habits and the economics of broadcast and online advertising;
- The reputational value of WBHM as a trusted local media brand and National Public Radio (NPR) as a trusted national media brand and the impact of those brand values on financial contributions;
- The continued investment in new technology and personnel to best serve community needs and the public radio mission; and
- The close integration with UAB's available technical, budgetary, and marketing systems to support the station.

WBHM's traditional radio audience remains strong, while Internet and mobile use of WBHM content continues to grow. WBHM has been successful in expanding the station's public service to new audiences and technology platforms, including the station's mobile app, and its stream to smart speakers. Partnerships with other commercial and noncommercial media organizations have created mutually beneficial programming to serve audiences on air and online.

As a listener-supported membership organization, private contributions and corporate underwriting of programming are important to the financial support of WBHM. As the broadcast license holder and home of the station, UAB has traditionally supported the station with supplemental funding and in-kind support. WBHM will continue to rely on these significant sources to support its public service mission.

WBHM will continue to carefully manage operating costs while targeting new revenue sources. The station is seeking additional resources by relaunching its planned giving and major gifts campaigns while also vigorously pursuing private and community service grants to support new journalism and programming initiatives, capital needs, and necessary upgrades in technology and equipment.

In summary, the potential for sustaining and expanding WBHM's successful public service to the people of north central Alabama is positive in the near and midterm future.

FINANCIAL STATEMENTS

**WBHM RADIO
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 186,328	\$ 180,029
Accounts receivable, net	79,922	74,248
Pledges receivable, net	107,626	181,925
Prepaid expenses	20,680	39,302
Total current assets	394,556	475,504
NONCURRENT ASSETS		
Capital assets, net	68,696	64,419
Total noncurrent assets	68,696	64,419
TOTAL ASSETS	463,252	539,923
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB related obligations	232,223	187,650
TOTAL DEFERRED OUTFLOWS OF RESOURCES	232,223	187,650
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 695,475	\$ 727,573

See notes to the financial statements.

**WBHM RADIO
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 93,414	\$ 67,660
Unearned revenue	48,946	40,428
	142,360	108,088
PENSION LIABILITY		
Pension liability	995,141	1,107,715
OPEB liability	671,820	-
	1,666,961	1,107,715
NET PENSION LIABILITY	1,666,961	1,107,715
TOTAL LIABILITIES	1,809,321	1,215,803
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB related obligations	161,899	65,423
	161,899	65,423
TOTAL DEFERRED INFLOWS OF RESOURCES	161,899	65,423
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,971,220	1,281,226
NET POSITION		
Unrestricted	(1,344,441)	(618,072)
Net investment in capital assets	68,696	64,419
	(1,275,745)	(553,653)
TOTAL NET POSITION	\$ (1,275,745)	\$ (553,653)

See notes to the financial statements.

WBHM RADIO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Membership contributions	\$ 991,343	\$ 1,362,314
Community service grants	155,885	175,600
Program underwriting	563,950	628,183
Other	33,604	19,855
Total operating revenues	<u>1,744,782</u>	<u>2,185,952</u>
OPERATING EXPENSES		
Programming and production	843,286	867,728
Broadcasting	184,654	176,364
Fundraising and membership development	265,237	344,052
Underwriting	271,229	275,438
Management and general	640,639	670,211
Depreciation	8,588	20,193
Total operating expenses	<u>2,213,633</u>	<u>2,353,986</u>
OPERATING LOSS	(468,851)	(168,034)
NONOPERATING REVENUES		
State appropriations	-	1,367
University support	250,115	250,000
Total nonoperating revenues	<u>250,115</u>	<u>251,367</u>
INCOME (LOSS) BEFORE OTHER CHANGES	(218,736)	83,333
OTHER CHANGES IN NET POSITION		
Transfers from UAB	78,681	137,731
Total other changes in net position	<u>78,681</u>	<u>137,731</u>
CHANGE IN NET POSITION	<u>\$ (140,055)</u>	<u>\$ 221,064</u>

See notes to the financial statements.

WBHM RADIO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	\$ (553,653)	\$ (774,717)
Adoption of GASB 75	(582,037)	-
NET POSITION AT BEGINNING OF YEAR, AS ADJUSTED	(1,135,690)	(774,717)
NET POSITION AT END OF YEAR	\$ (1,275,745)	\$ (553,653)

See notes to the financial statements.

