

WAPS-FM
AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY
Audit Report
For the Year Ended June 30, 2017





Dave Yost • Auditor of State

Board of Education
WAPS-FM Akron City School District
65 Steiner Avenue
Akron, Ohio 44301

We have reviewed the *Independent Auditor's Report* of the WAPS-FM Akron City School District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The WAPS-FM Akron City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 28, 2018

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**WAPS-FM
AKRON CITY SCHOOL DISTRICT
SUMMIT COUNTY
AUDIT REPORT
For the Year Ending June 30, 2017**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Station's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2017, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of WAPS-FM, Akron City School District, 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 remaining fund information 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, 2017, 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. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

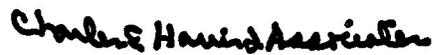
Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis and schedules of net pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Station's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2016. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 5, 2018

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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, 2017. 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, 2017 are as follows:

- Total net position decreased \$135,886. This is a 27.0 percent decrease from fiscal year 2016.
- Total revenues increased to \$944,790 from \$820,508. This is an increase of \$124,282 or 15.1 percent.
- Total program expenses were \$1,080,676. Total program expenses increased from \$909,763 from fiscal year 2016. This is an increase of \$170,913 or 18.8 percent.
- The fund balance in the general fund decreased \$62,116. This is a 9.2 percent decrease from fiscal year 2016.

Key financial highlights for the fiscal year ended June 30, 2016 are as follows:

- Total net position decreased \$89,255. This is a 15.0 percent decrease from fiscal year 2015.
- Total revenues increased to \$820,508 from \$788,731. This is an increase of \$31,777 or 4.0 percent.
- Total program expenses were \$909,763. Total program expenses increased from \$832,811 from fiscal year 2015. This is an increase of \$76,952 or 9.2 percent.
- The fund balance in the general fund decreased \$51,070. This is a 7.0 percent decrease from fiscal year 2015.

Station Highlights

Significant Station highlights for the fiscal year ended June 30, 2017 are as follows:

- Membership contributions revenue was \$346,620 in fiscal year 2017. This increase was \$119,035 or 52.3 percent from \$227,585 from fiscal year 2016. There was 1 large individual donation that encouraged other members to join at The Red Guitar membership level, the \$1,000 level. The Station has aligned itself with other peer public radio stations with more of an even distribution of revenue between membership contributions and underwriting.
- Underwriting revenue was \$335,896 and continues to be a major source of revenue. The Station continues to attract a highly desirable, intensely loyal listening audience. Businesses are continuing to put a value in reaching these potential new customers through supporting the Station.

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Significant Station highlights for the fiscal year ended June 30, 2016 are as follows:

- Membership contributions revenue was \$227,585 in fiscal year 2016 and continues to be a major source of revenue for the Station. This increased \$29,590 or 14.9 percent from \$197,995 from fiscal year 2015. The Station has solidified a long-term broadcast agreement with 90.7 WKTL-FM throughout Youngstown, Warren and western Pennsylvania, which continues to play a part in increasing members.
- Underwriting revenue was \$334,986 and continues to be a major source of revenue. The Station continues to attract a highly desirable, intensely loyal listening audience. Businesses are continuing to put a value in reaching these potential new customers through supporting the Station.

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 Position 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 Position 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 2017?" The Statement of Net Position and the Statement of Activities answer this question. These two statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and changes in that position. This change in net position 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 Position 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.

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

The analysis of the Station's major funds begins on page 11. 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 Position and Statement of Activities and governmental fund financial statements are reconciled in the basic financial statements.

The Station as a Whole

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

Table 1 provides a summary of the Station's net position for fiscal years 2017, 2016 and 2015 as follows:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------------------------|------------------|------------------|------------------|
| Assets | | | |
| Current and Other Assets | \$823,623 | \$863,225 | \$929,698 |
| Capital Assets, Net | <u>192,140</u> | <u>214,721</u> | <u>231,911</u> |
| <i>Total Assets</i> | <u>1,015,763</u> | <u>1,077,946</u> | <u>1,161,609</u> |
| Deferred Outflows of Resources | | | |
| <i>Pension</i> | <u>232,112</u> | <u>44,828</u> | <u>37,476</u> |

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| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|
| Liabilities | | | |
| Current and Other Liabilities | 48,262 | 46,058 | 65,913 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 30,533 | 21,194 | 21,023 |
| Due in More Than One Year: | | | |
| Net Pension Liability | 764,583 | 504,723 | 426,253 |
| Other Amounts Due in More Than One Year | <u>32,785</u> | <u>27,480</u> | <u>23,277</u> |
| <i>Total Liabilities</i> | <u>876,163</u> | <u>599,455</u> | <u>536,466</u> |
| Deferred Inflows of Resources | | | |
| Pension | <u>3,416</u> | <u>19,137</u> | <u>69,182</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 192,140 | 214,721 | 231,911 |
| Restricted: | | | |
| Other Purposes | 77,651 | 86,944 | 102,083 |
| Unrestricted | <u>98,505</u> | <u>202,517</u> | <u>259,443</u> |
| <i>Total Net Position</i> | <u>\$368,296</u> | <u>\$504,182</u> | <u>\$593,437</u> |

During fiscal year 2015, the Station adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27”, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these basic financial statements will gain a clearer understanding of the Station’s actual financial condition by adding deferred inflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the School District’s proportionate share for the Station of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service
2. Minus plan assets available to pay these benefits

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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules, or in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in net pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liabilities section of the statement of net position.

In accordance with GASB Statement No. 68, the Station’s statements prepared on the accrual basis of accounting include an annual pension expense for the School District’s proportionate share for the Station of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 68, the Station is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Total assets decreased \$62,183.

