



WTVI PBS CHARLOTTE

A Public Communications Department Operated by
the Board of Trustees of Central Piedmont Community College

FINANCIAL STATEMENTS and ACCOMPANYING INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018



PBS CHARLOTTE
Tuned in.



**CENTRAL PIEDMONT
COMMUNITY COLLEGE**

WTVI-PBS Charlotte
(A Public Communications Department
Operated by the Board of Trustees of Central Piedmont Community College)
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Report of Independent Auditor

Board of Trustees, Central Piedmont Community College
WTVI-PBS Charlotte, a Public Communications Department of
Central Piedmont Community College
Charlotte, North Carolina

We have audited the accompanying statements of net position of WTVI-PBS Charlotte, a Public Communications Department of Central Piedmont Community College (the "Station") and the discretely presented component unit, WTVI Foundation, Inc. (the "Foundation"), as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 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.

Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station and the Foundation are intended to present the net position, changes in financial position, and the cash flows of only that portion of Central Piedmont Community College that is attributable to the transactions of the Station and the Foundation. The financial statements do not purport to, and do not, present fairly the net position of the Central Piedmont Community College as of June 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 opinions are not modified with respect to this matter.

As discussed in Note 13 to the financial statements, the Station adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Accompanying Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic 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. The information has been subjected to the auditing procedures applied in the audits 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinions, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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 management's discussion and analysis 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.

Cherry Bekaert LLP

Charlotte, North Carolina
September 21, 2018

WTVI-PBS Charlotte
(A Public Communications Department
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of WTVI-TV PBS Charlotte (the "Station") for the years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements which follow this section.

The Station operates as a non-commercial, viewer-supported broadcast department regulated by the Federal Communications Commission, operating under licensure to the Board of Trustees of Central Piedmont Community College (the "College" or "CPCC"). CPCC is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*. The Station's over-the-air broadcast area encompasses Mecklenburg and 12 surrounding counties including two in South Carolina for a reach of 1.2 million households. The Station is an affiliated member of the nationwide network of public television stations known as the Public Broadcasting Service.

CPCC is a comprehensive public two-year college serving approximately 70,000 community residents annually and has approximately 2,400 full and part-time employees in nine locations including six campuses in the Charlotte-Mecklenburg region of North Carolina. CPCC offers a broad range of college transfer, associate and technical degree programs. CPCC offers over 300 degree, diploma and certification programs, customized corporate training, market-focused continuing education and special interest classes. CPCC consistently ranks among the leaders of community colleges nationally in terms of quality of academic offerings and workforce development.

2018 Highlights

The Station's continued strategic cash management has yielded positive cash flow from its operations for four straight years. The Station's positive cash flow from operations was \$101,888 and \$203,901 for the years ended June 30, 2018 and 2017, respectively. In the past four years, the Station has contributed positive cash flow of \$543,281 to support the mission of the Station and its license holder Central Piedmont Community College.

For the second consecutive year, the Station exceeded \$1 million in contribution revenue and the number of individual donors increased by 1,202 reaching a total of 8,730 donors. The continued rise in number of donors indicates a growing commitment from the local community in support of the Station.

During the year ended June 30, 2018, the Station experienced a decline in revenue, and a related decline in expense. The decline was primarily due to a (\$212,711) decrease in management services provided by the College. This in-kind support is recorded as revenue and expense. The Station's operating revenues were \$4,759,260 and \$5,049,646 for the years ended June 30, 2018 and 2017, respectively. The Station's operating expenses were \$4,899,755 and \$5,140,797 for the years ended June 30, 2018 and 2017, respectively. The Station's operating loss was \$140,495 and \$91,151 for the years ended June 30, 2018 and 2017, respectively.

The Station's locally produced program, *Carolina Impact*, won its second Emmy for taking its audience on Charlotte's first flight to Cuba. The episode "Destination Cuba" toured the island that had been closed to foreign visitors since 1961.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017

2018 Highlights (continued)

Service to the Community is a core focus of WTVI’s operation. In 2018, the Station was awarded a multi-year \$200,000 grant supporting the Station’s initiative training high school students broadcast journalism skills as a means of defining and promoting their academic pursuits. One hundred and twenty nine students graduated from the six week program – each writing and videotaping their personalized “I Have A Dream” speech.

SUMMARIZED FINANCIAL STATEMENTS

Statements of Net Position

Assets and Deferred Outflows of Resources

A summary of the Station’s assets and deferred outflows of resources as of June 30, 2018 and 2017 is shown in the table below:

	<u>2018</u>	<u>2017</u>
ASSETS		
Current	\$ 114,437	\$ 72,140
Capital assets, net	1,060,845	1,284,069
Non-capital assets	3,894	-
Total Assets	<u>1,179,176</u>	<u>1,356,209</u>
Deferred outflows of resources, related to pensions	319,869	474,990
Deferred outflows of resources, related to other postemployment benefits	67,775	-
Total Deferred Outflows of Resources	<u>387,644</u>	<u>474,990</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,566,820</u>	<u>\$ 1,831,199</u>

The decrease in capital assets, net is due to current year depreciation expense. The decrease in deferred outflows related to pensions is primarily attributable to changes in the actuarial valuation, see Note 7 for additional information. The increase in deferred outflows related to other postemployment benefits is due to the implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017

Statements of Net Position (continued)

Liabilities, Deferred Inflows of Resources, and Net Position

A summary of the Station's liabilities, deferred inflows of resources and net position as of June 30, 2018 and 2017 is shown in the table below:

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current	\$ 740,876	\$ 831,519
Noncurrent	2,584,987	731,637
Total Liabilities	<u>3,325,863</u>	<u>1,563,156</u>
Deferred inflows of resources, related to pensions	54,108	66,703
Deferred inflows of resources, related to other postemployment benefits	814,604	-
Total Deferred Inflows of Resources	<u>868,712</u>	<u>66,703</u>
NET POSITION		
Investment in capital assets	1,060,845	1,284,069
Restricted net position - expendable	8,176	2,591
Unrestricted net deficit	<u>(3,696,776)</u>	<u>(1,085,320)</u>
Total Net Position	<u>(2,627,755)</u>	<u>201,340</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,566,820</u>	<u>\$ 1,831,199</u>

Current liabilities decreased due to a reduction of the Station's cash deficit as the Station focused on managing expenses. The Station's cash deficit amounted to \$666,285 and \$768,255 as of June 30, 2018 and 2017, respectively. The Station's cash balance is in the same bank account as CPCC's, but tracked separately using fund accounting.

Noncurrent liabilities increased due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Station's net other postemployment benefits liability was \$1,944,529 as of June 30, 2018.

