



**WAPS-FM
AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2004**



**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, Summit County, Ohio, (the Station) as of and for the year ended June 30, 2004, 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 *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 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 of the Akron City School District as of June 30, 2004, 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 for WAPS-FM, Summit County, Ohio, as of June 30, 2004, 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 29, 2004, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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 29, 2004

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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, 2004. 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, 2004 are as follows:

- Total net assets increased \$85,711. This is a 21.8% increase from fiscal year 2003.
- Total revenues increased to \$595,993 from \$530,307. This is an increase of \$65,686 or 12.4 percent.
- Total program expenses were \$510,282. Total program expenses increased from \$460,278 from fiscal year 2003. This is an increase of \$50,004 or 10.9 percent.
- The fund balance in the general fund increased \$86,149. This is a 36.4% increase from fiscal year 2003.

Station Highlights

Significant Station highlights for the fiscal year ended June 30, 2004 are as follows:

- Miscellaneous revenue increased to \$21,889 from \$3,551. This is an increase of \$18,338 or 516.4 percent. The Station held a benefit auction during the 2004 fiscal year which attributed to most of this increase.
- Membership contributions revenue was \$60,507. This increased \$26,863 or 79.8 percent from \$33,644 from fiscal year 2003.
- Underwriting revenue continued to increase during fiscal year 2004.
- 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.

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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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.

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 2004?" 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 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, 2004
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 2004 compared to fiscal year 2003 as follows:

Table 1
Net Assets at June 30,

	Governmental Activities	
	2004	2003 (Restated)
Assets		
Current and Other Assets	\$431,474	\$318,972
Capital Assets, Net	137,831	149,651
<i>Total Assets</i>	<i>569,305</i>	<i>468,623</i>
Liabilities		
Current and Other Liabilities	46,936	35,048
Long-Term Liabilities:		
Due Within One Year	16,420	15,882
Due in More than One Year	27,197	24,652
<i>Total Liabilities</i>	<i>90,553</i>	<i>75,582</i>
Net Assets		
Invested in Capital Assets	137,831	149,651
Restricted:		
Other Purposes	69,762	55,455
Unrestricted	271,159	187,935
<i>Total Net Assets</i>	<i>\$478,752</i>	<i>\$393,041</i>

Total assets increased \$100,682. Cash, cash equivalents and investments increased \$109,117 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 the Station more than doubling its power by going to a taller tower in fiscal year 2003. The Station experienced the benefits of this power increase for only half of fiscal year 2003, however the Station experienced the benefits of this power increase for the entire 2004 fiscal year. This led to continued Station growth, including increased number of members, number of underwriters, and listening audience, which resulted in increased revenue. In addition, the Station held a benefit auction during the 2004 fiscal year which increased revenue. The increase in cash, cash equivalents and investments is offset by a decrease in capital assets of \$11,820. The decrease in capital assets is attributed to depreciation expense exceeding capital asset acquisitions during fiscal year 2004.

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Total liabilities increased \$14,971. The increase was the result of current and other liabilities increasing by \$11,888 and long-term liabilities increasing by \$3,083. The current and other liabilities increase was the result of increased accounts payable of \$3,820, increased intergovernmental payable of \$3,159, and increased deferred revenue of \$4,909. The increase in intergovernmental payable was the result of an increase in the liabilities at the 2004 fiscal year end for pension obligation and workers' compensation. This increase was due to an increase in salaries and wages. The increase in deferred revenue was attributed to an increase in the amount of prepaid underwriting received before the 2004 fiscal year end. The Station's long-term liabilities are comprised solely of compensated absences. The increase in compensated absences was attributed to an increase in the accumulation of vacation and sick leave days and a general increase in the daily rate of pay for the employees of the Station.

The net impact of the assets increase and the liabilities increase was an increase of net assets of \$85,711.

Recall that the Statement of Activities also provides the viewpoint of the Station as a whole.