Cash and cash equivalents decreased \$66,396. Cash and cash equivalents decreased in the general fund by \$54,636 and in the CPB grants special revenue fund by \$11,760.

The decrease in cash and cash equivalents in the general fund is attributed to expenses exceeding revenues by \$56,504 and an increase in expenses on the cash basis of accounting. Expenses increased from fiscal year 2016 to fiscal year 2017 on the cash basis of accounting because of an increase in employees, a 1.5 percent pay raise, an increase in health insurance costs, an increase in rentals expenses and an increase in technical services expenses. The Station employed 7 employees in fiscal year 2017 as opposed to 5 employees in fiscal year 2016. The rent for the radio signal tower increased in fiscal year 2017 from the prior fiscal year. In addition, the general fund paid \$17,642 of this rent in fiscal year 2017 as opposed to paying none in fiscal year 2016. Also, during the 2017 fiscal year, the Station’s key business underwriting salesman passed away. This individual was paid as a technical service provider. This tragedy caused the Station to hire more technical service providers to cover this loss. As a result, the technical services expenses increased in fiscal year 2017 in the general fund.

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The decrease in cash and cash equivalents in the CPB grants special revenue fund is attributed to expenses exceeding revenues by \$11,760. Expenses typically exceed revenues in the CPB grants special revenue fund each fiscal year because each CPB grant that the Station annually receives has a 2-year period of availability. That means the Station has 2 years to spend each grant; therefore, for most fiscal years, the Station is spending 2 CPB grants at a time, causing expenses to exceed revenues in many fiscal years, including fiscal year 2017. Revenues only decreased by \$906 or 0.9 percent and expenses only decreased by \$1,361 or 1.1 percent from fiscal year 2016 to fiscal year in 2017 in the CPB grants fund.

Also, capital assets decreased \$17,190. See below for further explanation for the decrease in capital assets.

The decreases in cash and cash equivalents and capital assets were offset by an increase in accounts receivable.

Accounts receivable increased \$26,794. This increase is mostly attributed to the receivable membership contributions, which increased \$33,835 or 52.6 percent. The increase in the receivable for membership contributions occurred because the Station received a significant number of pledges at the end of fiscal year 2017. The Station held a direct mail campaign in the spring of 2017 that brought in a large number of members. This campaign brought in more members in fiscal year 2017 than in fiscal year 2016 because of the expansion into Youngstown, Warren and western Pennsylvania. This expansion continues to bring in more and more members each fiscal year.

Deferred outflows of resources related to pension increased \$187,284. See the previous discussion on how the accounting standards related to net pension liability.

Total liabilities increased \$276,708.

Net pension liability increased \$259,860. See the previous discussion on how the accounting standards relate to net pension liability.

In addition, long-term compensated absences liabilities increased \$14,644. This increase is due to an increase in the vacation liability, which is classified as long-term liabilities due within one year and due to an increase in the sick leave liability, which is classified as long-term liabilities other amounts due in more than one year. The reason both the vacation and sick leave portions of long-term compensated absences liabilities increased is because the number of days the Station's employees accrued as of June 30, 2017 was greatly larger than the number accrued as of June 30, 2016, an increase in the number of employees from 5 to 7 and a 1.5 percent wage increase. The Station's employees accrued 93 vacation days as of June 30, 2016 versus 137 vacation days accrued as of June 30, 2017, and the Station's employees accrued 469 sick leave days as of June 30, 2016 versus 560.65 sick leave days as of June 30, 2017.

Deferred inflows of resources related to pension decreased \$15,721. See the previous discussion on how the accounting standards apply to deferred inflows of resources related to pension.

The net impact of the assets decrease, the deferred outflows of resources increase, the liabilities increase and the deferred inflows of resources decrease was a decrease of net position of \$135,886.

Table 2 shows the changes in net position for fiscal years 2017, 2016 and 2015 for governmental activities as follows:

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2
Change in Net Position for Governmental Activities

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------------|-------------------|-------------------|
| Revenues | | | |
| <i>Program Revenues:</i> | | | |
| Operating Grants, Contributions and Interest | \$94,658 | \$95,564 | \$93,331 |
| <i>General Revenues:</i> | | | |
| Membership Contributions | 346,620 | 227,585 | 197,995 |
| Underwriting | 335,896 | 334,986 | 341,082 |
| In-Kind Contributions | 50,322 | 54,791 | 57,599 |
| Donated Facilities Use and Administrative Support | 108,930 | 96,968 | 84,582 |
| Miscellaneous | 8,364 | 10,614 | 14,142 |
| <i>Total General Revenues</i> | <u>850,132</u> | <u>724,944</u> | <u>695,400</u> |
| Total Revenues | <u>944,790</u> | <u>820,508</u> | <u>788,731</u> |
| Program Expenses | | | |
| <i>Program Services:</i> | | | |
| Programming and Production | 510,395 | 407,296 | 395,751 |
| Broadcasting | 60,045 | 47,918 | 46,559 |
| Public Information | 30,025 | 23,957 | 23,281 |
| <i>Support Services:</i> | | | |
| Management and General | 336,147 | 315,796 | 257,055 |
| Fundraising and Membership | 144,064 | 114,796 | 110,165 |
| Total Program Expenses | <u>1,080,676</u> | <u>909,763</u> | <u>832,811</u> |
| (Decrease) in Net Position | <u>(\$135,886)</u> | <u>(\$89,255)</u> | <u>(\$44,080)</u> |

While program revenues decreased for governmental activities from \$95,564 to \$94,658, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$724,944 in fiscal year 2016 to \$850,132 in fiscal year 2017. General revenues comprised 90.0 percent of revenues supporting governmental activities. The primary source of the increase was membership contributions revenue of \$119,035.