**WBHM RADIO
STATEMENTS OF CASH FLOWS
SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership contributions	\$ 1,065,642	\$ 1,331,910
Community service grants	185,230	294,375
Program underwriting	537,449	648,076
Other	33,604	19,855
Payments to employees	(1,220,673)	(1,213,572)
Payments to vendors	<u>(832,203)</u>	<u>(986,873)</u>
Net cash provided by (used in) operating activities	(230,951)	93,771
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Change in cash overdraft	-	(165,109)
State appropriations	-	1,367
University support	<u>250,115</u>	<u>250,000</u>
Net cash provided by noncapital financing activities	<u>250,115</u>	<u>86,258</u>
CASH FLOWS FROM CAPITAL FINANCIAL ACTIVITIES		
Purchase of capital assets	<u>(12,865)</u>	<u>-</u>
Net cash used in capital financing activities	<u>(12,865)</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,299	180,029
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>180,029</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 186,328</u></u>	<u><u>\$ 180,029</u></u>

See notes to the financial statements.

**WBHM RADIO
STATEMENTS OF CASH FLOWS
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (468,851)	\$ (168,034)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	8,588	20,193
Benefits expense	73,685	48,206
Change in deferred outflows of resources	(44,573)	(29,274)
Operating expenses provided by UAB	78,681	137,731
Change in accounts and pledges receivable	68,625	(27,097)
Change in grants receivable	-	132,781
Change in prepaid expenses	18,622	(6,016)
Change in accounts payable and accrued liabilities	25,754	(17,299)
Change in unearned revenue	8,518	2,580
Net cash provided by (used in) operating activities	\$ (230,951)	\$ 93,771
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Adoption of GASB Statement No. 75	\$ 671,820	\$ -

See notes to the financial statements.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

1. ORGANIZATION AND RELATIONSHIP TO THE UNIVERSITY OF ALABAMA AT BIRMINGHAM

WBHM Radio (WBHM) is a not-for-profit radio station licensed to the Board of Trustees of the University of Alabama for the University of Alabama at Birmingham (UAB). WBHM is accounted for as a department of UAB, which is a campus of the University of Alabama System (the System). UAB is one of three campuses of the System, which is a discretely-presented component unit of the State of Alabama. The financial statements of WBHM are intended to present the financial position, the changes in net position, and cash flows of only that portion of UAB that is attributable to the transactions of WBHM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of WBHM have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

WBHM reports as a business-type activity as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of WBHM have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has occurred. Refer also to the revenue recognition section of this note.

Net Position

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into three net position categories.

- Unrestricted: Net position, including membership contributions, underwriting revenues, state appropriations, and certain grant proceeds that are neither subject to externally imposed stipulations nor invested in capital assets, net of related debt, are classified as unrestricted net position. Unrestricted net position may be designated for specific purposes by actions of management.
- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. WBHM did not have capital related debt as of September 30, 2018 and 2017.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Restricted: WBHM classifies net position resulting from transactions with purpose or time restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Restricted net position is further classified as follows:
 - (1) Nonexpendable – Net position subject to externally-imposed stipulations that amounts be maintained permanently by WBHM. WBHM did not have restricted nonexpendable net position as of September 30, 2018 and 2017.
 - (2) Expendable – Net position whose use by WBHM is subject to externally-imposed stipulations that can be fulfilled by actions of WBHM pursuant to those stipulations or that expire by the passage of time. WBHM did not have restricted expendable net position as of September 30, 2018 and 2017.

Cash and Cash Equivalents

WBHM considers cash on hand and in banks and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of amounts due for underwriting services. All balances are expected to be received within one year. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Accounts receivable are recorded net of an allowance for uncollectible receivables of \$1,172 and \$1,426 as of September 30, 2018 and 2017, respectively. This amount is based on past experience and an analysis of current accounts receivable collectability.

Pledges Receivable

WBHM receives pledges and bequests of financial support. Revenue is recognized when a pledge representing an unconditional promise to give is received, and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. All balances are expected to be received within one year and are written off 12 months after the pledge date. Pledges receivable are shown net of an allowance for uncollectible pledges, which is based on historical collection experience. The pledges receivable totaled \$107,626 and \$181,925 as of September 30, 2018 and 2017, respectively.