The decrease in investment in capital assets is primarily attributable to current year depreciation expense.

Statements of Revenues, Expenses, and Changes in Net Position

The Station's total net position for the year ended June 30, 2018, decreased by \$146,513 compared to \$93,189 for the year ended June 30, 2017. The decline is primarily attributable to the decrease in operating revenues as well as the increase in salaries and benefits expense.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017

Statements of Revenues, Expenses, and Changes in Net Position (continued)

The summarized statement of revenues, expenses and changes in net position is as follows for the years ended June 30,

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Grants and contributions	\$ 2,102,946	\$ 2,101,116
Donated indirect admin support, services, and facilities	1,509,496	1,706,037
Program underwriting and production	629,272	624,840
Other revenues	517,546	617,653
Total Operating Revenues	<u>4,759,260</u>	<u>5,049,646</u>
Operating Expenses:		
Salaries, employee benefits, and professional services	1,884,021	1,780,748
Public broadcasting station dues	984,152	1,014,239
Donated indirect admin support, services, and facilities	1,509,496	1,706,037
Other expenses	522,086	639,773
Total Operating Expenses	<u>4,899,755</u>	<u>5,140,797</u>
Net operating loss	(140,495)	(91,151)
Net nonoperating expenses	(6,018)	(2,038)
Change in net position	<u>\$ (146,513)</u>	<u>\$ (93,189)</u>

FINANCIAL STATEMENTS

The Station’s financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. See notes to the financial statements for a summary of the Station’s significant accounting policies.

ORGANIZATION AND ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

During the year ended June 30, 2018, membership contributions surpassed prior year levels and the number of individuals donating to the Station increased 16%. The Station continues to build its involvement within the viewing community.

While it is not possible to precisely predict future results, management believes the Station is well-positioned for future operations and will continue to provide excellent public broadcasting and community service to Mecklenburg and the surrounding 12-county viewing area.

Future operating strategies are discussed in Note 14 – *Liquidity and future operations*.

WTVI-PBS Charlotte
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STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018			2017		
	WTVI-TV	WTVI	Total	WTVI-TV	WTVI	Total
	Station	Foundation		Station	Foundation	
ASSETS						
Current Assets:						
Receivables, net:						
Program underwriting	\$ 11,948	\$ -	\$ 11,948	\$ 13,760	\$ -	\$ 13,760
Tower rental receivables	6,250	-	6,250	-	-	-
Production services	52,959	-	52,959	39,190	-	39,190
Grant	-	-	-	841	-	841
Other	4,734	-	4,734	304	-	304
Inventories	3,691	-	3,691	5,717	-	5,717
Other current assets	34,855	-	34,855	12,328	-	12,328
Total Current Assets	<u>114,437</u>	<u>-</u>	<u>114,437</u>	<u>72,140</u>	<u>-</u>	<u>72,140</u>
Noncurrent Assets:						
Net other postemployment benefits asset	3,894	-	3,894	-	-	-
Capital assets	2,597,310	-	2,597,310	2,597,310	-	2,597,310
Less accumulated depreciation	(1,536,465)	-	(1,536,465)	(1,313,241)	-	(1,313,241)
Total Noncurrent Assets	<u>1,064,739</u>	<u>-</u>	<u>1,064,739</u>	<u>1,284,069</u>	<u>-</u>	<u>1,284,069</u>
Total Assets	<u>1,179,176</u>	<u>-</u>	<u>1,179,176</u>	<u>1,356,209</u>	<u>-</u>	<u>1,356,209</u>
Deferred Outflows of Resources:						
Deferred outflows related to pensions	319,869	-	319,869	474,990	-	474,990
Deferred outflows related to other postemployment benefits	67,775	-	67,775	-	-	-
Total Deferred Outflows of Resources	<u>387,644</u>	<u>-</u>	<u>387,644</u>	<u>474,990</u>	<u>-</u>	<u>474,990</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	21,096	-	21,096	18,922	-	18,922
Due to CPCC	666,285	-	666,285	768,255	-	768,255
Current portion of compensated absences	10,641	-	10,641	11,309	-	11,309
Unearned revenue	14,954	-	14,954	11,233	-	11,233
Taxes payable	27,900	-	27,900	21,800	-	21,800
Total Current Liabilities	<u>740,876</u>	<u>-</u>	<u>740,876</u>	<u>831,519</u>	<u>-</u>	<u>831,519</u>
Noncurrent Liabilities:						
Compensated absences	66,972	-	66,972	68,725	-	68,725
Net pension liability	573,486	-	573,486	662,912	-	662,912
Net other postemployment benefits liability	1,944,529	-	1,944,529	-	-	-
Total Noncurrent Liabilities	<u>2,584,987</u>	<u>-</u>	<u>2,584,987</u>	<u>731,637</u>	<u>-</u>	<u>731,637</u>
Total Liabilities	<u>3,325,863</u>	<u>-</u>	<u>3,325,863</u>	<u>1,563,156</u>	<u>-</u>	<u>1,563,156</u>
Deferred Inflows of Resources:						
Deferred inflows, related to pensions	54,108	-	54,108	66,703	-	66,703
Deferred inflows, related to other postemployment benefits	814,604	-	814,604	-	-	-
Total Deferred Inflows of Resources	<u>868,712</u>	<u>-</u>	<u>868,712</u>	<u>66,703</u>	<u>-</u>	<u>66,703</u>
NET POSITION						
Investment in capital assets	1,060,845	-	1,060,845	1,284,069	-	1,284,069
Restricted - expendable	8,176	-	8,176	2,591	-	2,591
Unrestricted net deficit	(3,696,776)	-	(3,696,776)	(1,085,320)	-	(1,085,320)
Total Net Position	<u>\$ (2,627,755)</u>	<u>\$ -</u>	<u>\$ (2,627,755)</u>	<u>\$ 201,340</u>	<u>\$ -</u>	<u>\$ 201,340</u>