The increase in membership contributions revenue can be partly attributed to the Station's major giving program, The Red Guitar Club. This program continues to grow membership revenue each fiscal year. During fiscal year 2017, the Station secured a large donation that encouraged other members to join at the Red Guitar level, the \$1,000 level. This large donor also matched all donations at the Red Guitar level. In addition, the expansion into Youngstown, Warren and western Pennsylvania during fiscal year 2011 continues to bring in more members each fiscal year. This also contributed to the increase in membership contributions revenue in fiscal year 2017.

The increase in program expenses is because of increases of expenses in the general fund. As previously discussed, the expenses in the general fund increased because of an increase in employees from 5 to 7, a 1.5 percent pay raise, an increase in health insurance costs, an increase in technical services expenses and an increase in rentals expenses.

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While program expenses increases were consistent with expectations, the decrease in program revenues and the increase in membership contributions revenue resulted in a reduction of net position of \$135,886

The Statement of Activities shows the cost of program services and the charges for 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 membership contributions and underwriting revenue.

Table 3

| | <u>2017</u> | | <u>2016</u> | | <u>2015</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> | <u>Total Cost of Service</u> | <u>Net Cost of Service</u> |
| Program Expenses | | | | | | |
| Program Services: | | | | | | |
| Programming and Production | \$510,395 | \$429,936 | \$407,296 | \$326,066 | \$395,751 | \$316,420 |
| Broadcasting | 60,045 | 50,579 | 47,918 | 38,362 | 46,559 | 37,226 |
| Public Information | 30,025 | 25,292 | 23,957 | 19,179 | 23,281 | 18,614 |
| Support Services: | | | | | | |
| Management and General | 336,147 | 336,147 | 315,796 | 315,796 | 257,055 | 257,055 |
| Fundraising and Membership | <u>144,064</u> | <u>144,064</u> | <u>114,796</u> | <u>114,796</u> | <u>110,165</u> | <u>110,165</u> |
| Total | <u>\$1,080,676</u> | <u>\$986,018</u> | <u>\$909,763</u> | <u>\$814,199</u> | <u>\$832,811</u> | <u>\$739,480</u> |

The dependence upon general revenues for governmental activities is apparent. 91.1 percent of governmental activities are supported through underwriting, membership contributions and other general revenues; such revenues are 90.0 percent of total governmental revenues. The 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 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$915,187 and expenditures of \$986,596. The net change in fund balances for the fiscal year was a decrease of \$71,409 for all governmental funds. The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$62,116 and the CPB grants fund's net change in fund balance for fiscal year 2017 was a decrease of \$9,293. This played a significant part in causing the unassigned fund balance in the general fund to decrease from \$674,948 in fiscal year 2016 to \$613,071 in fiscal year 2017 and the restricted fund balance in the CPB grants fund to decrease from \$86,944 in fiscal year 2016 to \$77,651 in fiscal year 2017.

The general fund's net change in fund balance can be attributed to expenditures exceeding revenues and expenditures increasing. Revenues in the general fund increased from \$705,353 in fiscal year 2016 to \$820,529 in fiscal year 2017 and expenditures increased from \$756,423 in fiscal year 2016 to \$882,645 in fiscal year 2017. However, it was the disparity between revenues of \$820,529 and expenditures of \$882,645 that caused the unassigned fund balance to decrease from \$674,948 in fiscal year 2016 to \$612,763 in fiscal year 2017. Also, expenditures in the general fund increased because of an increase in employees from 5 to 7, a 1.5 percent pay raise, an increase in health insurance costs, an increase in technical services expenditures and an increase in rental expenditures, as previously discussed.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED

The CPB grants fund's net change in fund balance can be attributed to expenditures exceeding revenues. Revenues in the CPB grants fund decreased from \$95,564 in fiscal year 2016 to \$94,658 in fiscal year 2017 and expenditures decreased from \$110,703 in fiscal year 2016 to \$103,951 in fiscal year 2017. However, it was the disparity between revenues of \$94,658 and expenditures of \$103,951 that caused the restricted fund balance to decrease from \$86,944 in fiscal year 2016 to \$77,651 in fiscal year 2017.

Capital Assets

At the end of fiscal year 2017, the Station had \$192,140 invested in furniture and fixtures, and equipment. Table 4 shows fiscal years 2017, 2016 and 2015 balances as follows:

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

| | Governmental Activities | | |
|------------------------|-------------------------|------------------|------------------|
| | 2017 | 2016 | 2015 |
| Furniture and Fixtures | \$14,174 | \$15,166 | \$16,158 |
| Office Equipment | 2,296 | 2,602 | 2,908 |
| Broadcasting Equipment | 175,670 | 196,953 | 212,845 |
| Totals | <u>\$192,140</u> | <u>\$214,721</u> | <u>\$231,911</u> |

This decrease was completely due to depreciation expense of \$22,581. The Station did not purchase any capital assets during fiscal year 2017. For further information on capital assets, see Note 5 to the basic financial statements.

For the Future

The Station's music lineup, new program and community partnerships, the efforts and energy of its talented staff and advisory board, and the incredibly loyal station supporters have all contributed to another banner year.

The Station is groundbreaking, people-driven and powered mostly by the community. In fact, no Station salaries or benefits were paid by the School District. This is a rarity for many university or school-board owned radio stations.

And, in order to remain self-sustaining, the Station is determined to increase revenues, market share, and brand loyalty. Also, the goal for the future is to retain current Station members and market to potential new members.

The Station will continue to utilize the experience of the volunteer advisory board and The Friends of 91.3. Since 2006, regional community leaders have raised awareness of the Station to its listening audience while increasing member and underwriting contributions.