Capital Assets

Capital assets consist of land, buildings and improvements, broadcast equipment, and satellite equipment. Equipment is recorded at cost at the date of acquisition, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which are 12-40 years for building and building improvements and 5-10 years for equipment. Gain or loss on the disposition of capital assets is reflected in the statements of revenues, expenses, and changes in net position, and the related asset cost and accumulated depreciation are removed from the respective accounts. Depreciation expense for the years ended September 30, 2018 and 2017, was \$8,588 and \$20,193, respectively.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of amounts related to the pension obligations and Other Post-Employment Benefits (OPEB) obligations of \$232,223 and \$187,650 at September 30, 2018 and 2017, respectively, as more fully described in Note 5 and Note 6.

Deferred inflows of resources consist of amounts related to the pension obligations and OPEB obligations of \$161,899 and \$65,423 at September 30, 2018 and 2017, respectively, as more fully described in Note 5 and Note 6.

Revenue Recognition

Membership contributions and other donations are nonexchange transactions, which are recognized as operating revenues in the period they are received. WBHM recognizes revenue associated with community service grants in accordance with GASB Statement No. 33, based on the terms of the individual grant agreement.

Program underwriting revenue is reported as unearned revenue in the statements of net position for programs not yet broadcast. Revenue is recognized when the related program is aired.

State appropriations are recorded when all eligibility requirements have been met as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

During 2018, WBHM received \$250,115 of University support from UAB for WBHM's general operating expenses. In 2017, WBHM received \$251,367 of University support from UAB for WBHM's general operating expenses.

Operating Revenues and Expenses

WBHM's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange and nonexchange transactions associated with WBHM's principal activities. Nonexchange revenues and expenses that result from financing and investing activities are recorded as nonoperating.

Use of Estimates

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

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Implementation of New Standard

During 2018, WBHM adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes measurement criteria for the OPEB liability of state and local governments. The statement intends to improve financial reporting by requiring recognition of the total OPEB liability (the portion of the actuarial present value of projected benefits, attributable to past periods of employee service), net of the OPEB plan's fiduciary net position. WBHM's adoption of GASB Statement No. 75 resulted in an adjustment to net position of \$582,037 as of October 1, 2017 (note 6). The standard was not applied retroactively to the 2017 financial statements because the state Other Postemployment Benefits plan did not provide the necessary information.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and for financial reporting purposes and how those activities should be reported. This statement is effective for reporting periods beginning after December 15, 2018. WBHM is evaluating whether there will be any material impact from its adoption of GASB 84.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through April 2, 2019, the date the financial statements were available to be issued.

3. CAPITAL ASSETS

WBHM's capital asset activity for the years ended September 30, 2018 and 2017, is summarized as follows:

September 30, 2018

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 25,669	\$ -	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	-	155,290
Equipment	479,109	12,865	10,174	*(7,287)	494,861
	660,068	12,865	10,174	(7,287)	675,820
Less accumulated depreciation	<u>(595,649)</u>	<u>(8,588)</u>	<u>(10,174)</u>	<u>7,287</u>	<u>(607,124)</u>
Capital assets, net	<u>\$ 64,419</u>	<u>\$ 4,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,696</u>

* During 2018, UAB transferred a fully depreciated capital asset to WBHM.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

3. CAPITAL ASSETS – CONTINUED

September 30, 2017

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
Land	\$ 25,669	\$ -	\$ -	\$ -	\$ 25,669
Building and building improvements	155,290	-	-	-	155,290
Equipment	437,084	-	42,025	*	479,109
	618,043	-	42,025	-	660,068
Less accumulated depreciation	<u>(533,431)</u>	<u>(20,193)</u>	<u>(42,025)</u>	<u>-</u>	<u>(595,649)</u>
Capital assets, net	<u>\$ 84,612</u>	<u>\$ (20,193)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,419</u>

* During 2017, UAB transferred a fully depreciated capital asset to WBHM.