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

WTVI-PBS Charlotte
(A Public Communications Department
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	WTVI-TV	WTVI	Total	WTVI-TV	WTVI	Total
	Station	Foundation		Station	Foundation	
Operating Revenues:						
Mecklenburg County appropriations	\$ -	\$ -	\$ -	\$ 31,000	\$ -	\$ 31,000
Community services and other grants	1,075,821	73,000	1,148,821	1,068,001	58,000	1,126,001
Contributions	1,027,125	1,029,378	2,056,503	1,002,115	1,001,853	2,003,968
Donated indirect admin support, services, and facilities	1,509,496	-	1,509,496	1,706,037	-	1,706,037
Program underwriting	565,179	28,000	593,179	171,820	-	171,820
Production	64,093	-	64,093	453,020	-	453,020
Tower rental income	376,290	-	376,290	406,183	-	406,183
Public/Education/Governmental access channels revenue	140,273	-	140,273	140,762	-	140,762
Other	983	-	983	70,708	-	70,708
Total Operating Revenues	4,759,260	1,130,378	5,889,638	5,049,646	1,059,853	6,109,499
Operating Expenses:						
Salaries and employee benefits	1,529,812	-	1,529,812	1,448,013	-	1,448,013
Professional services	354,209	-	354,209	332,735	-	332,735
Public broadcasting station dues	984,152	-	984,152	1,014,239	-	1,014,239
Supplies, postage, and shipping	204,324	-	204,324	197,311	-	197,311
Telephone, utilities, and general insurance	1,788	-	1,788	2,887	-	2,887
Advertising, general printing, and graphics	11,587	-	11,587	11,641	-	11,641
Equipment rental and maintenance	14,601	-	14,601	31,853	-	31,853
Travel, conferences, and meetings	19,738	-	19,738	17,752	-	17,752
Dues and fees	38,800	-	38,800	60,536	-	60,536
Miscellaneous	8,024	-	8,024	42,159	-	42,159
Contribution to related party	-	1,130,378	1,130,378	-	1,060,116	1,060,116
Depreciation expense	223,224	-	223,224	275,634	-	275,634
Donated indirect admin support, services, and facilities	1,509,496	-	1,509,496	1,706,037	-	1,706,037
Total Operating Expenses	4,899,755	1,130,378	6,030,133	5,140,797	1,060,116	6,200,913
Operating loss	(140,495)	-	(140,495)	(91,151)	(263)	(91,414)
Nonoperating Revenue and (Expense):						
Net investment return	82	-	82	362	3	365
Change in provision for income tax	(6,100)	-	(6,100)	(2,400)	-	(2,400)
Total Nonoperating Revenue and Expense	(6,018)	-	(6,018)	(2,038)	3	(2,035)
Change in net position	(146,513)	-	(146,513)	(93,189)	(260)	(93,449)
Net position, beginning of the year	201,340	-	201,340	294,529	260	294,789
Restatement, Note 13	(2,682,582)	-	(2,682,582)	-	-	-
Net position, end of the year	\$ (2,627,755)	\$ -	\$ (2,627,755)	\$ 201,340	\$ -	\$ 201,340

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

WTVI-PBS Charlotte
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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	WTVI-TV	WTVI	Total	WTVI-TV	WTVI	Total
	Station	Foundation		Station	Foundation	
Cash flows from operating activities:						
Cash received from membership contributions, grants, corporate support, and others	\$ 3,230,706	\$ 1,130,378	\$ 4,361,084	\$ 3,268,452	\$ 1,059,853	\$ 4,328,305
Other operating cash receipts	983	-	983	70,708	-	70,708
Cash paid to employees	(1,474,251)	-	(1,474,251)	(1,415,448)	-	(1,415,448)
Cash paid to suppliers for goods and services	(1,663,683)	(1,130,378)	(2,794,061)	(1,687,636)	(1,060,116)	(2,747,752)
Net tax (payments) refunds	8,133	-	8,133	(32,175)	-	(32,175)
Net cash provided by (used in) operating activities	101,888	-	101,888	203,901	(263)	203,638
Cash flow from capital and related financing activities:						
Purchase of property and equipment	-	-	-	(42,887)	-	(42,887)
Cash flow from noncapital financing activities:						
Financing for operations paid to CPCC	(101,970)	-	(101,970)	(161,376)	-	(161,376)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	-	-	-	263	263
Net investment return	82	-	82	362	-	362
Net cash provided by investing activities	82	-	82	362	263	625
Net change in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents, beginning of year	-	-	-	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WTVI-PBS Charlotte
(A Public Communications Department
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STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	WTVI-TV Station	WTVI Foundation	Total	WTVI-TV Station	WTVI Foundation	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:						
Operating loss	\$ (140,495)	\$ -	\$ (140,495)	\$ (91,151)	\$ (263)	\$ (91,414)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation expense	223,224	-	223,224	275,634	-	275,634
Change in allowance for doubtful accounts	6,789	-	6,789	(1,904)	-	(1,904)
Pension and other postemployment benefits expense	238,229	-	238,229	136,422	-	136,422
Noncash, operating contributions charged to revenue	(1,509,496)	-	(1,509,496)	(1,706,037)	-	(1,706,037)
Noncash, operating contributions charged to expense	1,509,496	-	1,509,496	1,706,037	-	1,706,037
Changes in operating assets, liabilities, and deferred outflows:						
Change in receivables	(28,585)	-	(28,585)	228	-	228
Inventories	2,026	-	2,026	5,481	-	5,481
Other current assets	(22,527)	-	(22,527)	2,026	-	2,026
Accounts payable and accrued expenses	2,174	-	2,174	(16,205)	-	(16,205)
Change in compensated absences	(2,421)	-	(2,421)	(2,379)	-	(2,379)
Unearned revenue	3,721	-	3,721	(2,773)	-	(2,773)
Deferred outflows - contributions after the measurement date	(180,247)	-	(180,247)	(101,478)	-	(101,478)
Net cash provided by (used in) operating activities	<u>\$ 101,888</u>	<u>\$ -</u>	<u>\$ 101,888</u>	<u>\$ 203,901</u>	<u>\$ (263)</u>	<u>\$ 203,638</u>
Noncash investing, capital, and financing activities:						
Increase in value of investment	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3

WTVI-PBS Charlotte
(A Public Communications Department
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Summary of significant accounting policies

Organization and Purpose – WTVI-PBS Charlotte (the “Station” or “WTVI”), a department of Central Piedmont Community College (the “College” or “CPCC”), is a non-commercial, viewer-supported broadcast entity regulated by the Federal Communications Commission (“FCC”), operating under licensure to the Board of Trustees of CPCC. CPCC is a component unit of the State of North Carolina and an integral part of the State’s *Comprehensive Annual Financial Report*.

The Station’s broadcasting operations are subject to the FCC’s jurisdiction under the Communications Act of 1934, as amended. The FCC rules, among other things, govern the term, renewal and transfer of television broadcasting licenses and limit concentrations of broadcasting control inconsistent with public interest. Federal law also regulates the quantity of underwriting within children’s programs. Television broadcasting licenses are subject to renewal by the FCC.

From time to time, the FCC revises existing regulations and policies in ways that could affect the Station’s broadcasting operations. In addition, Congress periodically considers and adopts amendments to the governing communications legislation. The Station cannot predict what regulations or legislation may be proposed or finally enacted, or what effect, if any, such regulations or legislation could have on its operations.