In addition, The Friends of 91.3, a state of Ohio recognized public charity, raise funds through securing grants from local, state and national foundations. In fiscal year 2017, the Friends of 91.3 raised almost an additional \$180,000 for Station operations.

WAPS-FM AKRON CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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 or email at tbruno@akron.k12.oh.us.

WAPS-FM Akron City School District*Statement of Net Position**Governmental Activities*

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| Assets | | |
| Cash and Cash Equivalents | \$686,421 | \$752,817 |
| Accounts Receivable | 137,202 | 110,408 |
| Depreciable Capital Assets, Net | <u>192,140</u> | <u>214,721</u> |
| <i>Total Assets</i> | <u>1,015,763</u> | <u>1,077,946</u> |
| Deferred Outflows of Resources | | |
| Pension | <u>232,112</u> | <u>44,828</u> |
| Liabilities | | |
| Accounts Payable | 12,536 | 11,034 |
| Intergovernmental Payable | 313 | 454 |
| Unearned Revenue | 35,413 | 34,570 |
| Long-Term Liabilities: | | |
| Due Within One Year | 30,533 | 21,194 |
| Due In More Than One Year: | | |
| Net Pension Liability | 764,583 | 504,723 |
| Other Amounts Due in More Than One Year | <u>32,785</u> | <u>27,480</u> |
| <i>Total Liabilities</i> | <u>876,163</u> | <u>599,455</u> |
| Deferred Inflows of Resources | | |
| Pension | <u>3,416</u> | <u>19,137</u> |
| Net Position | | |
| Net Investment in Capital Assets | 192,140 | 214,721 |
| Restricted for: | | |
| Other Purposes | 77,651 | 86,944 |
| Unrestricted | <u>98,505</u> | <u>202,517</u> |
| <i>Total Net Position</i> | <u>\$368,296</u> | <u>\$504,182</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, 2017 | | | For the Fiscal Year Ended June 30, 2016 | | |
|---|---|--|---|---|--|---|
| | Expenses | Program Revenues | Net Revenues (Expenses) and Changes in Net Position | Expenses | Program Revenues | Net Revenues (Expenses) and Changes in Net Position |
| | | Operating Grants, Contributions and Interest | Governmental Activities | | Operating Grants, Contributions and Interest | Governmental Activities |
| Governmental Activities | | | | | | |
| Program Services: | | | | | | |
| Programming and Production | \$510,395 | \$80,459 | (\$429,936) | \$407,296 | \$81,230 | (\$326,066) |
| Broadcasting | 60,045 | 9,466 | (50,579) | 47,918 | 9,556 | (38,362) |
| Public Information | 30,025 | 4,733 | (25,292) | 23,957 | 4,778 | (19,179) |
| Support Services: | | | | | | |
| Management and General | 336,147 | 0 | (336,147) | 315,796 | 0 | (315,796) |
| Fundraising and Membership | 144,064 | 0 | (144,064) | 114,796 | 0 | (114,796) |
| <i>Total Governmental Activities</i> | <u>\$1,080,676</u> | <u>\$94,658</u> | <u>(\$986,018)</u> | <u>\$909,763</u> | <u>\$95,564</u> | <u>(\$814,199)</u> |
| General Revenues | | | | | | |
| Membership Contributions | | | 346,620 | | | 227,585 |
| Underwriting | | | 335,896 | | | 334,986 |
| In-Kind Contributions | | | 50,322 | | | 54,791 |
| Donated Facilities Use and Administrative Support | | | 108,930 | | | 96,968 |
| Miscellaneous | | | 8,364 | | | 10,614 |
| <i>Total General Revenues</i> | | | <u>850,132</u> | | | <u>724,944</u> |
| Change in Net Position | | | (135,886) | | | (89,255) |
| <i>Net Position at Beginning of Fiscal Year</i> | | | <u>504,182</u> | | | <u>593,437</u> |
| <i>Net Position at End of Fiscal Year</i> | | | <u>\$368,296</u> | | | <u>\$504,182</u> |

See accompanying notes to the basic financial statements

WAPS-FM Akron City School District

Balance Sheet

Governmental Funds

| | June 30, 2017 | | | June 30, 2016 | | |
|---|------------------|-----------------|--------------------------|------------------|-----------------|--------------------------|
| | General | CPB Grants | Total Governmental Funds | General | CPB Grants | Total Governmental Funds |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$606,770 | \$79,651 | \$686,421 | \$661,406 | \$91,411 | \$752,817 |
| Accounts Receivable | 137,202 | 0 | 137,202 | 110,408 | 0 | 110,408 |
| <i>Total Assets</i> | <u>\$743,972</u> | <u>\$79,651</u> | <u>\$823,623</u> | <u>\$771,814</u> | <u>\$91,411</u> | <u>\$863,225</u> |
| Liabilities | | | | | | |
| Accounts Payable | \$10,536 | \$2,000 | \$12,536 | \$6,567 | \$4,467 | \$11,034 |
| Intergovernmental Payable | 313 | 0 | 313 | 454 | 0 | 454 |
| Unearned Revenue | 35,413 | 0 | 35,413 | 34,570 | 0 | 34,570 |
| <i>Total Liabilities</i> | <u>46,262</u> | <u>2,000</u> | <u>48,262</u> | <u>41,591</u> | <u>4,467</u> | <u>46,058</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable Revenue-Membership Contributions | 70,607 | 0 | 70,607 | 47,311 | 0 | 47,311 |
| Unavailable Revenue-Underwriting | 14,032 | 0 | 14,032 | 7,725 | 0 | 7,725 |
| <i>Total Deferred Inflows of Resources</i> | <u>84,639</u> | <u>0</u> | <u>84,639</u> | <u>55,036</u> | <u>0</u> | <u>55,036</u> |
| Fund Balances | | | | | | |
| Restricted | 0 | 77,651 | 77,651 | 0 | 86,944 | 86,944 |
| Assigned | 308 | 0 | 308 | 239 | 0 | 239 |
| Unassigned | 612,763 | 0 | 612,763 | 674,948 | 0 | 674,948 |
| <i>Total Fund Balances</i> | <u>613,071</u> | <u>77,651</u> | <u>690,722</u> | <u>675,187</u> | <u>86,944</u> | <u>762,131</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$743,972</u> | <u>\$79,651</u> | <u>\$823,623</u> | <u>\$771,814</u> | <u>\$91,411</u> | <u>\$863,225</u> |