4. COMPENSATED ABSENCES

Certain WBHM employees accumulate vacation and sick leave at varying rates and subject to maximum limitations, depending upon their years of continuous service and their payroll classifications. Upon termination of employment, employees are paid all unused accrued vacation at their regular rates of pay up to a designated maximum number of pay-out days. The accounts payable and accrued liabilities balance on the statements of net position includes an accrual of \$53,341 and \$50,091 as of September 30, 2018 and 2017, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

5. EMPLOYEE RETIREMENT BENEFITS

Retirement and Pension Plans

Most employees of WBHM participate in the Teachers' Retirement System of Alabama (TRS), a cost-sharing, multi-employer public retirement system. Certain employees also participate in an optional 403(b) plan (the 403(b) Plan). TRS is a defined benefit plan, and the 403(b) Plan program is a defined contribution plan.

All regular employees of WBHM are members of TRS with the exception of temporary employees who, by definition, are those employees hired for a predetermined period of employment of less than one year and employees working less than one-half of a regular schedule. Benefits for all TRS members vest after ten years of creditable service. Service retirement benefits are based on a guaranteed minimum or a formula method with the participants receiving payments under the method, which yields the highest monthly benefit. Vested Tier 1 participants, who retire at age 60 or after completing 25 years of credited service regardless of age, are entitled to an annual benefit, payable monthly for life. Under the formula method, Tier 1 participants are allowed 2.0125% of their average final compensations (highest three of the last ten years) for each year of service.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

Retirement and Pension Plans – Continued

Vested Tier 2 participants are eligible for retirement after age 62 and are also entitled to an annual benefit, payable monthly for life. Under the formula method, Tier 2 participants are allowed 1.65% of their average final compensations (highest five of the last ten years) for each year of service. TRS also provides death and disability benefits.

Covered employees are required by law to contribute to TRS. Tier 1 covered employees were required by statute to contribute 7.5% of earned compensation to TRS in 2018 and 2017. Tier 2 covered employees were required by statute to contribute 6.0% of earned compensation to TRS in 2018 and 2017. WBHM, as the employer, contributes to TRS through UAB. WBHM's contribution rate for the years ended September 30, 2018 and 2017, was 12.06% and 11.83% for Tier 1 covered employees, respectively, and 10.68% and 10.81% for Tier 2 employees, respectively.

The Tier 1 contribution requirements for fiscal years 2018 and 2017, respectively, were \$99,555 and \$108,680, which consisted of \$61,728 and \$66,901 from WBHM and \$37,827 and \$41,779 from employees. The Tier 2 contribution requirements for fiscal years 2018 and 2017, respectively, were \$53,766 and \$43,300, which consisted of \$34,800 and \$27,854 from WBHM and \$18,966 and \$15,446 from employees.

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

At September 30, 2018, WBHM reported a liability of \$995,141 (\$1,107,715 at September 30, 2017) for its proportionate share of UAB's collective net pension liability, which was measured as of September 30, 2017, and determined by the actuarial valuation of the total pension liability as of September 30, 2016. WBHM's proportion of the collective net pension liability was based on the employer's share of contributions to the pension plan relative to the total employer contributions of all participating TRS employees. At September 30, 2017, WBHM's proportion was .01079%, which was an increase of .00049% from its proportion measured as of September 30, 2016. At September 30, 2016, WBHM's proportion was .01030%, which was a decrease of .00019% from its proportion measured as of September 30, 2015.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

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

In fiscal year 2018, WBHM recognized a pension expense of \$(7,495) (\$48,206 in fiscal year 2017). WBHM also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 59,966
Change of assumptions	(16,603)	-
Net difference between projected and actual earnings on pension plan investments	30,123	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	29,981
Employer contributions subsequent to the measurement date	93,575	-
Total	<u>\$ 107,095</u>	<u>\$ 89,947</u>

September 30, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 27,106
Change of assumptions	19,882	-
Net difference between projected and actual earnings on pension plan investments	75,945	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	38,317
Employer contributions subsequent to the measurement date	91,823	-
Total	<u>\$ 187,650</u>	<u>\$ 65,423</u>

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

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

The \$93,575 reported as deferred outflows of resources related to pensions resulting from WBHM contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Increase (Decrease)
2019	\$ (24,512)
2020	227
2021	(27,172)
2022	(23,583)
2023	(1,387)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions.

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective the beginning of fiscal year 2016.