The accompanying financial statements include the activity of the WTVI Foundation Inc. (the “Foundation”), a nonprofit corporation incorporated in May 2012 but inactive until the year ended June 30, 2013. The Foundation performs various fundraising activities for the Station and is a discretely presented component unit. The combined entity is referred to as WTVI.

Reporting Entity – The financial reporting entity, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, consists of the primary government and its component units. Component units are legally separate organizations from which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The accompanying financial statements present only the portion of CPCC’s funds that are attributable to the transactions of the Station. As discussed above, the accompanying financial statements include the activity of the Foundation. The Foundation performs various fundraising activities for the Station and is considered a discrete component unit.

Basis of Accounting – WTVI follows the accrual basis of accounting, as prescribed by generally accepted governmental accounting principles. Under this method, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when the liability is incurred, if measurable.

Basis of Presentation – WTVI is only engaged in business type activities and therefore, only the financial statements required for enterprise funds are required to be presented. WTVI’s financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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Note 1—Summary of significant accounting policies (continued)

Revenue and Expense Recognition – Revenues are recognized when earned and expenses are recognized when incurred. Underwriting contributions are recognized as revenue upon receipt or accrual based on pledged intent as evidenced by underwriting contracts in the accounting period in which the program supported by the underwriting is broadcast. Revenue from grants is recognized when substantially all the conditions stipulated by the grantor have been met. The Station classifies its revenues and expenses as operating and nonoperating in the accompanying statements of revenues, expenses, and changes in net position. Operating revenues generally result from providing services and producing and delivering goods in connection with the Station's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities.

All of WTVI's revenues and expenses, except for those receipts and payments listed under the section titled nonoperating revenues, are classified as operating activities in the statement of revenues, expenses, and changes in net position.

Receivables – Receivables include production services, underwriting, tower rental, grant, and other receivables and are stated net of an allowance for doubtful accounts. Management's determination of the allowance for doubtful accounts is based on a case by case analysis including current relations with customers and current and anticipated economic conditions. Accounts receivable are written-off when, in the opinion of management, such receivables are deemed to be uncollectible. At June 30, 2018 and 2017, receivables are net of an allowance of \$6,789 and \$-0-, respectively. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluations.

Inventories – Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

Capital Assets – Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. WTVI capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 2 to 30 years for both equipment and computer software.

Mecklenburg County leases the building and land used for the Station's operations to CPCC for \$1 annually. The lease expires in 2062. For financial reporting purposes, the rental expense of the facilities are recorded at its estimated fair value of \$560,010 and \$543,840 for fiscal years ended June 30, 2018 and 2017, respectively, and are offset by an equal amount of support from the County.

Deferred Outflows/Inflows of Resources – Deferred outflows and inflows of resources relate to the pension plan and other postemployment benefit plans as discussed in Notes 7 and 8, respectively.

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Note 1—Summary of significant accounting policies (continued)

Due to CPCC – The amounts presented as due to CPCC in the accompanying financial statements represent WTVI's portion of the College's pooled cash deposits that are held by the College. The amount due to this fund effectively represents WTVI's overdraft or borrowing position with the College that has covered past shortfalls in operating funds since the College took over the operations of WTVI. Since these deposits are legally held in the College's name and not in a separate demand account in WTVI's name, they are not classified as cash and cash equivalents, but rather are considered an amount due to the College. Further information over the nature of these deposits is disclosed in Note 4.

Net Position – Net position is classified as follows:

Investment in Capital Assets – This represents WTVI's total investment in capital assets.

Restricted Net Position – Nonexpendable – Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity. WTVI had no Restricted Net Position – Nonexpendable as of June 30, 2018 and 2017.

Restricted Net Position – Expendable – Expendable restricted net position includes resources for which WTVI is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position – Unrestricted net position includes resources derived from contributions, program underwriting, production revenue, and tower rental income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at WTVI.

Donated Indirect Administrative Support, Services, and Facilities – Donated indirect administrative support, services, and facilities are recorded as both revenue and expense in the accompanying statements of revenues, expenses, and changes in net position. These donated indirect administrative support, services, and facilities consist principally of donated facilities and services from Mecklenburg County and allocated institutional indirect administrative support incurred by various divisions of the College for which WTVI receives benefits. Donated indirect administrative support from CPCC is allocated directly to general supporting services. Donated services and facilities from Mecklenburg County are allocated between program services and supporting services based on the square footage of each department.

Income Taxes – The Foundation is exempt from federal and state income taxes on revenue earned from its tax-exempt purpose under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"). WTVI is liable for federal and state income tax on unrelated business income.

WTVI's policy is to record a liability for any tax position taken that is beneficial to WTVI, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination.

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Note 1—Summary of significant accounting policies (continued)

Unearned Revenue – Income from grants and tower rental are deferred and recognized over the periods to which the grant and rental expenses relate.

Advertising Costs – Advertising costs are expensed as incurred. These costs for the years ended June 30, 2018 and 2017 totaled \$4,608 and \$4,425, respectively and are included in advertising, general printing, and graphics in the accompanying statements of revenues, expenses, and changes in net position.

Compensated Absences – Employees earn vacation leave at the rate of 15 to 25 days per year depending on length of service and can accrue a maximum of 30 unused days to be carried forward to the following year. Unused vacation days are payable upon termination at the rates of pay then in effect only up to a 30-day maximum. Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave can be taken for personal illness or illness of a member of the immediate family. Sick leave is lost upon termination or resignation. Because WTVI has no financial obligation for the accumulated sick leave, no accrual for sick leave is made.

Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future Pronouncements – In June of 2017, the GASB issued Statement 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This standard is effective for all fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this standard on WTVI's financial statements.

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Note 2—Capital assets

A summary of changes in the capital assets is as follows for the years ended June 30, 2018 and 2017.