Table 2 shows the changes in net assets for fiscal years 2004 and 2003 for governmental activities as follows:

Table 2
Change in Net Assets for Governmental Activities

	2004	2003
Revenues		
<i>Program Revenues:</i>		
Operating Grants, Contributions and Interest	\$60,441	\$64,214
 <i>General Revenues:</i>		
Akron City School District	266,369	258,442
Membership Contributions	60,507	33,644
Underwriting	121,705	119,269
In-Kind Contributions	3,000	0
Donated Facilities and Administrative Support	62,082	51,187
Miscellaneous	21,889	3,551
 <i>Total General Revenues</i>	 535,552	 466,093
 Total Revenues	 595,993	 530,307

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Program Expenses

Program Services:		
Programming and Production	297,277	272,584
Broadcasting	40,398	37,784
Public Information	17,303	15,747
Support Services:		
Management and General	109,327	94,372
Fundraising and Membership	45,977	39,791
Total Program Expenses	<u>510,282</u>	<u>460,278</u>
Increase in Net Assets	<u>\$85,711</u>	<u>\$70,029</u>

While program revenues declined for governmental activities from \$64,214 to \$60,441, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$466,093 in fiscal year 2003 to \$535,552 in fiscal year 2004. General revenues comprised 89.9 percent of revenues supporting governmental activities. The primary sources of the increase were Akron City School District support (\$7,927), membership contributions (\$26,863), donated facilities use and administrative support (\$10,895) and miscellaneous (\$18,338). The increases in Akron City School District revenue and donated facilities use and administrative support were the result of the necessity for more support in fiscal year 2004 due to increased salaries and benefits for the Station. The increase in membership contribution is attributed to signal growth, increased Station popularity and more marketing. Signal growth, Station popularity and marketing increased because the Station increased its power by going to a taller tower in fiscal year 2003, as previously discussed. The Station realized the benefits of a full fiscal year in 2004 of increased power as opposed to a half fiscal year in 2003. This resulted in the number of members to increase and more efficient membership marketing strategies. The increase in miscellaneous revenue occurred because the Station held a benefit auction that raised \$17,386 during fiscal year 2004.

Program expenses increased from \$460,278 in fiscal year 2003 to \$510,282, a 10.9 percent increase. Much of this increase resulted from a general increase in salaries and benefits. This also accounts for most of the increase in programming and production expenses, which had the largest increase in terms of dollars (\$24,693) and the largest amount of expenses, comprising 58.3 percent of expenses. The largest increase in terms of percentage was in fundraising and membership expenses, which went up 15.8 percent. This increase was also attributed to the increase in salaries and benefits. Also, the increases in programming and production expenses and fundraising and membership expenses can be attributed to increased service contracts for on-air personalities, sales, engineering, and fundraising planning.

While expense increases were consistent with expectations, the increases in Akron City School District support, membership contributions, donated facilities use and administrative support and miscellaneous revenue resulted in a rise of net assets of \$85,711.

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, donated facilities use and administrative support and miscellaneous revenue.

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Table 3

	<u>2004</u>		<u>2003</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>
Program Expenses				
Program Services:				
Programming and Production	\$297,277	\$245,902	\$272,584	\$218,001
Broadcasting	40,398	34,354	37,784	31,363
Public Information	17,303	14,281	15,747	12,537
Support Services:				
Management and General	109,327	109,327	94,372	94,372
Fundraising and Membership	45,977	45,977	39,791	39,791
Total	<u>\$510,282</u>	<u>\$449,841</u>	<u>\$460,278</u>	<u>\$396,064</u>

The dependence upon general revenues for governmental activities is apparent. Over 88.2 percent of governmental activities are supported through Akron City School District support and other general revenues; such revenues are 89.9 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 \$593,632 and expenditures of \$493,176. The net change in fund balances for the fiscal year was an increase of \$100,456 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 2004 was an increase of \$86,149, and the CPB grants fund's net change in fund balance for fiscal year 2004 was an increase of \$14,307. This played a significant part in causing the undesignated fund balances in the general fund to increase from \$236,605 in fiscal year 2003 to \$320,976 in fiscal year 2004 and in the CPB grants fund from \$55,455 in fiscal year 2003 to \$69,558 in fiscal year 2004. The general fund's net change in fund balance can be attributed to, as previously discussed, an increase in Station power by going to a taller tower in fiscal year 2003. The Station realized the benefits of a full fiscal year in 2004 of increased power as compared to a half fiscal year in 2003. This resulted in increases in the number of members, the number of underwriters, and listening audience which increased revenue. In addition, the Station held a benefit auction during the 2004 fiscal year which increased revenue. The CPB grants fund's net change in fund balance is attributed to not spending all of the CPB grant funds during fiscal year 2004. The remaining amount of these grant funds may be carried over to future fiscal years and spent in those future fiscal years. Each CPB grant has a grant period of two years, and the Station is awarded a CPB grant on an annual basis.