Mortality rates for TRS for service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of geometric real rates of return for each major assets class are as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash	3.00%	1.50%
	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

Sensitivity of WBHM’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents WBHM’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what WBHM’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
WBHM's proportionate share of collective net pension liability	\$ 1,463,070	\$ 995,141	\$ 720,359

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2017. The auditors’ report dated August 20, 2018, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of and for the year ended September 30, 2017, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Other Retirement Plans

As previously noted, some employees participate in the optional 403(b) Plan, which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. WBHM contributes a matching amount of up to 5% of total salaries for participating employees. WBHM's contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for 2018 and 2017, excluding employee amounts not eligible for matching, were \$49,400 (\$24,700 from both WBHM and its employees) and \$42,156 (\$21,078 from both WBHM and its employees), respectively.

WBHM's total salaries and wages for fiscal years 2018 and 2017 were \$920,896 and \$922,144, respectively. Total salaries and wages during fiscal years 2018 and 2017 for covered employees participating in Tier 1 of TRS were \$511,818 and \$565,709, respectively. Total salaries and wages during fiscal year 2018 and 2017 for covered employees participating in Tier 2 of TRS were \$324,835 and \$257,661, respectively. Total salaries and wages during fiscal years 2018 and 2017 for covered employees participating in the 403(b) Plan program were \$589,582 and \$480,021, respectively.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

6. POST-EMPLOYMENT BENEFITS

UAB offers other postemployment health care benefits (OPEB) to all employees who officially retire from UAB, which includes, WBHM employees. Health care benefits are offered through the Alabama Retired Education Employees Health Care Trust Plan (PEEHIP) with TRS or certain retired employees may elect to continue to participate in UAB's group health plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB's health care plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the PEEHIP with TRS, in which case the retirees pay a portion of the PEEHIP premium with UAB paying an allocation towards the cost of retiree coverage.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are not eligible for tuition assistance benefits themselves. However, their unmarried dependent children may qualify in some cases.

PEEHIP

Plan description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007, which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions, which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The Code of Alabama 1975, Section 16-25A-4 provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
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6. POST-EMPLOYMENT BENEFITS - CONTINUED

Benefits provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees, who do not have Medicare eligible dependents, can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare, and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
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6. POST-EMPLOYMENT BENEFITS - CONTINUED

Contributions

The Code of Alabama 1975, Section 16-25A-8 and the Code of Alabama 1975, Section, 16-25A-8.1 provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2018, WBHM reported a liability of \$651,270 for its proportionate share of UAB's collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. UAB's proportion of collective net OPEB liability was based on a projection of UAB's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, WBHM's proportion was .0087%, which was an increase of 0.0015% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, WBHM recognized OPEB expense of \$58,970 with no special funding situations. At September 30, 2018, WBHM reported deferred outflows of resources and deferred inflows of resources related to both plans from the following sources:

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

6. POST-EMPLOYMENT BENEFITS - CONTINUED

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	67,621
Net difference between projected and actual earnings on OPEB plan investments	-	3,468
Changes in proportion and differences between Employer contributions and proportionate share of contributions	102,661	-
Employer contributions subsequent to the measurement date	19,936	-
Total	\$ 122,597	\$ 71,089

\$19,936 reported as deferred outflows of resources related to OPEB resulting from WBHM's contributions subsequent to the measuring date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Increase
2019	\$ 5,809
2020	5,809
2021	5,809
2022	5,809
2023	6,779
Thereafter	1,557

**WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

6. POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial assumptions

The total OPEB liability for the PEEHIP was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases ¹	3.25% - 5.00%
Long-Term Investment Rate of Return ²	7.25%
Municipal Bond Index Rate at the Measurement Date	3.57%
Municipal Bond Index Rate at the Prior Measurement Date	2.93%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2042
Single Equivalent Interest Rate the Measurement Date	4.63%
Single Equivalent Interest Rate the Prior Measurement Date	4.01%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022

¹Includes 3.00% wage inflation.

²Compounded annually, net of investment expense, and includes inflation.

Mortality rates for the period after service retirement for both PEEHIP and UAB plan are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during PEEHIP fiscal year 2017.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016, PEEHIP valuation were based on a review of recent plan experience done concurrently with the September 30, 2016, valuation.

