



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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 Education:

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, 2001, and the related Statements of Revenue, Expenses and Changes in Fund Balances 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2001 on our consideration of the Station'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

November 7, 2001

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

**BALANCE SHEET
JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 133,044	\$ 71,403	\$ 204,447
Accounts Receivable	9,075	0	9,075
Total Current Assets	142,119	71,403	213,522
Net Property and Equipment	189,776	12,191	201,967
TOTAL ASSETS	\$ 331,895	\$ 83,594	\$ 415,489
 LIABILITIES AND FUND BALANCE:			
Current Liabilities:			
Accrued Vacation	\$ 12,392	\$ 0	\$ 12,392
Accounts Payable	1,789	727	2,516
Unearned Revenue	3,667	71,403	75,070
Total Current Liabilities	17,848	72,130	89,978
Fund Balance	314,047	11,464	325,511
TOTAL LIABILITIES AND FUND BALANCE	\$ 331,895	\$ 83,594	\$ 415,489

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

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

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUE:			
Support and Revenue:			
Akron City School District	\$ 304,136	\$ 0	\$ 304,136
Corporation for Public Broadcasting	0	41,912	41,912
Membership Contributions	34,839	0	34,839
Underwriting Income	61,921	0	61,921
Miscellaneous Income	13,185	0	13,185
TOTAL SUPPORT AND REVENUE	<u>414,081</u>	<u>41,912</u>	<u>455,993</u>
 In-Kind Support:			
Donated Facilities and Administrative Support	<u>56,060</u>	<u>0</u>	<u>56,060</u>
TOTAL IN-KIND SUPPORT	<u>56,060</u>	<u>0</u>	<u>56,060</u>
 TOTAL REVENUE AND IN-KIND SUPPORT	<u>470,141</u>	<u>41,912</u>	<u>512,053</u>
 EXPENSES:			
Loss on Disposal of fixed assets	2,907	0	2,907
 Program Services :			
Programming and Production	235,486	36,877	272,363
Broadcasting	27,704	4,338	32,042
Public Information	13,852	2,169	16,021
TOTAL PROGRAM SERVICES	<u>277,042</u>	<u>43,384</u>	<u>320,426</u>
 Supporting Services :			
Management and General	112,459	0	112,459
Fundraising and Membership Development	<u>48,196</u>	<u>0</u>	<u>48,196</u>
TOTAL SUPPORTING SERVICES	<u>160,655</u>	<u>0</u>	<u>160,655</u>
 TOTAL EXPENSES	<u>440,604</u>	<u>43,384</u>	<u>483,988</u>
 Excess of Revenues Over/(Under) Expenses	29,537	(1,472)	28,065
 Fund Balance at Beginning of Year	<u>284,510</u>	<u>12,936</u>	<u>297,446</u>
 Fund Balance at End of Year	<u>\$ 314,047</u>	<u>\$ 11,464</u>	<u>\$ 325,511</u>

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

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of Revenues Over/(Under) Expenses	\$ 29,537	\$ (1,472)	\$ 28,065
Adjustments to Reconcile the Excess of Revenues to Net Cash provided by Operating Activities:			
Depreciation Expense	34,843	2,855	37,698
Loss on disposal of assets	2,907	0	2,907
(Increase) in Accounts Receivable	(1,278)	0	(1,278)
Increase in Accrued Vacation	4,858	0	4,858
Increase (Decrease) in Accounts Payable	(1,574)	727	(847)
Increase (Decrease) in Unearned Revenue	(6,303)	23,638	17,335
Total adjustments	33,453	27,220	60,673
Net cash provided by operating activities	62,990	25,748	88,738
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures	(22,053)	(2,110)	(24,163)
Net Increase in Cash and Cash Equivalents	40,937	23,638	64,575
Cash and Cash Equivalents at Beginning of Year	92,107	47,765	139,872
Cash and Cash Equivalents at End of Year	\$ 133,044	\$ 71,403	\$ 204,447

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

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

**NOTES TO THE 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 the District's 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

The financial statements of the Station have been prepared in accordance with AICPA Statement of Position (SOP) 78-10 Accounting Principles and Reporting Practices for Certain Non-profit Organizations. Under these provisions, fund balances, revenue, 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, 2001, the carrying amount of the Station's deposits was \$204,447.

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 (\$2,446,991) and the bank balance was \$2,884,016. Of the bank balance, \$267,574 was covered by federal depository insurance, and \$2,616,442 was uninsured and uncollateralized. Additionally, the District held \$41,560,000 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
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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. ACCRUED VACATION

The criteria for determining vacation are derived from negotiated agreements and State Laws. Classified employees working 52 weeks per year earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Classified staff members that work less than 50 weeks per year do not earn vacation.

G. UNEARNED REVENUE

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

H. 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 the books and records. The Station does, however, include in "Donated Facilities and Administrative Support" the cost to mail the compact discs to the contest winners as well as to certain members upon payment of membership to the Station.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUPPORT AND REVENUE FROM AKRON CITY SCHOOL DISTRICT

The Station has an arrangement with the District whereby the District subsidizes the Station for certain operating expenses incurred. The amount provided to the Station by the District during 2001 totaled \$304,136.

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, 2001 was \$37,698.

A summary of furniture and equipment is as follows:

	2001
Office equipment	<u>\$ 39,363</u>
Telecommunications equipment	427,333
Furniture and fixtures	<u>23,492</u>
	490,188
Less: accumulated depreciation	<u>288,221</u>
Net Property and Equipment	<u><u>\$ 201,967</u></u>

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. Indirect administrative support from the District consists of allocated costs based on a formula developed by the Corporation for Public Broadcasting.

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 2001 was \$27,664. These donated services allow the Station to provide unique locally originated programming that the station could not otherwise afford to offer.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 2001, 4.2 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 2001, including amounts paid for post employment benefits as disclosed in Note 7, was \$23,454.

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.

For fiscal year 2001, employer contributions to fund health care benefits were 9.8 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 2001, the minimum pay was established at \$12,400.

8. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. STATE SCHOOL FUNDING DECISION (Continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 7, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 7, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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 that 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 OF INDEPENDENT ACCOUNTANTS 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

To the Board of Education:

We have audited the financial statements of WAPS-FM (the Station), a segment of the Akron City School District, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Station in a separate letter dated November 7, 2001.

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 November 7, 2001.

WAPS-FM
Akron City School District
Summit County
Report of Independent Accountants on Compliance and on Internal Control
Required By *Government Auditing Standards*
Page 2

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

November 7, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
NOVEMBER 27, 2001**