



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**MISSISSIPPI AUTHORITY FOR
EDUCATIONAL TELEVISION**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
AUDITORS' REPORT ON
INTERNAL CONTROL AND COMPLIANCE**

June 30, 2014

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1-3
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	4-11
FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheets – Governmental Fund	14&15
Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	16-18
Statements of Fiduciary Assets and Liabilities – Fiduciary Fund	19
Component Unit Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Notes to Financial Statements	22-37
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	38
Note to Budgetary Comparison Schedule – General Fund	39
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	40
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-43



REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2090
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2851

POST OFFICE BOX 562
WAYNESBORO MS 39367
TELEPHONE 601-735-2317
FAX 601-735-0585

POST OFFICE BOX 606
PHILADELPHIA MS 39360
TELEPHONE 601-658-2742
FAX 601-658-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television as of and for the year ended June 30, 2014, and the related notes to the 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Foundation for Public Broadcasting in Mississippi, Inc. (discretely presented component unit), which represents 7.1 percent, 7.0 percent, and 12.3 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation for Public Broadcasting in Mississippi, Inc., is based solely on the report of the other auditors. 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. The financial statements of the Foundation for Public Broadcasting in Mississippi, Inc. were not audited in accordance with *Government Auditing Standards*.

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 entity'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 entity'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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Mississippi Authority for Educational Television are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the State of Mississippi that is attributable to the transactions of the Mississippi Authority for Educational Television and its component unit. They do not purport to, and do not present fairly the financial position of the State of Mississippi as of June 30, 2014, or the changes in its financial position 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 budgetary comparison information on pages 4 through 11, 38 and 39 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mississippi Authority for Educational Television's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 on our consideration of the Mississippi Authority for Educational Television's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Mississippi Authority for Educational Television's internal control over financial reporting and compliance.



REA, SHAW, GIFFIN & STUART, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION (AN INSTRUMENTALITY OF THE STATE OF MISSISSIPPI)

Introduction and Reporting Entity

The following discussion and analysis of Mississippi Authority for Educational Television d/b/a Mississippi Public Broadcasting (the Agency) and its component unit's financial performance provides an overview of the Agency and its component unit's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the Agency and its component unit's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the Agency's financial performance.

The Agency is an instrumentality of the State of Mississippi and is governed by a seven member Board of Directors, four of whom are appointed by the Governor and ratified by the Legislature, in addition to the State Superintendent of Public Education (or his designee), the State Board for Community and Junior Colleges appointee and the Board of Trustees of the State Institutions of Higher Learning appointee.

The Agency's primary functions are to provide educational, instructional, professional growth, and public service programs and other related services for the students and citizens of Mississippi.

Financial Highlights

- Total net position for 2014 decreased \$1,577,298 from the previous year. Net position totaled \$24,444,640 for FY 2014 compared with \$26,021,938 for FY 2013. This decrease is due primarily to depreciation expense.
- The Agency's total General Fund expenditures as reflected on the Fund Financial Statements on page 16 were relatively comparable to the prior year. Expenditures totaled \$11,523,587 in 2014, compared to \$11,465,645 in 2013, a \$57,942 increase in operations.
- The major source of financial support available to the Agency in 2014 was in the form of appropriations and transfers from the State of Mississippi (the State). These resources increased by \$512,835 in FY 2014 as a result of additional monies appropriated by the State including budget contingency funding in the amount of \$289,496.

Overview of the Financial Statements

The Agency's financial statements present the Agency (the primary governmental public broadcasting entity) and its component unit, the Foundation for Public Broadcasting in Mississippi, Inc. (the Foundation). The Foundation raises funds for the Agency and provides grants to the Agency derived from fundraising efforts. It is legally separate from the Agency and is reported in a separate column in the government-wide financial statements. The Foundation's audited financial statements are issued under separate cover and are available upon request from the Foundation.

The financial statements of the Agency consist of the Statement of Net Position, the Statement of Activities, the Balance Sheet-Governmental Fund, and the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments.