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6. POST-EMPLOYMENT BENEFITS – CONTINUED

Actuarial assumptions – Continued

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be 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 then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
	<u>100.00%</u>	

* Geometric mean, includes 2.5% inflation

**WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

6. POST-EMPLOYMENT BENEFITS – CONTINUED

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the PEEHIP total OPEB liability at September 30, 2017, was 4.63%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.01%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016, and it is assumed that the amount will increase by 3.00% per year and continue into the future.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid.

The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

Sensitivity of WBHM's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following table presents the WBHM's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate. A one percent decrease would change the current healthcare cost trend rate from 7.75% to 6.75%, the pre-Medicare from 5% to 4%, and the Optional plans from 2% to 1%. . A one percent increase would change the current healthcare cost trend rate from 7.75% to 8.75%, the pre-Medicare from 5% to 6%, and the Optional plans from 2% to 3%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
WBHM's proportionate share of the collective net OPEB liability	\$ 525,823	\$ 651,270	\$ 813,130

WBHM RADIO
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SEPTEMBER 30, 2018 AND 2017

6. POST-EMPLOYMENT BENEFITS – CONTINUED

Sensitivity of WBHM’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates – Continued

The following table presents the WBHM’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.63%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.63%)	Current Discount Rate (4.63%)	1% Increase (5.63%)
WBHM's proportionate share of the collective net OPEB liability	\$ 787,250	\$ 651,270	\$ 542,877

OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2017.

The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

UAB Plan

Plan description

The UAB plan is considered a single-employer plan, which is administered by University of Alabama at Birmingham (UAB). The UAB Plan offers its members hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit. The health care benefits cover medical and hospitalization costs for retirees and their dependents. The portion of the UAB plan related to health care may be amended by the approval of the President of UAB upon recommendation from the Benefits Committee. The portion of the UAB plan related to the life insurance may be amended by the System.

Benefits provided

WBHM employees can participate in the UAB plan as a retiree if the following condition are met; retiree has 25 years of creditable service, regardless of age (Tier I only), or retiree has 10 years of service and is 60 years old (62 years old for Tier II), or retiree has 10 years of service and is determined disabled the Social Security Administration or the Teachers’ Retirement System of Alabama’s Medical Board. These retired UAB employees may elect to continue to participate in UAB plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the PEEHIP with TRS. The UAB Plan consists of hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit.

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

6. POST-EMPLOYMENT BENEFITS – CONTINUED

Benefits provided – Continued

Employees included in the actuarial valuation include active employees, retirees and disabled employees enrolled in the medical plan and retirees not enrolled in the medical plan with retiree life insurance. The following table summarizes the membership of the UAB Plan as of September 30, 2017, the Valuation Date.

Membership:

Inactive Employees or Beneficiaries Currently Receiving Benefits	-
Inactive Members Entitled To But Not Yet Receiving Benefits	-
Active Employees	13
Total Membership	<u>13</u>

UAB retired employees make contributions to the plan by making premium payments associated with their selected health plan option. Eligible disabled retirees are responsible for only the employee portion of those premiums, and UAB is responsible for the employer portion. All other UAB retirees are responsible for the full premium cost of the plan and in no case, does the employer contribute to the plan.

Contributions

WBHM retired employees make contributions to the plan by making premium payments associated with their selected health plan option. Eligible disabled retirees are responsible for only the employee portion of those premiums, and WBHM is responsible for the employer portion. All other WBHM retirees are responsible for the full premium cost of the plan and in no case does the employer contribute to the plan.

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

At September 30, 2018, WBHM reported a liability of \$20,550 for the total OPEB liability (TOL). The TOL is based upon an actuarial valuation as of the valuation date, September 30, 2017. An expected TOL is determined as of September 30, 2016, the prior measurement date, using standard roll back techniques. The roll back calculation begins with the TOL, as of the Measurement Date, September 30, 2017, adds the expected benefit payments for the year, deducts interest at the Discount Rate for the year, and then subtracts the annual Normal Cost (also called the Service Cost).

