



**Auditor of State  
Betty Montgomery**



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

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities and each major fund of WAPS-FM, Akron City School District, Summit County, Ohio, (the Station) as of and for the year ended June 30, 2006, which collectively comprise the Station's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of WAPS-FM Summit County, Ohio are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the Akron City School District that is attributable to the transactions of the Station. They do not purport to, and do not present fairly the financial position the Akron City School District as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of WAPS-FM, Akron City School District, Summit County, Ohio, as of June 30, 2006, and the respective changes in financial position 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 13, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 13, 2006

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2006*  
*UNAUDITED*

The discussion and analysis of WAPS-FM's (the "Station") financial performance provides an overall review of the Station's financial activities for the fiscal year ended June 30, 2006. The Station is a segment of the Akron City School District (the "School District"). The intent of this discussion and analysis is to look at the Station's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Station's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2006 are as follows:

- Total net assets increased \$172,579. This is a 30.3 percent increase from fiscal year 2005.
- Total revenues decreased to \$652,544 from \$682,988. This is a decrease of \$30,444 or 4.5 percent.
- Total program expenses were \$479,965. Total program expenses decreased from \$591,436 from fiscal year 2005. This is a decrease of \$111,471 or 18.8 percent.
- The fund balance in the general fund increased \$135,610. This is a 32.6 percent increase from fiscal year 2005.

**Station Highlights**

Significant Station highlights for the fiscal year ended June 30, 2006 are as follows:

- Membership contributions revenue was \$120,393. This increased \$21,519 or 21.8 percent from \$98,874 from fiscal year 2005.
- Underwriting revenue was \$184,498. This increased \$47,797 or 35.0 percent from \$136,701 from fiscal year 2005.
- The Station continued to work with national consultants to increase revenue, its listening audience and listener loyalty.

**Using this Annual Report**

This annual report consists of the basic financial statements and the notes to the basic financial statements. The basic financial statements are organized so the reader can understand the Station as a financial whole, an entire operating entity. The fund financial statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole Station, presenting both an aggregate view of the Station's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, the fund financial statements tell how services were financed in the short-term and what remains for future spending. Also, the fund financial statements look at each of the Station's funds.

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2006*  
*UNAUDITED*

*Reporting the Station as a Whole – Statement of Net Assets and Statement of Activities*

While the basic financial statements contain the funds used by the Station to provide programs and activities, the view of the Station as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These two statements include all assets and liabilities using the accrual basis of accounting similar to the basis of accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Station's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Station as a whole, the financial position of the Station has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Station's popularity, listening area, listening audience, number of members, and other factors.

In the Statement of Net Assets and the Statement of Activities, the activities of the Station's programs and services are accounted for in the following activity:

*Governmental Activities* – All of the Station's programs and services are reported here including program services and support services.

*Reporting the Station's Most Significant Funds – Fund Financial Statements*

The analysis of the Station's major funds begins on page 8. Fund financial reports provide detailed information about the Station's major funds. The Station uses funds to account for a multitude of financial transactions, and the fund financial statements focus on the Station's funds. The Station's major governmental funds are the general fund and the Corporation for Public Broadcasting (CPB) grants fund.

*Governmental Funds* – All of the Station's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future fiscal years. These funds are reported using a basis of accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the Station's general government operations and the basic services it provides. Governmental fund information helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationships or differences between governmental activities reported in the Statement of Net Assets and Statement of Activities and governmental fund financial statements are reconciled in the basic financial statements.

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**UNAUDITED**

**The Station as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Station as a whole.

Table 1 provides a summary of the Station's net assets for fiscal year 2006 compared to fiscal year 2005 as follows:

Table 1  
Net Assets at June 30,

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$710,164	\$524,994
Capital Assets, Net	121,728	135,470
<i>Total Assets</i>	831,892	660,464
<b>Liabilities</b>		
Current and Other Liabilities	55,146	44,758
Long-Term Liabilities:		
Due Within One Year	10,738	15,597
Due in More than One Year	23,125	29,805
<i>Total Liabilities</i>	89,009	90,160
<b>Net Assets</b>		
Invested in Capital Assets	121,728	135,470
Restricted:		
Other Purposes	87,062	55,195
Unrestricted	534,093	379,639
<i>Total Net Assets</i>	\$742,883	\$570,304