Capital Assets

Capital assets at the end of fiscal year 2003 have been restated based on a correction of an error (see Note 3 to the basic financial statements). The estimated lives of a majority of its capital assets were increased.

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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At the end of fiscal year 2004, the Station had \$137,831 invested in furniture and fixtures and equipment. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003 as follows:

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

	Governmental Activities	
	2004	2003 (Restated)
Furniture and Fixtures	\$9,262	\$9,842
Office Equipment	10,494	11,252
Telecommunications Equipment	118,075	128,557
Totals	\$137,831	\$149,651

The decrease is due to recognizing \$12,547 in depreciation expense in fiscal year 2004. 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 quickly, two sales contractors will cover different geographic territories and be paid on a commission basis.

The Station will introduce a new sales kit in fiscal year 2005. The rates will increase from \$15 to \$20 per corporate underwriting message. This new and improved sales kit will also be available at the Station's website at www.913thesummit.com as a PDF file for easy viability and convenience.

Also, the goal for the future is retain current members and market to potential new members. By hiring two sales contractors, management will have more time to focus on membership. By fiscal year 2007, management has set a goal of \$80,000 in membership contributions. At the current rate of membership loyalty and growth, management believes this goal is attainable.

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'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.

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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.

WAPS-FM Akron City School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash, Cash Equivalents and Investments	\$423,303
Accounts Receivable	8,171
Depreciable Capital Assets, Net	<u>137,831</u>
<i>Total Assets</i>	<u>569,305</u>
Liabilities	
Accounts Payable	4,421
Intergovernmental Payable	21,536
Deferred Revenue	20,979
Long-Term Liabilities:	
Due Within One Year	16,420
Due In More Than One Year	<u>27,197</u>
<i>Total Liabilities</i>	<u>90,553</u>
Net Assets	
Invested in Capital Assets	137,831
Restricted for:	
Other Purposes	69,762
Unrestricted	<u>271,159</u>
<i>Total Net Assets</i>	<u><u>\$478,752</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, 2004

	<u>Expenses</u>	<u>Program Revenues Operating Grants, Contributions and Interest</u>	<u>Net (Expenses) and Changes in Net Assets Governmental Activities</u>
Governmental Activities			
Program Services:			
Programming and Production	\$297,277	\$51,375	(\$245,902)
Broadcasting	40,398	6,044	(34,354)
Public Information	17,303	3,022	(14,281)
Support Services:			
Management and General	109,327	0	(109,327)
Fundraising and Membership	45,977	0	(45,977)
<i>Total Governmental Activities</i>	<u>\$510,282</u>	<u>\$60,441</u>	<u>(\$449,841)</u>
 General Revenues			
			266,369
Akron City School District			60,507
Membership Contributions			121,705
Underwriting			3,000
In-Kind Contributions			62,082
Donated Facilities Use and Administrative Support			21,889
Miscellaneous			<u>535,552</u>
<i>Total General Revenues</i>			<u>535,552</u>
Change in Net Assets			85,711
<i>Net Assets at Beginning of Fiscal Year - Restated (See Note 3)</i>			<u>393,041</u>
<i>Net Assets at End of Fiscal Year</i>			<u><u>\$478,752</u></u>

See accompanying notes to the basic financial statements

WAPS-FM Akron City School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	CPB Grants	Total Governmental Funds
Assets			
Cash, Cash Equivalents and Investments	\$350,613	\$72,690	\$423,303
Accounts Receivable	8,171	0	8,171
<i>Total Assets</i>	<u>\$358,784</u>	<u>\$72,690</u>	<u>\$431,474</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$1,493	\$2,928	\$4,421
Intergovernmental Payable	7,738	0	7,738
Deferred Revenue	26,794	0	26,794
<i>Total Liabilities</i>	<u>36,025</u>	<u>2,928</u>	<u>38,953</u>
Fund Balances			
Reserved for Encumbrances	1,783	204	1,987
Undesignated, Reported in:			
General Fund	320,976	0	320,976
Special Revenue Fund	0	69,558	69,558
<i>Total Fund Balances</i>	<u>322,759</u>	<u>69,762</u>	<u>392,521</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$358,784</u>	<u>\$72,690</u>	<u>\$431,474</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, 2004*