For the year ended September 30, 2018, WBHM recognized OPEB expense related to the UAB plan of \$104 with no special funding situations. At September 30, 2018, WBHM reported deferred outflows of resources and deferred inflows of resources related to both plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	863
Employer contributions subsequent to the measurement period	<u>2,531</u>	<u>-</u>
Total	<u>\$ 2,531</u>	<u>\$ 863</u>

WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

6. POST-EMPLOYMENT BENEFITS – CONTINUED

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	<u>Decrease</u>
2019	\$ (110)
2020	(110)
2021	(110)
2022	(110)
2023	(110)
Thereafter	(313)

Actuarial assumptions

The total OPEB liability for the UAB plan was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.25%
Projected Salary Increases ¹	3.25% - 5.00%
Municipal Bond Index Rate at the Measurement Date	3.57%
Municipal Bond Index Rate at the Prior Measurement Date	2.93%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.00%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026

¹Includes 3.00% wage inflation.

Mortality rates for the period after service retirement for the UAB plan are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments to the UAB plan, during fiscal year 2017.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016, and are reasonable expectations of anticipated experience under the Plan. The assumptions were used in the retiree health care valuation for consistency and are under PEEHIP Board jurisdiction.

**WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

6. POST-EMPLOYMENT BENEFITS – CONTINUED

Actuarial assumptions – Continued

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 UAB plan valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

The UAB plan does not hold any plan assets, as such, there are no long-term expected rate of return or target allocation presented.

Discount Rate

The discount rate, as defined by Paragraph 155 of GASB 75 to be a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate). The Municipal Bond Index Rate used for this purpose is the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer (www.bondbuyer.com). On the Prior Measurement Date, the Municipal Bond Index Rate was 2.93%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date. The Municipal Bond Index Rate as of the Measurement Date was 3.57%.

Sensitivity of WBHM’s Plan’s net OPEB liability to changes in the healthcare cost trend rates

The following table presents the total WBHM OPEB Liability of the UAB Plan, calculated using the current healthcare trend rate, as well as what the total WBHM OPEB Liability would be if calculated using one percentage point lower or one percentage point higher than the current rate. A one percent decrease would change the current healthcare cost trend rate from 7.00% to 6.00% and the pre-Medicare from 4.75% to 3.75%. A one percent increase would change the current healthcare cost trend rate from 7.00% to 8.00% and the pre-Medicare from 4.75% to 5.75%.

	1% Decrease	Current Healthcare Trends	1% Increase
WBHM's total OPEB liability	\$ 19,490	\$ 20,550	\$ 21,737

The following table presents the total WBHM OPEB Liability of the UAB Plan, calculated using the discount rate of 3.57%, as well as what the total WBHM OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
WBHM's total OPEB liability	\$ 22,108	\$ 20,550	\$ 19,184

**WBHM RADIO
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

6. POST-EMPLOYMENT BENEFITS – CONTINUED

Changes in the Total OPEB Liability

Since the UAB Plan does not meet the definition within paragraph 4 of GASB Statement No 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, WBHM is disclosing a schedule of changes in the total WBHM OPEB liability below:

Total OPEB Liability as of September 30, 2016	\$ 26,326
Changes for the year:	
Service Cost as end of year*	6,301
Interest on TOL and Cash Flows	698
Changes in benefit terms	(6,786)
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(972)
Benefit payments	(5,017)
Other	-
Net changes	\$ (5,776)
Total OPEB Liability as of September 30, 2017	\$ 20,550

*The service cost include interest for the year.

7. RELATED PARTY TRANSACTIONS

WBHM receives indirect support from UAB, which consists of allocated institutional administrative and physical plant costs incurred by UAB for which WBHM receives benefits. The cost of this support was \$78,681 and \$137,731 for the years ended September 30, 2018 and 2017, respectively. This cost is recognized in the statements of revenues, expenses, and changes in net position as an expense in the management and general expense category and as transfers from UAB

REQUIRED SUPPLEMENTARY INFORMATION

WBHM RADIO
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(SEPTEMBER 30, 2017 AND 2016 MEASUREMENT DATES)

The following required supplementary information related to WBHM’s participation in the Teachers’ Retirement System of Alabama.