Total assets increased \$171,428. Cash, cash equivalents and investments increased \$171,943 with the majority of the increase in the general fund. The increase in cash, cash equivalents and investments in the general fund is mainly attributed to increasing popularity of the Station through its marketing and on-air product. In addition, the Station is benefiting from the increase in signal power. The Station more than doubled its power by going to a taller tower in fiscal year 2003. The Station continues to reap the benefits of this power increase. This led to an increase in the number of members and underwriters, which resulted in increased revenue. Plus, members are making larger contributions. The Station hired 3 sales consultants in fiscal year 2005 which helped bring in additional underwriting revenue during the current fiscal year.

Total liabilities decreased \$1,151. The decrease in liabilities was not significant.

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
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The net impact of the assets increase and the liabilities decrease was an increase of net assets of \$172,579.

Table 2 shows the changes in net assets for fiscal years 2006 and 2005 for governmental activities as follows:

Table 2		
Change in Net Assets for Governmental Activities		
	2006	2005
<b>Revenues</b>		
<i>Program Revenues:</i>		
Operating Grants, Contributions and Interest	\$98,999	\$63,894
<i>General Revenues:</i>		
Akron City School District	195,176	292,461
Membership Contributions	120,393	98,874
Underwriting	184,498	136,701
In-Kind Contributions	0	6,100
Donated Facilities and Administrative Support	52,373	60,034
Miscellaneous	1,105	24,924
<i>Total General Revenues</i>	553,545	619,094
<b>Total Revenues</b>	652,544	682,988
<b>Program Expenses</b>		
<i>Program Services:</i>		
Programming and Production	307,090	358,727
Broadcasting	42,186	48,468
Public Information	17,911	20,950
<i>Support Services:</i>		
Management and General	79,426	114,907
Fundraising and Membership	33,352	48,384
<b>Total Program Expenses</b>	479,965	591,436
<b>Increase in Net Assets</b>	\$172,579	\$91,552

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2006*  
*UNAUDITED*

While program revenues increased for governmental activities from \$63,894 to \$98,999, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$619,094 in fiscal year 2005 to \$553,545 in fiscal year 2006. General revenues comprised 84.8 percent of revenues supporting governmental activities. The primary sources of the decrease were Akron City School District revenue (\$97,285), donated facilities and administrative support (\$7,661), and miscellaneous revenue (\$23,819). The decrease in Akron City School District revenue and donated facilities and administrative support was the result of the necessity for less support in fiscal year 2006 due to decreased salaries and benefits for the Station. It was determined by Station management that three Station employees' functions and duties did not involve the Station as much in fiscal year 2006 as they did in fiscal year 2005. These three employees performed other functions and duties at the School District in fiscal year 2006 other than solely operating and managing the Station. Therefore, the salaries and benefits of these three employees were not charged to the Station in fiscal year 2006 as much as they were in fiscal year 2005. A larger portion of these three employees' salaries and benefits were charged to other functions/programs at the School District in the 2006 fiscal year. The decrease in miscellaneous revenue is mainly attributed to the absence of a fundraising auction in fiscal year 2006. The Station held an auction in fiscal year 2005, which raised \$17,066 in revenue.

The decrease in Akron City School District revenue, donated facilities and administrative support, and miscellaneous revenue were offset by increases in membership contributions (\$21,519) and underwriting (\$47,797). The increase in membership contributions and underwriting is attributed to increasing popularity of the Station through its marketing and on-air product, as previously discussed.

Program revenues increased \$35,105. This increase is mostly due to the Station being awarded a new grant, the Challenge Grant, during fiscal year 2006 from the CPB in the amount of \$25,280.

Program expenses decreased from \$591,436 in fiscal year 2005 to \$479,965, an 18.8 percent decrease. Much of this decrease resulted from a decrease in salaries and benefits. As previously discussed, three Station employees' functions and duties did not involve the Station as much in fiscal year 2006 as they did in fiscal year 2005. This also accounts for most of the decrease in programming and production expenses, which had the largest decrease in terms of dollars (\$51,637) and the largest amount of expenses, comprising 64.0 percent of expenses. The largest decrease in terms of percentage was in fundraising and membership expenses, which went down 31.1 percent. This decrease was also attributed to the decrease in salaries and benefits.