	Balance			Balance
	June 30, 2017	Increases	Decreases	June 30, 2018
Data processing equipment	\$ 2,494,735	\$ -	\$ -	\$ 2,494,735
Other equipment	102,575	-	-	102,575
Total Capital Assets	<u>2,597,310</u>	<u>-</u>	<u>-</u>	<u>2,597,310</u>
Less accumulated depreciation for:				
Data processing equipment	1,284,292	213,720	-	1,498,012
Other equipment	28,949	9,504	-	38,453
Total Accumulated Depreciation	<u>1,313,241</u>	<u>223,224</u>	<u>-</u>	<u>1,536,465</u>
Total Capital Assets, Net	<u>\$ 1,284,069</u>	<u>\$ (223,224)</u>	<u>\$ -</u>	<u>\$ 1,060,845</u>

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Data processing equipment	\$ 2,451,848	\$ 42,887	\$ -	\$ 2,494,735
Other equipment	102,575	-	-	102,575
Total Capital Assets	<u>2,554,423</u>	<u>42,887</u>	<u>-</u>	<u>2,597,310</u>
Less accumulated depreciation for:				
Data processing equipment	1,018,163	266,129	-	1,284,292
Other equipment	19,444	9,505	-	28,949
Total Accumulated Depreciation	<u>1,037,607</u>	<u>275,634</u>	<u>-</u>	<u>1,313,241</u>
Total Capital Assets, Net	<u>\$ 1,516,816</u>	<u>\$ (232,747)</u>	<u>-</u>	<u>\$ 1,284,069</u>

Note 3—Unrelated business taxes

WTVI's tax amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. A reconciliation of the beginning and ending amount of unrecognized tax obligation is as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Beginning of year	\$ 21,800	\$ 19,400
Additions based on tax positions related to current year	6,100	2,400
End of year	<u>\$ 27,900</u>	<u>\$ 21,800</u>

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Note 4—Deposits and investments

All funds of WTVI are deposited in College board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, CPCC may establish time deposit accounts, money market accounts, and certificates of deposit. WTVI's cash balance is commingled with CPCC's cash. As of June 30, 2018 and June 30, 2017, WTVI owed CPCC \$666,285 and \$768,255, respectively, for monies advanced to WTVI for operations, which is reflected on the accompanying statements of net position as Due to CPCC. The balance as of June 30, 2018 and 2017 includes restricted cash balances of \$8,820 and \$5,038, respectively, for which WTVI is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, CPCC's deposits may not be returned. As of June 30, 2018 and 2017, CPCC's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

Note 5—Long-term liabilities

Long-term liability activity for the years ended June 30, 2018 and 2017 were as follows:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
June 30, 2018					
Compensated absences	\$ 80,034	\$ 46,427	\$ 48,848	\$ 77,613	\$ 10,641
Net pension liability	662,912	-	89,426	573,486	-
Net other postemployment benefits liability	2,750,970	-	806,441	1,944,529	-
	<u>\$ 3,493,916</u>	<u>\$ 46,427</u>	<u>\$ 944,715</u>	<u>\$ 2,595,628</u>	<u>\$ 10,641</u>
June 30, 2017					
Compensated absences	\$ 82,413	\$ 62,576	\$ 64,955	\$ 80,034	\$ 11,309
Net pension liability	262,437	400,475	-	662,912	-
	<u>\$ 344,850</u>	<u>\$ 463,051</u>	<u>\$ 64,955</u>	<u>\$ 742,946</u>	<u>\$ 11,309</u>

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Note 6—Net position

The unrestricted net position amount of \$(3,696,776) has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources, deferred inflows of resources, and long-term liabilities. A summary of balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (“OPEB”) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	<u>TSERS</u>	<u>Retiree Health Benefit Fund</u>	<u>Total</u>
Deferred outflows related to pensions	\$ 155,121	\$ -	\$ 155,121
Deferred outflows related to OPEB	-	(64,330)	(64,330)
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net pension liability	(89,426)	-	(89,426)
Net OPEB liability	-	1,944,529	1,944,529
Deferred inflows related to pensions	(12,595)	-	(12,595)
Deferred inflows related to OPEB	-	814,604	814,604
Effect on unrestricted net position	<u>\$ 53,100</u>	<u>\$ 2,694,803</u>	<u>\$ 2,747,903</u>

See Notes 7 and 8 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Note 7—Pension plans

Defined Benefit Plan

All employees of WTVI are College employees, thus all employees are able to participate in the pension plan offered by CPCC.

Plan Administration – The State of North Carolina administers the Teachers’ and State Employees’ Retirement System (“TSERS”) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (“LEOs”) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (“LEAs”) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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Note 7—Pension plans (continued)

Benefits Provided – TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. WTVI's contractually-required contribution rate was 10.78% and 9.98% of covered payroll for the years ended June 30, 2018 and 2017, respectively. WTVI's contributions to the pension plan were \$113,977 and \$101,570 and employee contributions were \$67,410 and \$61,098 for the years ended June 30, 2018 and 2017, respectively.

WTVI, or the College, on WTVI's behalf, made 100% of its annual required contributions for the years ended June 30, 2018 and 2017.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2017 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting – The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2017 *Comprehensive Annual Financial Report*.

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Note 7—Pension plans (continued)

Net Pension Liability – At June 30, 2018 and 2017, WTVI reported a liability of \$573,486 and \$662,912, respectively, for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017 and 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, and update procedures were used to roll forward the total pension liability to June 30, 2017 and 2016. WTVI's proportion of the net pension liability was based on an allocated percentage of the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. WTVI's proportions were .00725% and .00706% as of June 30, 2017 and 2016, respectively, which was an increase of .00019% and .00020% from its proportion measured as of June 30, 2016 and 2015, respectively.

Actuarial Assumptions – The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation date	12/31/2016	12/31/2015
Inflation	3%	3%
Salary increases*	3.50% - 8.10%	3.50% - 8.10%
Investment rate of return**	7.20%	7.25%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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Note 7—Pension plans (continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 June 30, 2017 and 2016 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2017</u>	<u>2016</u>
Fixed income	1.40%	1.40%
Global equity	5.30%	5.30%
Real estate	4.30%	4.30%
Alternatives	8.90%	8.90%
Opportunistic fixed income	6.00%	6.00%
Inflation sensitive	4.00%	4.00%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 is 1.30%.

Discount Rate – The discount rate used to measure the total pension liability was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the 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.

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Note 7—Pension plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the plan at June 30, 2017 calculated using the discount rate of 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

Net Pension Liability			
Year	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
2018	\$ 1,184,202	\$ 573,486	\$ 65,115

The following table presents the net pension liability of the plan at June 30, 2016 calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability			
Year	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2017	\$ 1,221,040	\$ 662,912	\$ 168,381

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the years ended June 30, 2018 and 2017, WTVI recognized pension expenses of \$167,530 and \$136,422, respectively. At June 30, 2018 and 2017, WTVI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2018	2017	2018	2017
Difference between actual and expected experience	\$ 12,749	\$ -	\$ 54,108	\$ 66,703
Changes of assumptions	92,914	95,739	-	-
Net difference between projected and actual earnings on pension plan investments	79,592	210,978	-	-
Change in proportion and differences between agency's contributions and proportionate share of contributions	19,990	66,703	-	-
Contributions subsequent to the measurement date	114,624	101,570	-	-
Total	<u>\$ 319,869</u>	<u>\$ 474,990</u>	<u>\$ 54,108</u>	<u>\$ 66,703</u>

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Note 7—Pension plans (continued)

The amount of \$114,624 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2019	\$ 35,878
2020	95,949
2021	45,192
2022	(25,882)
2023	-
Total	<u>\$ 151,137</u>

The Required Supplementary Information related to the pension plan, including Schedule of the Proportionate Net Pension Liability, Schedule of Contributions to the TSERS plan, and the Notes to Required Supplementary Information, can be found in the College's financial statements.