Total Governmental Fund Balances	\$392,521
 <i>Amounts reported for governmental activities in the 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.	137,831
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Deferred Membership Contributions Revenue	5,815
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(13,798)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated Absences	<u>(43,617)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$478,752</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, 2004

	General	CPB Grants	Total Governmental Funds
Revenues			
Akron City School District	\$266,369	\$0	\$266,369
CPB Grants	0	60,441	60,441
Membership Contributions	58,146	0	58,146
Underwriting	121,705	0	121,705
In-Kind Contributions	3,000	0	3,000
Donated Facilities Use and Administrative Support	62,082	0	62,082
Miscellaneous	21,889	0	21,889
<i>Total Revenues</i>	<u>533,191</u>	<u>60,441</u>	<u>593,632</u>
Expenditures			
Current:			
Program Services:			
Programming and Production	252,878	39,214	292,092
Broadcasting	29,750	4,614	34,364
Public Information	14,877	2,306	17,183
Support Services:			
Management and General	104,675	0	104,675
Fundraising and Membership	44,862	0	44,862
<i>Total Expenditures</i>	<u>447,042</u>	<u>46,134</u>	<u>493,176</u>
<i>Net Change in Fund Balances</i>	86,149	14,307	100,456
<i>Fund Balances at Beginning of Fiscal Year</i>	<u>236,610</u>	<u>55,455</u>	<u>292,065</u>
<i>Fund Balances at End of Fiscal Year</i>	<u><u>\$322,759</u></u>	<u><u>\$69,762</u></u>	<u><u>\$392,521</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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$100,456

*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:

Capital Asset Additions	1,269	
Current Year Depreciation	(12,547)	
Total		(11,278)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (542)

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

Membership Contributions	2,361
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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	(3,083)	
Pension Obligation	(2,203)	
Total		(5,286)

Change in Net Assets of Governmental Activities \$85,711

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, 2004

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 7 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, 2004

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, 2004

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, 2004

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 2004, the School District's investments were limited to overnight repurchase agreements, Federal Home Loan Bank notes, Federal Home Loan Mortgage Corporation notes, U.S. Treasury notes, Federal Home Loan Bank discount notes, Federal National Mortgage Association discount notes, a First American Treasury 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 \$266,369 during fiscal year 2004. This amount is also included in the basic financial statements as Akron City School District revenue.

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 \$62,082 for fiscal year 2004, 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, 2004

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

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 and contractually required pension contributions 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, 2004

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. Fund balance reserves are established for encumbrances.

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 – Restatement of Net Assets

For fiscal year 2004, the Station discovered the misuse and omission of certain facts and reports used in establishing the useful lives of capital assets in the prior period. As a result, the Station has increased the estimated useful lives of the majority of its capital assets. This error correction affected only the government-wide financial statements and amounted to \$25,330. Net assets at June 30, 2003 were restated from \$367,711 to \$393,041. The impact on the change in net assets in the statement of activities for fiscal year ended June 30, 2003 would not be material.

Note 4 - Deposits and Investments

The Station's cash, cash equivalents and investments of \$423,303 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.

At fiscal year end, the carrying amount of the School District's deposits was \$5,687,904 and the bank balance was \$11,894,449. Of the bank balance:

1. \$378,749 was covered by federal depository insurance.
2. \$11,515,700 was uncollateralized and uninsured. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Additionally, the School District held \$31,779,000 in overnight repurchase agreements, \$59,277,734 in Federal Home Loan Bank notes, \$5,981,389 in Federal Home Loan Mortgage Corporation notes, \$7,707,719 in U.S. Treasury notes, \$6,952,117 in Federal Home Loan Bank Discount notes, \$4,577,793 in Federal National Mortgage Association Discount notes, and \$91,261 in a First American Treasury Money Market Mutual Fund at fiscal year end.