While expense decreases were consistent with expectations, the decreases in Akron City School District support and miscellaneous revenue and the increases in membership contributions and underwriting revenue resulted in a rise of net assets of \$172,579.

The Statement of Activities shows the cost of program services and the charges of services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported mainly by Akron City School District support, membership contributions, and underwriting revenue.

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**UNAUDITED**

Table 3

	<u>2006</u>		<u>2005</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>Program Expenses</b>				
Program Services:				
Programming and Production	\$307,090	\$222,941	\$358,727	\$304,417
Broadcasting	42,186	32,286	48,468	42,079
Public Information	17,911	12,961	20,950	17,755
Support Services:				
Management and General	79,426	79,426	114,907	114,907
Fundraising and Membership	33,352	33,352	48,384	48,384
<b>Total</b>	<u>\$479,965</u>	<u>\$380,966</u>	<u>\$591,436</u>	<u>\$527,542</u>

The dependence upon general revenues for governmental activities is apparent. 79.4 percent of governmental activities are supported through Akron City School District support and other general revenues; such revenues are 84.8 percent of total governmental revenues. The School District, underwriters and members are by far the primary support for the Station's listening audience.

**The Station's Funds**

Information about the Station's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$637,659 and expenditures of \$477,762. The net change in fund balances for the fiscal year was an increase of \$159,897 for all governmental funds with the most significant increase in the general fund. The general fund's net change in fund balance for fiscal year 2006 was an increase of \$135,610, and the CPB grants fund's net change in fund balance for fiscal year 2006 was an increase of \$24,287. This played a significant part in causing the undesignated fund balances in the general fund to increase from \$416,204 in fiscal year 2005 to \$551,814 in fiscal year 2006 and in the CPB grants fund to increase from \$55,195 in fiscal year 2005 to \$79,482 in fiscal year 2006. The general fund's net change in fund balance can be attributed to the same factors that increased Governmental Activity revenues. The CPB's grants fund's net change in fund balance is attributed to the Station being awarded a new grant, as previously discussed.

**Capital Assets**

At the end of fiscal year 2006, the Station had \$121,728 invested in furniture and fixtures, equipment and vehicles. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005 as follows:

**WAPS-FM AKRON CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**UNAUDITED**

Table 4  
 Capital Assets at June 30,  
 (Net of Depreciation)

	Governmental Activities	
	2006	2005
Furniture and Fixtures	\$8,102	\$8,682
Office Equipment	6,382	8,409
Telecommunications Equipment	103,327	113,462
Vehicles	3,917	4,917
Totals	<u>\$121,728</u>	<u>\$135,470</u>

The decrease is due to recognizing \$13,742 in depreciation expense in fiscal year 2006. The largest decrease in value was in telecommunications equipment. For further information on capital assets, see Note 6 to the basic financial statements.

**For the Future**

For the future, the Station is looking for ways to continue increasing revenues. Underwriting from area businesses remains the most attractive resource. To ensure this happens, the Station will continue to contract with 3 sales consultants who will cover different geographic territories and be paid on a commission basis.

Also, the goal for the future is to retain current members and market to potential new members. By hiring the 3 sales consultants, management will have more time to focus on membership. The Station has implemented a five-year plan for revenue growth.

The Station's volunteer program is expected to grow in future fiscal years. This program was first introduced in fiscal year 2004 with nearly 50 active people giving their time at Station events and charitable events.

The Station will continue to use an advisory board. The Station's general manager created an advisory board in fiscal year 2006. The board's purpose is to raise awareness of the Station to its listening audience and increase member and underwriting contributions.

The Station's management must plan carefully and prudently to provide the resources to meet audience needs over the next several fiscal years. Also, management still must diligently plan expenses.

**Contacting the Station's Management**

This financial report is designed to provide our audience, advisory board, members, underwriters, investors, creditors, and CPB with a general overview of the Station's finances and to show the Station's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tommy Bruno, General Manager, at WAPS, 91.3 FM, 65 Steiner Avenue, Akron, Ohio 44301.