See accompanying notes to the basic financial statements

WAPS-FM Akron City School District

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

| | <u>June 30, 2017</u> | | <u>June 30, 2016</u> |
|--|----------------------|--|----------------------|
| Total Governmental Fund Balances | \$690,722 | | \$690,722 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 192,140 | | 214,721 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds: | | | |
| Membership Contributions | 70,607 | | 47,311 |
| Underwriting | <u>14,032</u> | | <u>7,725</u> |
| Total | 84,639 | | 55,036 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | | |
| Compensated Absences | (63,318) | | (48,674) |
| The net pension liability is not due and payable in current period; therefore, the liability and related inflows/outflows are not reported in the funds: | | | |
| Deferred Outflows - Pension | 232,112 | | 44,828 |
| Deferred Inflows - Pension | (3,416) | | (19,137) |
| Net Pension Liability | <u>(764,583)</u> | | <u>(504,723)</u> |
| Total | <u>(535,887)</u> | | <u>(479,032)</u> |
| <i>Net Position of Governmental Activities</i> | <u>\$368,296</u> | | <u>\$432,773</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, 2017 | | | For the Fiscal Year Ended June 30, 2016 | | |
|--|---|-----------------|--------------------------------|---|-----------------|--------------------------------|
| | General | CPB Grants | Total Governmental Funds | General | CPB Grants | Total Governmental Funds |
| Revenues | | | | | | |
| CPB Grants | \$0 | \$94,658 | \$94,658 | \$0 | \$95,564 | \$95,564 |
| Membership Contributions | 323,324 | 0 | 323,324 | 214,590 | 0 | 214,590 |
| Underwriting | 329,589 | 0 | 329,589 | 328,390 | 0 | 328,390 |
| In-Kind Contributions | 50,322 | 0 | 50,322 | 54,791 | 0 | 54,791 |
| Donated Facilities Use and Administrative Support | 108,930 | 0 | 108,930 | 96,968 | 0 | 96,968 |
| Miscellaneous | 8,364 | 0 | 8,364 | 10,614 | 0 | 10,614 |
| <i>Total Revenues</i> | <u>820,529</u> | <u>94,658</u> | <u>915,187</u> | <u>705,353</u> | <u>95,564</u> | <u>800,917</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Program Services: | | | | | | |
| Programming and Production | 366,539 | 88,358 | 454,897 | 285,767 | 94,098 | 379,865 |
| Broadcasting | 43,122 | 10,395 | 53,517 | 33,620 | 11,071 | 44,691 |
| Public Information | 21,561 | 5,198 | 26,759 | 16,810 | 5,534 | 22,344 |
| Support Services: | | | | | | |
| Management and General | 315,995 | 0 | 315,995 | 308,540 | 0 | 308,540 |
| Fundraising and Membership | 135,428 | 0 | 135,428 | 111,686 | 0 | 111,686 |
| <i>Total Expenditures</i> | <u>882,645</u> | <u>103,951</u> | <u>986,596</u> | <u>756,423</u> | <u>110,703</u> | <u>867,126</u> |
| <i>Net Change in Fund Balances</i> | (62,116) | (9,293) | (71,409) | (51,070) | (15,139) | (66,209) |
| <i>Fund Balances at Beginning of Fiscal Year</i> | <u>675,187</u> | <u>86,944</u> | <u>762,131</u> | <u>726,257</u> | <u>102,083</u> | <u>828,340</u> |
| <i>Fund Balances at End of Fiscal Year</i> | <u>\$613,071</u> | <u>\$77,651</u> | <u>\$690,722</u> | <u>\$675,187</u> | <u>\$86,944</u> | <u>\$762,131</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, 2017 | For the Fiscal Year Ended June 30, 2016 |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | (\$71,409) | (\$71,409) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| 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 Assets Additions | 0 | 5,196 |
| Current Fiscal Year Depreciation | (22,581) | (22,386) |
| Total | (22,581) | (17,190) |
| Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds: | | |
| Membership Contributions | 23,296 | 12,995 |
| Underwriting | 6,307 | 6,596 |
| Total | 29,603 | 19,591 |
| 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 | (14,644) | (4,374) |
| Contractually-required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | 46,019 | 36,828 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | (102,874) | (57,901) |
| <i>Change in Net Position of Governmental Activities</i> | (\$135,886) | (\$94,455) |

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, 2017

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. Portions of one of the School District's special revenue funds comprise the operations of the Station.

The Station is staffed by 7 employees. All of the Station employees are employees of the School District. 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 northeast Ohio and western Pennsylvania.

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 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 position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

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

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The statement of net position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 revenue whose use is restricted by the CPB to particular purposes.

C. Measurement Focus

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

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, deferred outflows of resources, current liabilities and deferred inflows of resources 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 inflows of resources 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: underwriting and membership contributions.

Unearned Revenue Unearned revenue arises when monies are received before revenue recognition criteria have been satisfied. Underwriting payments received in the current fiscal year for underwriting spots that will occur in future fiscal years are recorded as unearned revenue. Revenue is recognized when the underwriting spot takes place.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources related to pension are reported on the government-wide statement of net position (See Note 7).