Our analysis of the total Agency begins on page 7. One of the most important questions asked about the Agency's finances is, "Is the Agency, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Agency as a whole and about its activities.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide Information about the activities of the Agency as a whole and present a longer-term view of the Agency's finances. Fund Financial Statements begin on page 14 and explain how these services were financed in the short term, as well as what remains for future spending.

The Statement of Net Position presents information on all the Agency's nonfiduciary assets and liabilities, with the differences between the two reported as "net position". Over time, increases or decreases in the Agency's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. Consideration must also be given to changes in the annual appropriation from the State, financial health of the Foundation for Public Broadcasting and the financial support ability of the Corporation for Public Broadcasting to fully assess the overall health of the Agency.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Revenues, Expenditures and Changes in Fund Balance depicts the operating revenues and expenditures resulting in an Excess of Expenditures over Revenues, which is then combined with Other Financing Sources (Uses) to provide the total Change in Fund Balance. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Reporting the Agency's Funds

Fund Financial Statements

Our analysis of the Agency's major fund begins on page 9. The Fund Financial Statements begin on page 14 and provide detailed information about the funds.

Governmental funds - The Agency's services are reported in a governmental fund, the General Fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is presented on the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the Agency's near-term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in a reconciliation at the bottom of the Fund Financial Statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Agency. Fiduciary funds are not reflected in the consolidated financial statements because resources of those funds are not available to support the Agency's own programs. These funds are reported using the accrual basis of accounting. The Agency is responsible for ensuring that the assets reported in these funds are used for their intended purpose, which is the cafeteria plan.

Reconciliation of Government-Wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the fund financial statements with the government-wide financial statements. The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on the fund financial statements.

Capital outlay spending results in capital assets on the government-wide financial statements, but is reported as expenditures on the fund financial statements.

Prepaid broadcast rights, deferred production, and accrued compensated absences are not reported in the fund financial statements.

Only gains and losses from sale of capital assets are reported on government-wide financial statements, whereas proceeds from the sale of capital assets increase financial resources on the fund financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

Required Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The Agency adopts an annual operating budget for the General Fund. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards can be found in this report.

Financial Analysis of the Statements

The Agency's condensed financial statements represented below for FY 2014 and FY 2013 are for Governmental Activities only.

Net position

Net position may serve over time as a useful indicator of the Agency's financial position. Assets exceeded liabilities by \$24,444,640 as of June 30, 2014.

Condensed Statement of Net Position

	2014	2013
Current and other assets	\$ 4,121,815	\$ 3,170,230
Capital assets	<u>21,506,643</u>	<u>23,563,154</u>
Total assets	<u>\$ 25,628,458</u>	<u>\$ 26,733,384</u>
Current liabilities	\$ 776,535	\$ 275,146
Long-term liabilities	<u>407,283</u>	<u>436,300</u>
Total liabilities	<u>\$ 1,183,818</u>	<u>\$ 711,446</u>
Net position		
Invested in capital assets, net	\$ 21,506,643	\$ 23,563,154
Restricted	45,915	45,915
Unrestricted	<u>2,892,082</u>	<u>2,412,869</u>
Total net position	<u>\$ 24,444,640</u>	<u>\$ 26,021,938</u>

Changes in net position

The Agency's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$12,211,442 and \$9,981,703, respectively. The total cost of all programs and services was \$13,788,740 for 2014 and \$13,225,118 for 2013.

Condensed Changes in Net Position

	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 813,359	\$ 803,454
Operating grants and contributions	202,930	233,268
Capital grants and contributions	255,866	131,484
General revenues:		
State appropriations	7,712,835	7,200,000
Contributed state facilities use	539,983	494,665
Grants	2,501,130	2,507,939
Other	185,339	19,322
Loss on sale of capital assets	-	(1,408,429)
Total revenues	<u>\$ 12,211,442</u>	<u>\$ 9,981,703</u>
Expenses:		
Programming and production	\$ 5,386,026	\$ 5,217,368
Educational services	1,200,158	1,173,852
Broadcasting and technical services	5,447,725	5,019,437
Management and general	<u>1,754,831</u>	<u>1,814,461</u>
Total expenses	<u>\$ 13,788,740</u>	<u>\$ 13,225,118</u>
Change in net position	\$ (1,577,298)	\$ (3,243,415)
Net position, beginning	<u>26,021,938</u>	<u>29,265,353</u>
Net position, ending	<u>\$ 24,444,640</u>	<u>\$ 26,021,938</u>