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**WAPS-FM Akron City School District**

*Statement of Net Assets*

*June 30, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, Cash Equivalents and Investments	\$684,541
Accounts Receivable	18,043
CPB Grants Receivable	7,580
Depreciable Capital Assets, Net	<u>121,728</u>
<i>Total Assets</i>	<u>831,892</u>
<b>Liabilities</b>	
Accounts Payable	8,897
Intergovernmental Payable	13,094
Deferred Revenue	33,155
Long-Term Liabilities:	
Due Within One Year	10,738
Due In More Than One Year	<u>23,125</u>
<i>Total Liabilities</i>	<u>89,009</u>
<b>Net Assets</b>	
Invested in Capital Assets	121,728
Restricted for:	
Other Purposes	87,062
Unrestricted	<u>534,093</u>
<i>Total Net Assets</i>	<u><u>\$742,883</u></u>

See accompanying notes to the basic financial statements

**WAPS-FM Akron City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2006*

	<u>Expenses</u>	<u>Program Revenues Operating Grants, Contributions and Interest</u>	<u>Net (Expenses) and Changes in Net Assets Governmental Activities</u>
<b>Governmental Activities</b>			
Program Services:			
Programming and Production	\$307,090	\$84,149	(\$222,941)
Broadcasting	42,186	9,900	(32,286)
Public Information	17,911	4,950	(12,961)
Support Services:			
Management and General	79,426	0	(79,426)
Fundraising and Membership	33,352	0	(33,352)
<i>Total Governmental Activities</i>	<u>\$479,965</u>	<u>\$98,999</u>	<u>(\$380,966)</u>
 <b>General Revenues</b>			
			195,176
Akron City School District			120,393
Membership Contributions			184,498
Underwriting			52,373
Donated Facilities Use and Administrative Support			1,105
Miscellaneous			<u>553,545</u>
<i>Total General Revenues</i>			<u>553,545</u>
 Change in Net Assets			172,579
 <i>Net Assets at Beginning of Fiscal Year</i>			<u>570,304</u>
 <i>Net Assets at End of Fiscal Year</i>			<u><u>\$742,883</u></u>

See accompanying notes to the basic financial statements

**WAPS-FM Akron City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2006*

	General	CPB Grants	Total Governmental Funds
<b>Assets</b>			
Cash, Cash Equivalents and Investments	\$605,059	\$79,482	\$684,541
Accounts Receivable	18,043	0	18,043
CPB Grants Receivable	0	7,580	7,580
<i>Total Assets</i>	<u>\$623,102</u>	<u>\$87,062</u>	<u>\$710,164</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$8,897	\$0	\$8,897
Intergovernmental Payable	13,094	0	13,094
Deferred Revenue	49,297	7,580	56,877
<i>Total Liabilities</i>	<u>71,288</u>	<u>7,580</u>	<u>78,868</u>
<b>Fund Balances</b>			
Undesignated, Reported in:			
General Fund	551,814	0	551,814
Special Revenue Fund	0	79,482	79,482
<i>Total Fund Balances</i>	<u>551,814</u>	<u>79,482</u>	<u>631,296</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$623,102</u>	<u>\$87,062</u>	<u>\$710,164</u>

See accompanying notes to the basic financial statements

**WAPS-FM Akron City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2006*

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<b>Total Governmental Fund Balances</b>	\$631,296
 <i>Amounts reported for governmental activities in the</i> <i>statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	121,728
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred Membership Contributions Revenue	16,142
Deferred CPB Grants Revenue	7,580
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(33,863)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$742,883</u></u>

See accompanying notes to the basic financial statements

**WAPS-FM Akron City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

	General	CPB Grants	Total Governmental Funds
<b>Revenues</b>			
Akron City School District	\$195,176	\$0	\$195,176
CPB Grants	0	91,419	91,419
Membership Contributions	113,088	0	113,088
Underwriting	184,498	0	184,498
Donated Facilities Use and Administrative Support	52,373	0	52,373
Miscellaneous	1,105	0	1,105
<i>Total Revenues</i>	<u>546,240</u>	<u>91,419</u>	<u>637,659</u>
<b>Expenditures</b>			
Current:			
Program Services:			
Programming and Production	251,563	57,062	308,625
Broadcasting	29,597	6,713	36,310
Public Information	14,796	3,357	18,153
Support Services:			
Management and General	80,272	0	80,272
Fundraising and Membership	34,402	0	34,402
<i>Total Expenditures</i>	<u>410,630</u>	<u>67,132</u>	<u>477,762</u>
<i>Net Change in Fund Balances</i>	135,610	24,287	159,897
<i>Fund Balances at Beginning of Fiscal Year</i>	<u>416,204</u>	<u>55,195</u>	<u>471,399</u>
<i>Fund Balances at End of Fiscal Year</i>	<u><u>\$551,814</u></u>	<u><u>\$79,482</u></u>	<u><u>\$631,296</u></u>