Deferred Compensation and Supplemental Retirement Income Plans

CPCC offers deferred compensation and supplemental retirement income plans, including an IRC Section 457, an IRC section 401(k), an IRC Section 401(k) with Roth options and an IRC Section 403(b) plan. The financial information of these plans is included in the financial statements of the College.

Note 8—Other postemployment benefits

All employees of WTVI are College employees, thus all employees are able to participate in the other postemployment benefit plans offered by the College.

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2017 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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Note 8—Other postemployment benefits (continued)

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. The fiduciary net position of each plan was determined using the same basis as the other postemployment benefit (“OPEB”) plans.

Methods Used to Value Plan Investments – Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2017 *Comprehensive Annual Financial Report*.

B. Plan Descriptions

Health Benefits – Plan Administration – The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the “Plan”), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (“LEAs”), charter schools, and some select local governments that are not part of the State’s financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (“RHBF”) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State’s financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers’ and State Employees’ Retirement System (“TSERS”). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

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Note 8—Other postemployment benefits (continued)

Benefits Provided – Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 11. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program ("ORP"), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. WTVI's contractually-required contribution rate was 6.05% and 5.81% of covered payroll for the years ended June 30, 2018 and 2017, respectively. WTVI's contributions to the RHBF were \$63,967 and \$59,158 for the years ended June 30, 2018 and 2017, respectively. WTVI assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

WTVI or the College, on WTVI's behalf, made 100% of its annual required contributions for the years ended June 30, 2018 and 2017.

Disability Income – Plan Administration: As discussed in Note 11, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina ("DIPNC"), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina system, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

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Note 8—Other postemployment benefits (continued)

Benefits Provided – Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007 and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions – Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. WTVI's contractually-required contribution rate was 0.14% and 0.38% of covered payroll for the years ended June 30, 2018 and 2017, respectively. WTVI's contributions to DIPNC were \$1,480 and \$3,870 for the years ended June 30, 2018 and 2017, respectively. WTVI assumes no liability for long-term disability benefits under the Plan other than its contribution.

WTVI or the College, on WTVI's behalf, made 100% of its annual required contributions for the years ended June 30, 2018 and 2017.

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Note 8—Other postemployment benefits (continued)

C. Net OPEB Liability (Asset)

Net OPEB Liability – At June 30, 2018, WTVI reported a liability of \$1,944,529 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB liability to June 30, 2017. WTVI's proportion of the net OPEB liability was based on an allocated percentage of the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2017, WTVI's proportion was .00593%, which was a decrease of .00039% from its proportion measured as of June 30, 2016, which was .00632%.

Net OPEB Asset – At June 30, 2018, WTVI reported an asset of (\$3,894) for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB asset to June 30, 2017. WTVI's proportion of the net OPEB asset was based on an allocated percentage of the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2017, WTVI's proportion was .00637%, which was a decrease of .00003% from its proportion measured as of June 30, 2016, which was .00640%.

Actuarial Assumptions – The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
	12/31/2016	12/31/2016
Valuation date	12/31/2016	12/31/2016
Inflation	2.75%	3.00%
Salary increases*	3.50% - 8.10%	3.50% - 8.10%
Investment rate of return**	7.20%	3.75%
Healthcare cost trend rate - Medical	5.00% - 6.50%	N/A
Healthcare cost trend rate - Prescription Drug	5.00% - 7.25%	N/A
Healthcare cost trend rate - Medicare Advantage	4.00% - 5.00%	N/A
Healthcare cost trend rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

N/A - Not applicable

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Note 8—Other postemployment benefits (continued)

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2017.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2017 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	1.40%
Global equity	5.30%
Real estate	4.30%
Alternatives	8.90%
Opportunistic fixed income	6.00%
Inflation sensitive	4.00%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 (the valuation date) was 1.30%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

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Note 8—Other postemployment benefits (continued)

Projections of benefits for financial reporting purposes of the plans 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 historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC 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 actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience study prepared as of December 31, 2014.

Discount Rate – The discount rate used to measure the total OPEB liability for RHBF was 3.58%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

The discount rate used to measure the total OPEB asset for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following table presents WTVI’s proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans’ net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	Net OPEB Liability (Asset)		
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
RHBF	\$ 2,319,691	\$ 1,944,529	\$ 1,646,942
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (3,311)	\$ (3,894)	\$ (4,479)

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Note 8—Other postemployment benefits (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates – The following table presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (Medical - 4.00 - 5.50%, Pharmacy - 4.00 - 6.25%, Med. Advantage - 3.00 - 4.00% Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00 - 6.50%, Pharmacy - 5.00 - 7.25%, Med. Advantage - 4.00 - 5.00% Administrative - 3.00%)	1% Increase (Medical - 6.00 - 7.50%, Pharmacy - 6.00 - 8.25%, Med. Advantage - 5.00 - 6.00% Administrative - 2.00%)
RHBF net OPEB liability	\$ 1,588,487	\$ 1,944,529	\$ 2,417,715
DIPNC net OPEB asset	N/A	N/A	N/A

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, WTVI recognized OPEB expense of \$68,619 for RHB and \$2,080 for DIPNC. At June 30, 2018, WTVI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Difference between actual and expected experience	\$ -	\$ 1,068	\$ 1,068
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	854	854
Change in proportion and differences between agency's contributions and proportionate share of contributions	-	36	36
Contributions subsequent to the measurement date	64,329	1,488	65,817
Total	<u>\$ 64,329</u>	<u>\$ 3,446</u>	<u>\$ 67,775</u>

Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Difference between actual and expected experience	\$ 139,426	\$ -	\$ 139,426
Changes of assumptions	535,515	-	535,515
Net difference between projected and actual earnings on plan investments	723	-	723
Change in proportion and differences between agency's contributions and proportionate share of contributions	138,940	-	138,940
Contributions subsequent to the measurement date	-	-	-
Total	<u>\$ 814,604</u>	<u>\$ -</u>	<u>\$ 814,604</u>

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Note 8—Other postemployment benefits (continued)

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 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:

**Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of
Resources and Deferred Inflows of Resources that will be Recognized in OPEB
Expense:**

<u>Years Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2019	\$ (162,957)	\$ 581
2020	(162,957)	581
2021	(162,957)	581
2022	(162,957)	215
2023	(162,776)	-
Total	<u>\$ (814,604)</u>	<u>\$ 1,958</u>

The Required Supplementary Information related to the other postemployment benefit plans, including schedule of the proportionate net OPEB liability (asset), schedule of contributions, and the notes to required supplementary information, can be found in the College's financial statements.