Note 5 – Receivables

Receivables at June 30, 2004, consisted of accounts (membership contributions). All receivables are considered collectible in full due to the ability to collect all of the pledges from members based on historical trends. All receivables are expected to be collected within one fiscal year.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Restated Balance 6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2004</u>
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture and Fixtures	\$12,889	\$0	\$0	\$12,889
Office Equipment	19,638	1,269	0	20,907
Telecommunications Equipment	<u>206,376</u>	<u>0</u>	<u>(841)</u>	<u>205,535</u>
<i>Total Capital Assets, being depreciated</i>	<u>238,903</u>	<u>1,269</u>	<u>(841)</u>	<u>239,331</u>
Less Accumulated Depreciation:				
Furniture and Fixtures	(3,047)	(580)	0	(3,627)
Office Equipment	(8,386)	(2,027)	0	(10,413)
Telecommunications Equipment	<u>(77,819)</u>	<u>(9,940)</u>	<u>299</u>	<u>(87,460)</u>
Total Accumulated Depreciation	<u>(89,252)</u>	<u>(12,547)</u> *	<u>299</u>	<u>(101,500)</u>
Governmental Activities Capital Assets, Net	<u>\$149,651</u>	<u>(\$11,278)</u>	<u>(\$542)</u>	<u>\$137,831</u>

* Depreciation expense was charged to governmental functions as follows

Program Services:	
Programming and Production	\$4,390
Broadcasting	6,003
Public Information	105
Support Services:	
Management and General	<u>2,049</u>
Total Depreciation Expense	<u>\$12,547</u>

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, and inland marine coverage during fiscal year 2004. Coverage provided is as follows:

Type of Coverage	Coverage Amount
Building and Contents - loss limit (\$25,000 self-insured retention)	\$100,000,000
Boiler and Machinery (\$5,000 deductible)	100,000,000
General Liability	
Per occurrence (\$25,000 self-insured retention)	1,000,000
Total per year (with a \$1,000,000 umbrella)	2,000,000

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 pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plans

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 the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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 Station's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$22,428, \$18,787 and \$12,353, respectively; 46.69 percent has been contributed for 2004 and 100 percent for fiscal years 2003 and 2002.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Post Employment Benefits

The School District provides comprehensive health care benefits to retired non-certified employees and their dependents through the 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 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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of 0.92 percent from fiscal year 2003. 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 2004, the minimum pay was established as \$25,400. For the Station, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$13,219.

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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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 5 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 400 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.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 - Long-Term Obligations

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

Governmental Activities:	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amount Due in One Year
Compensated Absences	\$40,534	\$18,965	(\$15,882)	\$43,617	\$16,420

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, 2004.

B. Litigation

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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

To the Board of Education:

We have audited the financial statements of the governmental activities and each major fund of WAPS-FM, Summit County, Ohio, (the Station) as of and for the year ended June 30, 2004, which collectively comprise the Station's basic financial statements and have issued our report thereon dated November 29, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to the Station's management in a separate letter dated November 29, 2004.

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 for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Station's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Station's management in a separate letter dated November 29, 2004.

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



Betty Montgomery
Auditor of State

November 29, 2004

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

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2004-001
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Reportable Condition

Station Bank Accounts

The Station Manager of WAPS-FM opened bank accounts first in his own name and then in the name of the Station using funds obtained through Station business. The Manager did not have the permission of the Board of Education or the District Treasurer to open these accounts and opened the accounts with funds never deposited with the District. The Station utilized the accounts to deposit revenue received through e-bay auctions of donated items. The Station Manager also made payments from the accounts which were not approved or certified by the District Treasurer and did not follow District Policy. The combined activity in these accounts totaled approximately \$6,700 for the time they were open.

District policy "6680 – Recognition" states that the Board wishes to honor staff, students, citizens, and advisory groups for their contributions with appropriate recognitions and authorizes administrators to purchase meals, refreshments, and/or other amenities to further the interests of the District. It has been determined that certain expenditures were not in line with the tone of this policy and other expenditures were deemed inappropriate uses of Station/District assets by the District.

The Station and District have closed these unapproved accounts subsequent to year end and the expenditures noted above of \$1,100 which were determined not to be valid under District policies, have been repaid to the District. In addition, the basic financial statements have been adjusted to reflect the activity which occurred within the fiscal year ended June 30, 2004.

The District and the Station should take action to help ensure all Station/District employees are aware of all District policies and procedures regarding the receipting and expending of District assets.



**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 28, 2004**