See accompanying notes to the basic financial statements

**WAPS-FM Akron City School District**  
*Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** \$159,897

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which depreciation  
exceeded capital outlays in the current period:

Current Year Depreciation (13,742)

Revenues in the statement of activities that do provide current  
financial resources and are not reported as revenues in the  
funds:

Membership Contributions	7,305	
CPB Grants	7,580	
Total		14,885

Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore  
are not reported as expenditures in governmental funds.

Compensated Absences 11,539

*Change in Net Assets of Governmental Activities* \$172,579

See accompanying notes to the basic financial statements

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 1 – Description of the Station and Reporting Entity**

WAPS-FM (the "Station") is a non-profit, public telecommunications radio station operated by the Akron City School District (the "School District"). The Station does not have a separate governing board and the School District provides funds for the Station to the extent necessary. A portion of the School District's general fund and portions of one of its special revenue funds comprise the operations of the Station.

The Station is staffed by 6 employees. The School District has provided space for the Station in one of its administrative buildings. 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.

*Reporting Entity*

A reporting entity is comprised of the primary government, segments, component units, and other organizations that are included to ensure that the basic financial statements are not misleading. The Station is a segment of the School District. The segment consists of all funds, departments and programs that are not legally separate from the Station. For the Station, this includes general operations of the Station. Budgetary statements are not required since the budgetary level of control is the responsibility of the School District and not with the Station.

Component units are legally separate organizations for which the Station is financially accountable. The Station is financially accountable for an organization if the Station appoints a voting majority of the organization's governing board and (1) the Station is able to significantly influence the programs or services performed or provided by the organization; or (2) the Station is legally entitled to or can otherwise access the organization's resources; the Station is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Station is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Station in that the Station approves the budget, the issuance of debt, or the levying of taxes. The Station does not have any component units.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the Station have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Station also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Station's accounting policies are described below.

**A. Basis of Presentation**

The Station's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Government-wide Financial Statements.** The statement of net assets and the statement of activities display information about the Station as a whole. These statements include the financial activities of the segment.

The statement of net assets presents the financial condition of the governmental activities of the Station at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Station's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Station with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Station.

**Fund Financial Statements** During the fiscal year, the Station segregates transactions related to certain Station functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Station at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**B. Fund Accounting**

The Station uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Station only has governmental funds.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The following are the Station's major governmental funds:

**General Fund** The general fund is the operating fund of the Station and is used to account for all financial resources except those required to be accounted for in another fund.

**CPB Grants Fund** The Corporation for Public Broadcasting (CPB) Grants fund accounts for CPB grants whose use is restricted to a particular purpose.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Station are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Station, available means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which the Station receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Station must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Station on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: grants, underwriting and membership contributions.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Cash, Cash Equivalents and Investments***

Cash, cash equivalents and investments of the Station consist of monies held in the School District's cash management pool. Monies for all of the Station's funds are maintained in this pool. Individual fund integrity is maintained through School District records.

During fiscal year 2006, the School District's investments were limited to overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, a First American Treasury Money Market Fund, an Allegiant Treasury Money Market Fund, a Fifth Third Institutional Money Market Fund and certificates of deposit. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at a fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the basic financial statements as cash equivalents. Investments with an original maturity of more than three months are presented on the basic financial statements as investments.

***F. 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 as a promotional expenditure/expense on its books and records. The Station does, however, include in "Donated Facilities Use and Administrative Support" (See Note 2G) the cost to mail the compact discs to the contest winners as well as to certain members upon payment of their membership to the Station.