Note 9—Lease revenue

The Station is the lessor of tower space under various operating leases expiring through 2025. The lease revenue is recognized as tower rental income on the accompanying statements of revenues, expenses, and changes in net position.

Under the terms of the agreements, future minimum rental income is as follows:

<u>Fiscal Years</u>	<u>Amount</u>
2019	\$ 303,923
2020	214,194
2021	178,238
2022	151,637
2023	134,020
2024-2028	<u>125,566</u>
Total Minimum Lease Revenue	<u>\$ 1,107,578</u>

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Note 10—Assets transferred to and held by others

The Station has irrevocably transferred title to certain resources which had been donated with a requirement that they be maintained in perpetuity, to the Foundation for the Carolinas (the “FFTC”) pursuant to an agreement by which the Station receives the annual investment earnings. The annual distribution may be used to support operations or it may be added to the amount held by FFTC at the Station’s discretion. No other amounts are recorded by the Station with respect to these assets. The fair value of the endowed balance as of June 30, 2018 and 2017 were \$62,433 and \$57,885, respectively.

Note 11—Risk management

WTVI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. WTVI is covered by CPCC’s insurance policies because it is a department of the College. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Employee Benefit Plans

State Health Plan

CPCC employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (the “Plan”), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 8, Other Postemployment Benefits, for additional information regarding retiree health benefits.

Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Disability Income Plan

Short-term and long-term disability benefits are provided to CPCC employees through the Disability Income Plan of North Carolina (“DIPNC”), part of the State’s Pension and Other Employee Benefit Trust Funds. Short-Term benefits are paid by the College up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 8, long-term disability benefits are payable as another postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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Note 11—Risk management (continued)

Other Risk Management and Insurance Activities

Automobile, Fire, and Other Property Losses

Fire and other property losses are covered by contracts with private insurance companies. The policy limit is \$500,000,000 and carries a deductible of \$25,000. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Employee Dishonesty and Computer Fraud

CPCC is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible. Losses from County and Institutional fund paid employees are covered by private insurance. Employee dishonesty coverage carries a deductible of \$1,000 with a limit of \$500,000. Forgery or alteration has a \$1,000 deductible with a \$500,000 limit. Deception Fraud/Fraud Impersonation has a \$2,500 deductible with a \$500,000 limit.

Statewide Workers' Compensation Program

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from state funds. CPCC purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds. Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

Other Insurance Held by CPCC

CPCC purchased Broadcaster's Liability coverage from a private insurance company to cover (PBS station WTVI that became a part of CPCC on July 3, 2012) News Media and Multimedia, with a \$2,000,000 limit of liability and \$5,000 retention amount, Internet Liability Coverage, with a \$2,000,000 limit of liability and \$5,000 retention amount.

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Note 11—Risk management (continued)

CPCC purchased Cyber Liability coverage from a private insurance company to cover Media Content Insurance with a \$5,000,000 sub limit liability and a \$100,000 retention, Security and Privacy Liability Insurance with a \$5,000,000 sub limit liability and a \$100,000 retention, Regulatory Action with a \$5,000,000 sub limit liability, Event Management Insurance with a \$2,000,000 sub limit liability and a \$100,000 retention and Cyber Extortion Insurance with a \$5,000,000 sub limit liability and a \$100,000 retention.

Note 12—Changes in financial accounting and reporting

For the fiscal year ended June 30, 2018, WTVI implemented the following pronouncements issued by the GASB:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 85, Omnibus 2017

GASB Statement No. 75 improves accounting and financial reporting requirements by state and local governments for postemployment benefits other than pensions (“OPEB”). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

Note 13—Net position restatement

The implementation of GASB Statement No. 75 requires a restatement of beginning net position. As of July 1, 2017, net position as previously reported was restated as follows:

	Amount
July 1, 2017 net position as previously reported	\$ 201,340
Restatement:	
Record WTVI's net OPEB asset and liability and OPEB related deferred outflows of resources per GASB 75 requirements	(2,682,582)
July 1, 2017 net position as restated	\$ (2,481,242)

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JUNE 30, 2018 AND 2017

Note 14—Liquidity and future operations

In fiscal year 2018, WTVI continued its fourth straight year of yielding positive cash flow from operations. Management expects WTVI to have break even financial operating results in future years. This expectation is built on WTVI management's anticipation of future funding from the Corporation of Public Broadcasting, the high level of sustained membership contributions indicating ongoing support from the viewing community and increased number of foundations and corporations providing financial support for public broadcasting. Although the results of future operations are not certain, management believes WTVI is well-positioned for future operations.

Note 15—Related parties

Governance and management of the Station rests with CPCC. The Station received \$949,486 and \$1,162,197 of CPCC's management services for the fiscal years ended June 30, 2018 and 2017, respectively, in the form of in-kind support, which is recorded as a revenue and expense. The Station provided underwriting services to CPCC which was included in the Station's underwriting revenue. The revenue from underwriting services to CPCC for each of the fiscal years ended June 30, 2018 and 2017 was \$409,588.

Note 16—Subsequent events

WTVI has evaluated subsequent events through September 21, 2018, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

Note 17—Audit hours and cost

The audit required approximately 125 audit hours at an approximate cost of \$23,700. The cost represents approximately 2.01% of WTVI's total assets and 0.39% of total expenses subject to audit.

ACCOMPANYING INFORMATION

WTVI-PBS Charlotte
(A Public Communications Department
Operated by the Board of Trustees of Central Piedmont Community College)
STATEMENTS OF NET POSITION (STATION ONLY)