To aid in the understanding of the Statement of Activities on page 13, some additional explanation is provided. Comparative information is provided for the program areas in FY 2013. The Programming and Production activities make up a large portion of expenses (39% in FY 2014). This program area is responsible for development of services and content that is offered via a variety of mediums. It has three major departments: purchased and produced Television Programming, News and Public Affairs, and Radio Programming and Production. You will notice that expenses by program are listed first in the Statement of Activities and then reduced by program revenues to arrive at a net expense from operations. The portion that is financed through general revenues is listed separately and deducted from net expenses to reflect the total change in net assets. The reason for this format is to highlight the portion of the activities by program that is self-financing through fees and grants.

THE AGENCY'S FUNDS

The following schedule presents a summary of General Fund revenues and expenditures for the Fiscal Year ended June 30, 2014, compared to the previous year.

Changes in Fund Balance (in thousands)

	2014	2013
Revenues and Other Financing Sources (Uses)		
Transfers In:		
State appropriations	\$ 7,423	\$ 7,200
Other state agencies	540	495
State Budget Contingency Fund	289	-
Federal and state grants	256	163
Charges for services	813	804
Corporation for Public Broadcasting grants	1,801	1,767
Foundation for Public Broadcasting in Miss. Grants	858	854
Other grants	45	92
Other revenue	186	19
Transfer Out of Bureau of Buildings re-wiring project costs	(250)	-
Transfer Out of Interest Earned on Bond Proceeds	<u>-</u>	<u>(1)</u>
Total Revenues and Other Financing Sources	<u>\$ 11,961</u>	<u>\$ 11,393</u>
Expenditures		
Current:		
Programming and production	\$ 5,104	\$ 5,098
Educational services	1,202	1,173
Broadcasting and technical services	3,047	3,216
Management and general	1,731	1,795
Capital outlay	<u>440</u>	<u>183</u>
Total Expenditures	<u>\$ 11,524</u>	<u>\$ 11,465</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	<u>\$ 437</u>	<u>\$ (72)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Agency revised the annual operating budget to address changes needed within various expenditure categories of the budget. The overall totals for funding sources and expenditures remained the same in the original and final budgets. The original and final year-end budget information is shown in the Budgetary Comparison Schedule on page 38.

CAPITAL ASSETS

As of June 30, 2014, the Agency's total capital assets were \$47,958,979, including land, buildings, furniture and equipment, infrastructure, and construction in progress at year-end. Total accumulated depreciation as of June 30, 2014 was \$26,872,815 and total depreciation expense for the year was \$2,514,919, resulting in total net capital assets of \$21,506,643.

Capital Assets at year-end are as follows (in Thousands):

	2014	2013
Land	\$ 51	\$ 51
Building	1,706	1,706
Furniture and Equipment	39,099	39,026
Infrastructure	7,154	7,154
Construction in Progress	370	-
Less Accumulation Depreciation	<u>(26,873)</u>	<u>(24,374)</u>
Capital Assets, Net	<u>\$ 21,507</u>	<u>\$ 23,563</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency, as a unit of State government, relies heavily upon State appropriations to fund its operating activities. State revenue directly affects the funding level of the Agency as a whole. State appropriations represented 63% of the Agency's 2014 total general fund revenues and other financing sources. State funding is expected to remain at the same level in 2015 due to the State currently forecasting 2015 revenues ahead of budgeted estimates. This should be a positive sign for the Agency's appropriation in 2016. In order to continue operations at its current level, the Agency continues to exercise prudent budgeting practices and seeks other alternative sources of revenue.