***G. Support and Revenue from the Akron City School District***

The Station has an arrangement with the Akron City School District whereby the School District subsidizes the Station for certain operating expenditures/expenses incurred. The amount of the expenditures/expenses paid by the School District on behalf of the Station totaled \$195,176 during fiscal year 2006. This amount is also included in the basic financial statements as Akron City School District revenue. All of the Station employees are employees of the School District.

Donated facilities from the School District consist of approximately 2,000 square feet of office and studio space in an administrative building to which the School District holds title. Indirect administrative support from the School District consists of allocated costs based on a formula developed by CPB. The collective total of this space and indirect administrative support was \$52,373 for fiscal year 2006, and is included in donated facilities use and administrative support revenue and support services expenditures/expenses.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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***H. Capital Assets***

All capital assets of the Station are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Station maintains a capitalization threshold of \$500. The Station does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture and Fixtures	10 - 30 years
Office Equipment	10 years
Telecommunications Equipment	10 - 30 years
Vehicles	5 years

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Station has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The Station records a liability for accumulated unused sick leave for employees after 15 years of service at any age and at age 50 with any amount of service, based on historical employment trends.

The entire compensated absence liability is reported on the government-wide financial statements.

***J. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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***K. Fund Balance Reserves***

The Station reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund balance which is available for appropriation in future periods.

***L. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Station or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. Net assets restricted for other purposes represent CPB grants.

The Station applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***M. Estimates***

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

**Note 3 - Noncompliance**

Contrary to Ohio Law, the Station did not certify all purchase commitments.

**Note 4 - Deposits and Investments**

The Station's cash, cash equivalents and investments of \$684,541 consist of monies held in the School District's cash management pool. Thus, a determination of the breakdown of the Station's cash, cash equivalents and investments between deposits and investments is not practically determinable.

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$801,796 of the School District's bank balance of \$1,112,011 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

As of June 30, 2006, the School District had the following investments:

	Carrying Value	Maturities In Years	
		Less than 1	1-2
Overnight Repurchase Agreements	\$42,004,000	\$42,004,000	\$0
Federal Home Loan Bank Notes	16,193,162	4,339,888	11,853,274
Federal Home Loan Mortgage Corporation Notes	27,437,203	27,437,203	0
Federal National Mortgage Association Notes	34,351,045	32,361,045	1,990,000
Fifth Third Institutional Money Market Fund	21,679	21,679	0
Allegiant Treasury Money Market Fund	5,942,859	5,942,859	0
First American Treasury Money Market Fund	26,595	26,595	0
<b>Total Investments</b>	<b>\$125,976,543</b>	<b>\$112,133,269</b>	<b>\$13,843,274</b>

The overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes carry a rating of AAA by Standard and Poor's and Aaa by Moody's Investor Service. The Allegiant Treasury Money Market Fund carries a rating of AAAM by Standard and Poor's. The First American Treasury Money Market Fund and the Fifth Third Institutional Money Market Fund carry a rating of AAAM by Standard and Poor's and Aaa by Moody's Investor Service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's investments are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirements of Ohio Revised Code Section 135.14(M)(2).

**Note 5 – Receivables**

Receivables at June 30, 2006, consisted of accounts (membership contributions) and a CPB grant. All receivables are considered collectible in full due to the ability to collect all of the pledges from members based on historical trends and due to the stable condition of CPB grants. All receivables are expected to be collected within one fiscal year.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

**Note 6 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
<b>Governmental Activities</b>				
<i>Capital Assets, being depreciated:</i>				
Furniture and Fixtures	\$12,889	\$0	\$0	\$12,889
Office Equipment	20,907	0	0	20,907
Telecommunications Equipment	211,098	0	0	211,098
Vehicles	5,000	0	0	5,000
<i>Total Capital Assets, being depreciated</i>	<u>249,894</u>	<u>0</u>	<u>0</u>	<u>249,894</u>
Less Accumulated Depreciation:				
Furniture and Fixtures	(4,207)	(580)	0	(4,787)
Office Equipment	(12,498)	(2,027)	0	(14,525)
Telecommunications Equipment	(97,636)	(10,135)	0	(107,771)
Vehicles	(83)	(1,000)	0	(1,083)
Total Accumulated Depreciation	<u>(114,424)</u>	<u>(13,742)</u> *	<u>0</u>	<u>(128,166)</u>
Governmental Activities Capital Assets, Net	<u>\$135,470</u>	<u>(\$13,742)</u>	<u>\$0</u>	<u>\$121,728</u>