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Station, deferred inflows of resources include unavailable revenue and pension. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the Station, unavailable revenue includes membership contributions and underwriting. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 7).

Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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 and cash equivalents 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 2017, the School District's investments were limited to overnight repurchase agreements, commercial paper, the State Treasury Asset Reserve of Ohio ("STAR Ohio"), Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank 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 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.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 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.

G. In-Kind Contributions

The School District and the Struthers City School District (“SCSD”) entered into a license agreement during fiscal year 2013 that will continue for 8 years and will automatically renew for one or more additional 8-year terms, without limitation, unless either party notifies the other in writing of its intent not to renew at least 120 days before the end of any current term.

As part of this agreement, the Radio Station provides SCSD underwriting announcements, which identify SCSD events, SCSD sponsors and SCSD services to its community at an estimated value of \$30,000 per year. Also, as part of this agreement, the Radio Station provides SCSD public service announcements on behalf of nonprofit organizations located in the Struthers and Youngstown, Ohio area which provide information about the organizations and events they sponsor at an estimated value of \$15,000 per year. Revenue is reported for these announcements at the estimated present value when the announcements are broadcast.

In addition, the Radio Station has entered into barter agreements during the current fiscal year where the Radio Station has provided underwriting spots to local businesses for services. Barter transactions are reported at the estimated fair value of the services received. Revenue is reported when the underwriting spots are broadcast, and the services received are reported when received as expenditures/expenses. Barter transactions amounted to \$5,322 during fiscal year 2017.

Transactions associated with the license agreement and barter agreements are classified as in-kind contributions revenue and with a corresponding amount classified as support services expenditures/expenses. The collective total for these transactions for fiscal year 2017 was \$50,322.

H. Support and Revenue from the Akron City 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 \$108,930 for fiscal year 2017, and is included in donated facilities use and administrative support revenue and support services expenditures/expenses.

I. 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 position but are not reported in the fund financial statements.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 acquisition values as of the date received. The Station maintains a capitalization threshold of \$1,000. 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 |
| Broadcasting Equipment | 10 - 30 years |
| Vehicles | 5 years |

J. 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.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

K. 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, 2017

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments. Net position restricted for other purposes represents CPB grants.

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

M. Fund Balances

In accordance with GASB Statement No, 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the Station classifies its fund balances based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

Nonspendable Resources that are not in spendable form (inventories and prepaid amounts) or have legal or contractual requirements to maintain the balance intact.

Restricted Resources that have external constraints imposed on them by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

Committed Resources that are constrained for specific purposes that are internally imposed by formal action by the School District at its highest level of decision making authority, the School District’s Board of Education.

Assigned Resources that are constrained by the Station’s and/or the School District’s intent to be used specific purposes but are neither restricted or committed. The School District’s Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent fiscal year’s appropriated budget in the general fund.

Unassigned The residual fund balance with the general fund. This classification represents fund balances that have not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

The Station considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balances are available. Similarly, within unrestricted fund balances, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

N. 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.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 - Deposits and Investments

The Station's cash and cash equivalents of \$686,421 consist of monies held in the School District's cash management pool. Thus, a determination of the breakdown of the Station's cash and cash equivalents between deposits and investments is not practically determinable.

The following information represents disclosure for the School District. 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, the School District's bank balance of \$8,795,288 was not exposed to custodial credit risk.

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

As of June 30, 2017, the School District had the following investments:

| | Carrying Value | Maturities In Years | | % to Total |
|--|----------------------|----------------------|---------------------|----------------|
| | | Less than 1 | 1-5 | |
| Overnight Repurchase Agreements | \$30,060,491 | \$30,060,491 | \$0 | 20.11% |
| Federal Home Loan Bank Notes | 8,000,322 | 4,455,066 | 3,545,256 | 5.35 |
| Federal Home Loan Mortgage Corporation Notes | 12,722,989 | 0 | 12,722,989 | 8.51 |
| Federal Farm Credit Bank Notes | 4,601,872 | 1,198,398 | 3,403,474 | 3.08 |
| Federal National Mortgage Association Notes | 13,293,206 | 3,298,864 | 9,994,342 | 8.89 |
| Federal Home Loan Bank Discount Notes | 1,983,502 | 1,983,502 | 0 | 1.33 |
| Federal Farm Credit Bank Discount Notes | 919,219 | 919,219 | 0 | 0.62 |
| Commercial Paper | 67,679,017 | 67,679,017 | 0 | 45.29 |
| STAR Ohio | 10,027,716 | 10,027,716 | 0 | 6.71 |
| First American Treasury Money Market Fund | 166,673 | 166,673 | 0 | 0.11 |
| Total Investments | \$149,455,007 | \$119,788,946 | \$29,666,061 | 100.00% |

The overnight repurchase agreements, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and Federal Farm Credit Bank Notes carry a rating of AA+ by Standard and Poor's and Aaa by Moody's Investors Service. The Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Discount Notes and commercial paper with TD USA, Toyota Motor Credit and General Electric Capital Corporation with carry a rating of A-1+ by Standard and Poor's and P-1 by Moody's Investors Service. The commercial paper with JP Morgan, BNP Paribas, Bank of Montreal, Abbey National Treasury, Bank of Tokyo, Natixis NY and Canadian Imp Holdings carry a rating of A-1 by Standard and Poor's and P-1 by Moody's Investors Service. STAR Ohio carries a rating of AAAM by Standard and Poor's. The First American Treasury Money Market Fund carries a rating of AAAM by Standard and Poor's and Aaa-mf by Moody's Investors Service. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
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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).

The School District places no limit on the amount that may be invested in any one issuer.

