



WAPS-FM
(a segment of the AKRON CITY SCHOOL DISTRICT)

SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAPS-FM AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

WAPS-FM
Akron City School District
Summit County
65 Steiner Avenue
Akron, Ohio 44301

To the Board of Trustees:

We have audited the accompanying balance sheet of WAPS-FM (the Station), a segment of the Akron City School District, Summit County, Ohio, as of and for the year ended June 30, 2000 and the related Statements of Revenues, Expenses and Changes in Fund Balances and Cash Flows for the year then ended. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

October 11, 2000

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**WAPS-FM AKRON CITY DISTRICT
BALANCE SHEET
As of June 30, 2000**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 92,107	\$ 47,765	\$ 139,872
Accounts Receivable	7,797		7,797
Total Current Assets	<u>99,904</u>	<u>47,765</u>	<u>147,669</u>
Net Property and Equipment	<u>205,473</u>	<u>12,936</u>	<u>218,409</u>
TOTAL ASSETS	<u>\$ 305,377</u>	<u>\$ 60,701</u>	<u>\$ 366,078</u>
LIABILITIES AND FUND BALANCE:			
Current Liabilities:			
Accrued Vacation	\$ 7,534	\$ 0	\$ 7,534
Accounts Payable	3,363	0	3,363
Unearned Revenue	9,970	47,765	57,735
Total Current Liabilities	<u>20,867</u>	<u>47,765</u>	<u>68,632</u>
Fund Balance	<u>284,510</u>	<u>12,936</u>	<u>297,446</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 305,377</u>	<u>\$ 60,701</u>	<u>\$ 366,078</u>

The notes to the general purpose financial statements are an integral part of this statement.

WAPS-FM AKRON CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES:			
Support and Revenue:			
Akron City School District	\$ 282,770	\$ 0	\$ 282,770
Corporation for Public Broadcasting		80,114	80,114
Grants / Donations	2,000	0	2,000
Membership Contributions	33,786	0	33,786
Underwriting Income	64,006	0	64,006
Miscellaneous Income	5,235	0	5,235
TOTAL SUPPORT AND REVENUE	<u>387,797</u>	<u>80,114</u>	<u>467,911</u>
In-Kind Support:			
Donated Facilities and Administrative Support	<u>91,080</u>	<u>0</u>	<u>91,080</u>
TOTAL IN-KIND SUPPORT	<u>91,080</u>	<u>0</u>	<u>91,080</u>
TOTAL REVENUE AND IN-KIND SUPPORT	<u>478,877</u>	<u>80,114</u>	<u>558,991</u>
EXPENSES:			
Program Services :			
Programming and Production	224,955	56,216	281,171
Broadcasting	42,179	10,541	52,720
Public Information	14,060	3,513	17,573
TOTAL PROGRAM SERVICES	<u>281,194</u>	<u>70,270</u>	<u>351,464</u>
Supporting Services :			
Management and General	129,030	0	129,030
Fundraising and Membership Development	<u>55,299</u>	<u>0</u>	<u>55,299</u>
TOTAL SUPPORTING SERVICES	<u>184,329</u>	<u>0</u>	<u>184,329</u>
TOTAL EXPENSES	<u>465,523</u>	<u>70,270</u>	<u>535,793</u>
Excess of Revenues Over Expenses	13,354	9,844	23,198
Fund Balance at Beginning of Year	<u>271,156</u>	<u>3,092</u>	<u>274,248</u>
Fund Balance at End of Year	<u>\$ 284,510</u>	<u>\$ 12,936</u>	<u>\$ 297,446</u>

The notes to the general purpose financial statements are an integral part of this statement.

WAPS-FM AKRON CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of Revenues Over Expenses	\$ 13,354	\$ 9,844	\$ 23,198
Adjustments to Reconcile the Excess of Revenues to Net Cash provided by Operating Activities:			
Depreciation Expense	36,510	1,433	37,943
(Increase) in Accounts Receivable	(4,517)	0	(4,517)
(Decrease) in Accrued Vacation	(412)	0	(412)
Increase in Accounts Payable	3,363	0	3,363
Increase (Decrease) in Unearned Revenue	764	(6,130)	(5,366)
Total adjustments	35,708	(4,697)	31,011
Net cash provided by operating activities	49,062	5,147	54,209
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures	(15,417)	(11,277)	(26,694)
Net Increase (Decrease) in Cash and Cash Equivalents	33,645	(6,130)	27,515
Cash and Cash Equivalents at Beginning of Year	58,462	53,895	112,357
Cash and Cash Equivalents at End of Year	\$ 92,107	\$ 47,765	\$ 139,872

The notes to the general purpose financial statements are an integral part of this statement.

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**WAPS-FM AKRON CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

WAPS-FM (the Station) is a non-profit, public telecommunications station operated by the Akron City School District (the District). The Station does not have a separate governing Board, and the District provides funds for the Station to the extent necessary. A portion of the District's General Fund and one of its Special Revenue Funds comprise the operations of the Station.

The Station's mission is to provide the highest quality information and music programming, both national and local, to its listeners in the northeast Ohio area.