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Receivables, net:		
Program underwriting	\$ 11,948	\$ 13,760
Tower rental receivables	6,250	-
Production services	52,959	39,190
Grant	-	841
Other	4,734	304
Inventories	3,691	5,717
Other current assets	34,855	12,328
Total Current Assets	<u>114,437</u>	<u>72,140</u>
Noncurrent Assets:		
Net other postemployment benefits asset	3,894	-
Capital assets	2,597,310	2,597,310
Less accumulated depreciation	(1,536,465)	(1,313,241)
Total Noncurrent Assets	<u>1,064,739</u>	<u>1,284,069</u>
Total Assets	<u>1,179,176</u>	<u>1,356,209</u>
Deferred Outflows of Resources:		
Deferred outflows, related to pensions	319,869	474,990
Deferred outflows, related to other postemployment benefits	67,775	-
Total Deferred Outflows of Resources	<u>387,644</u>	<u>474,990</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	21,096	18,922
Due to CPCC	666,285	768,255
Current portion of compensated absences	10,641	11,309
Unearned revenue	14,954	11,233
Taxes payable	27,900	21,800
Total Current Liabilities	<u>740,876</u>	<u>831,519</u>
Noncurrent Liabilities:		
Compensated absences	66,972	68,725
Net Pension liability	573,486	662,912
Net other postemployment benefits liability	1,944,529	-
Total Noncurrent Liabilities	<u>2,584,987</u>	<u>731,637</u>
Total Liabilities	<u>3,325,863</u>	<u>1,563,156</u>
Deferred Inflows of Resources:		
Deferred inflows, related to pensions	54,108	66,703
Deferred inflows, related to other postemployment benefits	814,604	-
Total Deferred Inflows of Resources	<u>868,712</u>	<u>66,703</u>
NET POSITION		
Investment in capital assets	1,060,845	1,284,069
Restricted - expendable	8,176	2,591
Unrestricted deficit	(3,696,776)	(1,085,320)
Total Net Position	<u>\$ (2,627,755)</u>	<u>\$ 201,340</u>

WTVI-PBS Charlotte
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STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
(STATION ONLY)

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating Revenues:		
Mecklenburg County appropriations	\$ -	\$ 31,000
Community services and other grants	1,075,821	1,068,001
Contributions	1,027,125	1,002,115
Donated indirect admin support, services, and facilities	1,509,496	1,706,037
Program underwriting	565,179	171,820
Production	64,093	453,020
Tower rental income	376,290	406,183
Public/Education/Governmental access channels revenue	140,273	140,762
Other	983	70,708
Total Operating Revenues	4,759,260	5,049,646
Operating Expenses:		
Salaries and employee benefits	1,529,812	1,448,013
Professional services	354,209	332,735
Public Broadcasting Station dues	984,152	1,014,239
Supplies, postage, and shipping	204,324	197,311
Telephone, utilities, and general insurance	1,788	2,887
Advertising, general printing, and graphics	11,587	11,641
Equipment rental and maintenance	14,601	31,853
Travel, conferences, and meetings	19,738	17,752
Dues and fees	38,800	60,536
Miscellaneous	8,024	42,159
Depreciation expense	223,224	275,634
Donated indirect admin support, services, and facilities	1,509,496	1,706,037
Total Operating Expenses	4,899,755	5,140,797
Operating loss	(140,495)	(91,151)
Nonoperating Revenue and (Expense):		
Net investment return	82	362
Change in provision for income tax	(6,100)	(2,400)
Total Nonoperating Expense	(6,018)	(2,038)
Change in net position	(146,513)	(93,189)
Net position, beginning of the year	201,340	294,529
Restatement, Note 13	(2,682,582)	-
Net position, end of the year	\$ (2,627,755)	\$ 201,340

WTVI-PBS Charlotte
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SCHEDULE OF FUNCTIONAL EXPENSE (STATION ONLY)

YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services		Total	
	Programming	Production	Broadcasting	Total Program Services	Fundraising	General	Supporting Services	Total
Salaries and employee benefits	\$ 71,812	\$ 682,670	\$ 275,285	\$ 1,029,767	\$ 267,074	\$ 232,971	\$ 500,045	\$ 1,529,812
Professional services	122,237	19,814	112,752	254,803	69,585	29,821	99,406	354,209
Public Broadcasting Station dues	984,152	-	-	984,152	-	-	-	984,152
Supplies, postage, and shipping	2,698	5,247	102	8,047	181,976	14,301	196,277	204,324
Telephone, utilities, and general insurance	-	250	950	1,200	-	588	588	1,788
Advertising, general printing, and graphics	1,264	-	-	1,264	225	10,098	10,323	11,587
Equipment rental and maintenance	-	5,177	4,161	9,338	4,000	1,263	5,263	14,601
Travel, conferences, and meetings	3,856	820	46	4,722	314	14,702	15,016	19,738
Dues and fees	-	-	-	-	30,942	7,858	38,800	38,800
Miscellaneous	2,884	339	-	3,223	2,287	2,514	4,801	8,024
Depreciation expense	-	123,873	99,351	223,224	-	-	-	223,224
	1,188,903	838,190	492,647	2,519,740	556,403	314,116	870,519	3,390,259
Donated indirect admin support, services, and facilities	29,849	314,726	85,906	430,481	50,513	1,028,502	1,079,015	1,509,496
	<u>\$ 1,218,752</u>	<u>\$ 1,152,916</u>	<u>\$ 578,553</u>	<u>\$ 2,950,221</u>	<u>\$ 606,916</u>	<u>\$ 1,342,618</u>	<u>\$ 1,949,534</u>	<u>\$ 4,899,755</u>

WTVI-PBS Charlotte
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SCHEDULE OF FUNCTIONAL EXPENSE (STATION ONLY)

YEAR ENDED JUNE 30, 2017

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Programming	Production	Broadcasting		Fundraising	General		
Salaries and employee benefits	\$ 30,247	\$ 569,616	\$ 302,322	\$ 902,185	\$ 275,003	\$ 270,825	\$ 545,828	\$ 1,448,013
Professional services	93,204	41,317	108,605	243,126	58,522	31,087	89,609	332,735
Public Broadcasting Station dues	1,014,239	-	-	1,014,239	-	-	-	1,014,239
Supplies, postage, and shipping	7,969	4,129	2,867	14,965	173,660	8,686	182,346	197,311
Telephone, utilities, and general insurance	-	650	1,680	2,330	-	557	557	2,887
Advertising, general printing, and graphics	2,754	-	-	2,754	513	8,374	8,887	11,641
Equipment rental and maintenance	-	1,469	24,531	26,000	221	5,632	5,853	31,853
Travel, conferences, and meetings	1,235	2,064	-	3,299	-	14,453	14,453	17,752
Dues and fees	-	-	-	-	38,842	21,694	60,536	60,536
Miscellaneous	1,088	841	-	1,929	1,559	38,671	40,230	42,159
Depreciation expense	-	141,887	124,614	266,501	-	9,133	9,133	275,634
	1,150,736	761,973	564,619	2,477,328	548,320	409,112	957,432	3,434,760
Donated indirect admin support, services, and facilities	28,987	305,638	83,425	418,050	49,054	1,238,933	1,287,987	1,706,037
	<u>\$ 1,179,723</u>	<u>\$ 1,067,611</u>	<u>\$ 648,044</u>	<u>\$ 2,895,378</u>	<u>\$ 597,374</u>	<u>\$ 1,648,045</u>	<u>\$ 2,245,419</u>	<u>\$ 5,140,797</u>