Schedule of WBHM’s Proportionate Share of the Net Pension Liability – Teachers’ Retirement Plan of Alabama (Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.01079%	0.01030%	0.01049%	0.01048%
Proportionate share of the net pension liability	\$ 995,141	\$ 1,107,715	\$ 1,075,372	\$ 952,257
Covered payroll during the measurement period	\$ 823,370	\$ 761,009	\$ 678,222	\$ 673,024
Proportionate share of the net pension liability as a percentage of covered-employee payroll	120.86%	145.56%	158.56%	141.49%
Plan fiduciary net position as a percentage of the total pension liability	71.50%	67.93%	67.51%	71.01%

Schedule of WBHM’s Contributions – Teachers’ Retirement Plan of Alabama (Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 93,575	\$ 91,823	\$ 86,501	\$ 76,204
Contributions in relation to the contractually required contribution	93,575	91,823	86,501	76,204
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 836,654	\$ 823,370	\$ 761,009	\$ 678,223
Contributions as a percentage of covered payroll	11.18%	11.15%	11.37%	11.24%

Notes to Schedules

Covered payroll: The payroll on which contributions to a pension plan are based.

Measurement period: For fiscal year 2018, the measurement period is October 1, 2016 - September 30, 2017. For the fiscal year 2017, the measurement period is October 1, 2015 - September 30, 2016. For the fiscal year 2016, the measurement period is October 1, 2014 - September 30, 2015. For the fiscal year 2015, the measurement period is October 1, 2013 - September 30, 2014. The Schedule of WBHM’s Proportionate Share of the Net Pension Liability and the Schedule of WBHM’s Contributions are not available for years prior to 2015.

WBHM RADIO
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(SEPTEMBER 30, 2017 AND 2016 MEASUREMENT DATES)

The following required supplementary information related to WBHM's participation in the Alabama Retired Education Employees' Health Care Trust (PEEHIP).

Schedule of WBHM's Proportionate Share of the Net OPEB Liability - Alabama Retired Education Employee's Health Care Trust (PEEHIP) (Unaudited)

	<u>2018</u>
WBHM's proportion of the net OPEB liability	0.00877%
WBHM's proportionate share of the net OPEB liability	\$ 651,270
WBHM's covered payroll	918,595
WBHM's covered payroll OPEB liability (asset) as a percentage of its covered-payroll	70.90%
Plan fiduciary net position as a percentage of the total OPEB liability	15.37%

Schedule of WBHM's Contributions - Alabama Retired Education Employee's Health Care Trust (PEEHIP) (Unaudited)

	<u>2018</u>
Contractually required contribution	\$ 19,936
Contributions in relation to the contractually required contribution	19,936
Contribution deficiency (excess)	<u>-</u>
WBHM's covered payroll	918,595
Contributions as a percentage of covered payroll	2.17%

Notes to Required Supplementary Information for the Year Ended September 30, 2018

Covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement period: For the fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017.

Changes in actuarial assumptions

In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan. The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

WBHM RADIO
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(SEPTEMBER 30, 2017 AND 2016 MEASUREMENT DATES)

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of
	pay, closed
Remaining Amortization Period	27 years
Asset Valuation Method	Market Value of
	Assets
Inflation	3.00%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.75%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2019 for Pre- Medicare Eligible 2017 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

WBHM RADIO
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(SEPTEMBER 30, 2017 AND 2016 MEASUREMENT DATES)

The following required supplementary information related to WBHM's participation in the UAB Health Care Plan.

Total OPEB Liability (Unaudited)	2018
Service Cost as end of year*	\$ 6,301
Interest on TOL and Cash Flows	698
Changes in benefit terms	(6,786)
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(972)
Benefit payments	(5,017)
Other	-
Net changes	(5,776)
Total OPEB Liability -Beginning	26,326
Total OPEB Liability Ending	\$ 20,550
Covered payroll during the measurement period	\$ 918,595
Total OPEB Liability as a percentage of covered payroll	2.24%

* The service cost include interest for the year.

Notes to Schedule

Covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement period: For the fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017.

Notes to Required Supplementary Information for the Year Ended September 30, 2018

Changes in actuarial assumptions

In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Change in the Discount Rate from 2.93% on the Prior Measurement Date to 3.57% on the Measurement Date.

Recent Plan Changes

As of January 1, 2018, postemployment medical coverage is no longer offered to future disabled or service retirees beyond that required by COBRA. As of February 1, 2018, the life insurance benefit is limited to two years or until the retiree reaches age 65.