B. BASIS OF PRESENTATION

In accordance with Governmental Accounting Standards Board Statement No. 29, the financial statements of the Station have been prepared in accordance with AICPA Statement of Position (SOP) 78-10 Accounting Principals and Reporting Practices for Certain Non-profit Organizations. Under these provisions, fund balances, revenues, and expenses are classified based on the existence or absence of restrictions. Accordingly, resources and related expenses of the Station and changes therein are classified as follows:

1. Unrestricted funds represent the portion of expendable funds that is available to support of the operations of the Station.
2. Restricted funds consist of federal grants which are restricted for use in the Station's programming and production services.

C. CASH AND CASH EQUIVALENTS

At June 30, 2000, the carrying amount of the Station's deposits was \$139,872.

Cash and cash equivalents of the Station consist of monies held in the District's cash and investment pool. Thus, a determination of what amount of the Station's deposits are cash and what amounts are investments is not clearly definable.

The carrying amount of the District's deposits at year end was (\$4,437,297) and the bank balance was \$2,402,997. Of the bank balance, \$266,807 was covered by federal depository insurance, and \$2,136,190 was uninsured and uncollateralized. Additionally, the District held \$51,143,000 in an overnight investment account at year end.

For purposes of the Statement of Cash Flows, pooled investments of the District and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash and cash equivalents.

**WAPS-FM AKRON CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. CONTRIBUTIONS

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions.

E. USE OF ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of 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.

F. UNEARNED REVENUE

Underwriting (advertising) and membership revenue received in advance are recorded as unearned revenue. In addition, grant monies received, but not yet expended, are included in unearned revenue.

G. DONATED INVENTORY OF MUSIC

During the ordinary course of business, the Station receives free compact discs from record companies for promotional purposes. From the compact discs received, the Station selects music to be played on the air, compact discs to be used as prizes for on-air contests, and compact discs to be used as incentives for membership pledges. The Station does not include the library of compact discs as an asset nor a promotional expense on its books and records. The Station does, however, include in "Donated Facilities and Administrative Support" the cost to mail the compact discs to contest winners as well as to certain members upon payment of membership to the Station.

2. SUPPORT AND REVENUE FROM AKRON CITY SCHOOL DISTRICT

The Station has an arrangement with the Akron City School District whereby the District subsidizes the Station for certain operating expenses incurred. The amount provided to the Station by the District during 2000 totaled \$282,770.

3. FIXED ASSETS AND DEPRECIATION

Furniture and equipment acquired by the Station are recorded at cost or, in the case of donated fixed assets, at estimated fair value at the date of receipt. In accordance with Statement of Financial Accounting Standards No. 93, the Station has elected to give recognition to depreciation associated with its fixed assets. Depreciation is recognized over the estimated useful lives of the assets on a straight-line basis. The estimated lives of such assets range between 5 and 30 years. Depreciation expense for the period ending June 30, 2000 was \$37,943.

**WAPS-FM AKRON CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

3. FIXED ASSETS AND DEPRECIATION (Continued)

A summary of furniture and equipment is as follows:

Office equipment	\$ 41,115
Telecommunications equipment	421,406
Furniture and fixtures	22,900
	485,421
Less: accumulated depreciation	(267,012)
Net Property and Equipment	\$ 218,409

4. DONATED FACILITIES AND ADMINISTRATIVE SUPPORT

Donated facilities from the District consist of approximately 3,000 square feet of office and studio space in a building to which the District holds title. The related donated cost of approximately \$36,000 is recorded as both revenue and an expense at the estimated rental value of the space provided. Indirect administrative support from the District consists of allocated costs based on a formula developed by management.

5. DONATED PRODUCTION SERVICES

The Station receives 56 hours each week of production services for various on-air programs. The estimated value of these services for 2000 is \$27,000. These donated services allow the Station to provide unique, locally originated programming that the station could not otherwise afford to offer.

6. DEFINED BENEFIT PENSION PLAN

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS.

Plan members are required to contribute 9 percent of their annual covered salary and the School district is required to contribute 14 percent; for fiscal year 2000, 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The amount of benefits paid on behalf of the Station employees for 2000, including amounts paid for post employment benefits as disclosed in Note 7, was \$28,591.

7. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The system is on a pay-as-you-go basis.

**WAPS-FM AKRON CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

7. POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year 2000, employer contributions to fund health care benefits were 3.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400.

8. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain operations of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$180,427,123 of school foundation support for its general fund. The Station received \$60,462 from the School District's general fund.

The Court also declared the spending reserve borrowing program unconstitutional. The emergency school loan program allowed the School District to borrow from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. As of June 30, 2000 the School District has an outstanding balance due of \$7,594,996 borrowed under this program; the final payment of this note will be made in fiscal year 2004. The terms of the debt are further described in School District's financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warranting further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State foundation funding, under these programs and on its financial operations.

**WAPS-FM AKRON CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

WAPS-FM
Akron City School District
Summit County
65 Steiner Avenue
Akron, Ohio 44301

We have audited the general purpose financial statements of WAPS-FM (the Station), a segment of the Akron City School District, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Station's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Station in a separate letter dated October 11, 2000.

This report is intended for the information and use of management and the Akron City School District Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 11, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WAPS-FM AKRON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2000**