\* Depreciation expense was charged to governmental functions as follows:

Program Services:	
Programming and Production	\$5,294
Broadcasting	6,683
Public Information	159
Support Services:	
Management and General	1,606
Total Depreciation Expense	<u>\$13,742</u>

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 7 - Risk Management**

The Station 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. The School District contracted for property, liability insurance, crime, automobile and inland marine coverage during fiscal year 2006. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Building and Contents (\$50,000 deductible)	\$588,826,490
Property Loss Limit (\$50,000 deductible)	1,000,000
Property Flood and Earthquake (\$50,000 deductible)	2,000,000
Inland Marine (\$5,000 deductible)	250,000
Crime (\$5,000 deductible)	200,000
General Liability (\$25,000 deductible)	
Each occurrence	2,000,000
Aggregate per year	3,000,000
Employee Benefits Liability (\$1,000 deductible)	1,000,000
Ohio Stop Gap Liability (\$25,000 deductible)	1,000,000
Educator's Legal Liability (\$25,000 deductible)	2,000,000
Employment Practice Liability	1,000,000
Automobile (\$10,000 deductible)	4,000,000

Settled claims have not exceeded commercial coverage in any of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

The School District began participating in the Ohio Bureau of Workers' Compensation Retrospective Rating Plan (the "Plan") for calendar year 2004. This Plan involves the payment of: (1) a minimum premium to cover safety and hygiene costs, surplus costs, premium payment security costs, and the costs of losses exceeding the per claim and the maximum premium limitations; (2) a premium based on covered claims for up to ten years; and, (3) a premium based on reserves for evaluated claims at the end of the tenth year.

**Note 8 – Defined Benefit Pension Plan**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for the Station's pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$19,708, \$27,191 and \$22,428, respectively; 69.17 percent has been contributed for 2006 and 100 percent for fiscal years 2005 and 2004.

**Note 9 - Post Employment Benefits**

The School District provides comprehensive health care benefits to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' 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 the Ohio Revised Code. SERS is funded on a pay-as-you-go basis.

Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established as \$35,800. For the Station, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$7,840.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Net health care costs for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**WAPS-FM Akron City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2006*

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**Note 10 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State Laws. Employees working 52 weeks per year earn 1 day to 25 days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid upon termination of employment. Employees working less than 52 weeks per year do not earn vacation. Employees earn sick leave at the rate of one and one-fourth days per month or the equivalent in hours per month. Sick leave may be accumulated up to a maximum of 415 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation. Employees receive 1) two additional days for each year of perfect attendance commencing July 1, 1976 through June 30, 1981; and 2) one additional day for each year of perfect attendance commencing July 1, 1981.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. Also, the School District offers medical/surgical, prescription, dental and vision insurance to its employees through several different providers.

**Note 11 - Long-Term Obligations**

The changes in the Station's long-term obligations during the fiscal year consist of the following:

Governmental Activities:	Outstanding			Outstanding	Amount
	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2006</u>	<u>Due in</u>
					<u>One Year</u>
Compensated Absences	\$45,402	\$10,738	(\$22,277)	\$33,863	\$10,738

Compensated absences will be paid from the general fund.

**Note 12 - Contingencies**

**A. Grants**

The Station received financial assistance from grantor agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Station at June 30, 2006.

**B. Litigation**

The Station is not currently a party to any legal proceedings.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 the governmental activities and each major fund of WAPS-FM, Akron City School District, Summit County, Ohio, (the Station) as of and for the year ended June 30, 2006, which collectively comprise the Station's basic financial statements and have issued our report thereon dated November 13, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Station's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Station's management dated November 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Station's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

WAPS-FM  
Akron City School District  
Summit County  
Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the Akron City School District Board of Education, and the Corporation for Public Broadcasting. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 13, 2006

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Material Noncompliance**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Station can authorize the drawing of a warrant for the payment of the amount due. The Station has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Station.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Station may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2006-001 (Continued)**

During 2006, 5 out of 21 expenditures tested or 24% were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. The Station should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

**Officials' Response:** We did not receive a response from officials to this finding.



**Auditor of State  
Betty Montgomery**

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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 21, 2006**