Note 4 – Receivables

Receivables at June 30, 2017, consisted of accounts (membership contributions and underwriting). All receivables are considered collectible in full due to the ability to collect all of the pledges from members and underwriters based on historical trends. All receivables are expected to be collected within one fiscal year.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

| | <u>Balance</u> <u>6/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/2017</u> |
|--|------------------------------------|-------------------|------------------|------------------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Furniture and Fixtures | \$26,208 | \$0 | \$0 | \$26,208 |
| Office Equipment | 4,533 | 0 | (1,475) | 3,058 |
| Broadcasting Equipment | 454,435 | 0 | 0 | 454,435 |
| Vehicles | <u>5,000</u> | <u>0</u> | <u>0</u> | <u>5,000</u> |
| <i>Total Capital Assets, being depreciated</i> | <u>490,176</u> | <u>0</u> | <u>(1,475)</u> | <u>488,701</u> |
| Less Accumulated Depreciation: | | | | |
| Furniture and Fixtures | (11,042) | (992) | 0 | (12,034) |
| Office Equipment | (1,931) | (306) | 1,475 | (762) |
| Broadcasting Equipment | (257,482) | (21,283) | 0 | (278,765) |
| Vehicles | <u>(5,000)</u> | <u>0</u> | <u>0</u> | <u>(5,000)</u> |
| Total Accumulated Depreciation | <u>(275,455)</u> | <u>(22,581) *</u> | <u>1,475</u> | <u>(296,561)</u> |
| Governmental Activities Capital Assets, Net | <u>\$214,721</u> | <u>(\$22,581)</u> | <u>\$0</u> | <u>\$192,140</u> |

* Depreciation expense was charged to governmental functions as follows:

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

| | |
|----------------------------|----------|
| Program Services: | |
| Programming and Production | \$19,034 |
| Broadcasting | 2,239 |
| Public Information | 1,120 |
| Support Services: | |
| Management and General | 132 |
| Fundraising and Membership | 56 |
| Total Depreciation Expense | \$22,581 |

Note 6 - 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 Station has insurance through the School District. The School District contracted for property, inland marine, crime, general liability, excess liability, educators legal liability, employment practices liability and automobile coverage during fiscal year 2017. Coverage provided is as follows:

| Type of Coverage | Coverage Amount |
|--|-----------------|
| Commercial Property (\$50,000 deductible) | |
| Building and Contents | \$733,079,924 |
| Earthquake | 5,000,000 |
| Flood | 5,000,000 |
| Commercial Inland Marine (\$5,000 deductible) | 2,750,000 |
| Commercial Crime (\$5,000 deductible) | 300,000 |
| Commercial General Liability (\$25,000 deductible) | |
| General Aggregate Limit | 3,000,000 |
| Each Occurrence Limit | 1,000,000 |
| Employers Liability | 1,000,000 |
| Commercial Excess Liability (No deductible) | |
| General Aggregate Limit | 2,000,000 |
| Each Occurrence Limit | 2,000,000 |
| Educators Legal Liability (\$25,000 deductible) | |
| Annual Aggregate | 2,000,000 |
| Each Wrongful Act | 1,000,000 |
| Employment Practices Liability (\$25,000 deductible) | |
| Annual Aggregate | 3,000,000 |
| Each Wrongful Act | 1,000,000 |
| Automobile (\$25,000 deductible) | |
| Liability | 1,000,000 |
| Uninsured/Underinsured Motorists | 1,000,000 |

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
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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 7 – Defined Benefit Pension Plan

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share for the Station of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for the Station for this liability to annually required payments. The Station cannot control benefit terms or the manner in which pensions are financed; however, the Station does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because they benefit from employee services and State statute requires all funding to come from these employers. All contributions to date have come solely from these employers, which also includes costs paid in the form of withholdings from employees. State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
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B. Plan Description – School Employees Retirement System (“SERS”)

Plan Description Station employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report may be obtained by visiting the SERS website at www.ohsers.org, under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Age 65 with 5 years of service credit or any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (“COLA”). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits and Medicare Part B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually-required contribution for the Station to SERS was \$46,019 for fiscal year 2017. None of this amount is reported as intergovernmental payable.

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

C. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Station's proportion of the net pension liability was based on the School District's share of contributions for the Station to the pension plan relative to the contributions of all participating entities. Following is the information related to the proportionate share and pension expense:

| | |
|--|--------------------|
| Proportion of the net pension liability prior measurement date | 0.00884500% |
| Proportion of the net pension liability current measurement date | <u>0.01044644%</u> |
| Change in proportionate share | <u>0.00160144%</u> |
| Proportionate share of the net pension liability | \$764,583 |
| Pension expense | \$102,874 |

At June 30, 2017, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

| | |
|---|-------------------------|
| Differences between expected and actual experience | \$10,313 |
| Net difference between projected and actual earnings on pension plan investments | 63,068 |
| Changes of assumptions | 51,040 |
| Difference between School District contributions for the Station and proportionate share of contributions/change in proportionate share | 61,672 |
| School District contributions for the Station subsequent to the measurement date | <u>46,019</u> |
| Total Deferred Outflows of Resources | <u><u>\$232,112</u></u> |

Deferred Inflows of Resources

| | |
|---|-----------------------|
| Difference between School District contributions for the Station and proportionate share of contributions/change in proportionate share | <u>\$3,416</u> |
| Total Deferred Inflows of Resources | <u><u>\$3,416</u></u> |

\$46,019 reported as deferred outflows of resources related to pension resulting from School District contributions for the Station subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

WAPS-FM Akron City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

| | | |
|-----------------------------|------|-----------|
| Fiscal Year Ending June 30: | | |
| | 2018 | \$52,203 |
| | 2019 | 52,159 |
| | 2020 | 60,183 |
| | 2021 | 18,131 |
| Total | | \$182,677 |

D. Actuarial Assumptions – SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (i.e., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (i.e., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

| | |
|--|--|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.55 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (level percent of payroll) |

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of females rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

WAPS-FM Akron City School District
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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates and (g) mortality among disabled members was updated to the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 1.00% | 0.00% |
| US Equity | 22.50% | 4.75% |
| International Equity | 22.50% | 7.00% |
| Fixed Income | 19.00% | 1.50% |
| Private Equity | 10.00% | 8.00% |
| Real Assets | 15.00% | 5.00% |
| Multi-Asset Strategies | 10.00% | 3.00% |
| Total | 100.00% | |

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on these assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

WAPS-FM Akron City School District
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Sensitivity of the School District's Proportionate Share for the Station of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---|----------------------|-----------------------------------|----------------------|
| School District's proportionate share for the Station of the net pension liability | \$1,012,261 | \$764,583 | \$557,267 |

Note 8 – Postemployment Benefits – School Employees Retirement System

Health Care Plan Description The School District contributes for the Station to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer defined benefit other postemployment benefit plan. The Health Care fund includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially-determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation for the Station was \$313.

WAPS-FM Akron City School District
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The School District's contributions for the Station for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$313, \$454 and \$0, respectively. The fiscal year 2017 amount has been reported as intergovernmental payable. The full amount has been contributed for fiscal year 2016.

Note 9 - 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 425 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 The Hartford. Also, the School District offers medical/surgical, prescription, dental and vision insurance to its employees through several different providers.

Note 10 - Long-Term Obligations

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

| Governmental Activities: | Principal | | | Principal | |
|------------------------------------|--------------------------|------------------|-------------------|--------------------------|------------------------------|
| | Outstanding 6/30/2016 | Additions | Reductions | Outstanding 6/30/2017 | Amount Due in One Year |
| Net Pension Liability - SERS | \$504,723 | \$259,860 | \$0 | \$764,583 | \$0 |
| Compensated Absences | 48,674 | 35,838 | (21,194) | 63,318 | 30,533 |
| Total Long-Term Obligations | \$553,397 | \$295,698 | (\$21,194) | \$827,901 | \$30,533 |

The Station pays obligations related to employee compensation from the general fund.

Note 11 - Fund Balances

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Station is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balances for the governmental funds are presented below:

WAPS-FM Akron City School District
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| Fund Balances | General Fund | CPB Grants | Total |
|-----------------------------------|------------------|-----------------|------------------|
| <u>Restricted for:</u> | | | |
| National Public Radio programming | \$0 | \$21,567 | \$21,567 |
| Tower rent | 0 | 20,000 | 20,000 |
| Office supplies | 0 | 30,332 | 30,332 |
| Equipment | 0 | 4,252 | 4,252 |
| Electricity | 0 | 1,500 | 1,500 |
| <i>Total Restricted</i> | <u>0</u> | <u>77,651</u> | <u>77,651</u> |
| <u>Assigned to:</u> | | | |
| Employer contributions to SERS | 67 | 0 | 67 |
| Unemployment compensation | 241 | 0 | 241 |
| <i>Total Assigned</i> | <u>308</u> | <u>0</u> | <u>308</u> |
| Unassigned (Deficits) | <u>612,763</u> | <u>0</u> | <u>612,763</u> |
| Total Fund Balances | <u>\$613,071</u> | <u>\$77,651</u> | <u>\$690,722</u> |

The School District's Treasurer authorized the assignment of fund balances to SERS employer contributions and unemployment compensation.

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, 2017.

B. Litigation

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

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WAPS-FM Akron City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share for the Station of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

| | 2017 | 2016 | 2015 | 2014 |
|--|-----------|-----------|-----------|-----------|
| School District's Proportion of the Net Pension Liability for the Station | 0.010446% | 0.008845% | 0.008422% | 0.008422% |
| School District's Proportionate Share of the Net Pension Liability for the Station | \$764,583 | \$504,723 | \$426,253 | \$500,853 |
| School District's Covered-Employee Payroll for the Station | \$263,057 | \$256,813 | \$256,813 | \$235,310 |
| School District's Proportionate Share of the Net Pension Liability for the Station as a Percentage of its Covered-Employee Payroll | 290.65% | 196.53% | 165.98% | 212.85% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Information prior to fiscal year 2014 is not available

WAPS-FM Akron City School District
Required Supplementary Information
Schedule of School District Contributions for the Station
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$46,019 | \$36,828 | \$33,848 | \$32,614 |
| Contributions in Relation to the Contractually Required Contribution | <u>(46,019)</u> | <u>(36,828)</u> | <u>(33,848)</u> | <u>(32,614)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll for the Station | \$328,707 | \$263,057 | \$256,813 | \$235,310 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 13.18% | 13.86% |

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$31,973 | \$30,626 | \$24,154 | \$25,258 | \$16,698 | \$16,774 |
| <u>(31,973)</u> | <u>(30,626)</u> | <u>(24,154)</u> | <u>(25,258)</u> | <u>(16,698)</u> | <u>(16,774)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$231,019 | \$227,703 | \$192,156 | \$186,544 | \$169,695 | \$170,815 |
| 13.84% | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% |

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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, 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, the financial statements of the governmental activities and each major fund of WAPS-FM, Akron City School District, Summit County, (the Station) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements and have issued our report thereon dated January 5, 2018, wherein we noted the Station is part of the Akron City School District.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Station's management in a separate letter dated January 5, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
January 5, 2018



Dave Yost • Auditor of State

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
APRIL 10, 2018