In FY2014, the Agency continued to position itself to remain as the State's lifeline of communication for citizens during a disaster. In 2015, the Agency will continue to focus its attention on its role in the State's disaster plan along with strategic urgencies identified by the Board. The Board has identified the need to address the Agency's future funding from the State Legislature, to seek new funding paradigms, and to identify available funding resources for system upgrades.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT OFFICE

This financial report is designed to provide the State's citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details may be requested by mail at the following address:

Mississippi Authority for Educational Television
Attention: Business Services Department
3825 Ridgewood Road, Suite 1023
Jackson, MS 39211

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
FINANCIAL STATEMENTS

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET POSITION

June 30, 2014

(With Comparative Totals for June 30, 2013)

	Primary Governmental			
	Governmental	Component	Totals	
	Activities	Unit	2014	2013
ASSETS				
Appropriations/allotment balance	\$ -	\$ -	\$ -	\$ 29,500
Cash and cash equivalents	3,269,462	1,206,687	4,476,149	4,296,311
Investments	-	287,398	287,398	261,151
Receivables:				
Unconditional promises to give	-	321,928	321,928	185,844
Federal grants	30,339	-	30,339	30,339
Other grants	3,897	-	3,897	3,249
Intergovernmental	411,650	-	411,650	172,105
Other	293,895	-	293,895	64,861
Prepaid broadcast rights and other items	112,572	6,500	119,072	117,203
Investments held for long-term purposes	-	99,677	99,677	86,641
Interest in charitable trust	-	28,845	28,845	29,640
Capital assets:				
Land and construction in progress	420,479	-	420,479	51,386
Other capital assets, net of depreciation	21,086,164	5,178	21,091,342	23,512,675
Total Assets	<u>\$ 25,628,458</u>	<u>\$ 1,956,213</u>	<u>\$ 27,584,671</u>	<u>\$ 28,840,905</u>
LIABILITIES				
Accounts payable	\$ 639,977	\$ 16,703	\$ 656,680	\$ 209,898
Grants payable	-	59,160	59,160	17,996
Due to other governments	412	-	412	2,445
Unearned revenue	96,146	-	96,146	29,723
Commission payable	-	3,441	3,441	-
Accrued compensated absences:				
Current	40,000	-	40,000	50,000
Noncurrent	407,283	24,680	431,963	452,574
Total Liabilities	<u>\$ 1,183,818</u>	<u>\$ 103,984</u>	<u>\$ 1,287,802</u>	<u>\$ 762,636</u>
NET POSITION				
Invested in capital assets, net	\$ 21,506,643	\$ 5,178	\$ 21,511,821	\$ 23,564,061
Restricted for:				
Capital projects	45,915	-	45,915	45,915
Subsequent year	-	310,191	310,191	174,274
Specific activities	-	60,071	60,071	58,259
Nonexpendable permanent endowment	-	10,000	10,000	10,000
Total Restricted	<u>\$ 45,915</u>	<u>\$ 380,262</u>	<u>\$ 426,177</u>	<u>\$ 288,448</u>
Unrestricted	<u>\$ 2,892,082</u>	<u>\$ 1,466,789</u>	<u>\$ 4,358,871</u>	<u>\$ 4,225,760</u>
Total Net Position	<u>\$ 24,444,640</u>	<u>\$ 1,852,229</u>	<u>\$ 26,296,869</u>	<u>\$ 28,078,269</u>

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2014 (With Comparative Totals for the Year Ended June 30, 2013)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Grants and Contributions Operating	Capital	Primary Government	Component Unit	2014 Totals	2013 Totals
PRIMARY GOVERNMENT								
Governmental Activities:								
Programming and production	\$ 5,386,026	\$ 263,983	\$ 157,938	\$ -	\$ (4,964,105)	\$ -	\$ (4,964,105)	\$ (4,854,008)
Educational services	1,200,158	106,131	44,992	-	(1,049,035)	-	(1,049,035)	(967,211)
Broadcasting and technical services	5,447,725	437,245	-	255,866	(4,754,614)	-	(4,754,614)	(4,424,282)
Management and general	<u>1,754,831</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>(1,748,831)</u>	<u>-</u>	<u>(1,748,831)</u>	<u>(1,811,411)</u>
Total Primary Government	<u>\$ 13,788,740</u>	<u>\$ 813,359</u>	<u>\$ 202,930</u>	<u>\$ 255,866</u>	<u>\$ (12,516,585)</u>	<u>\$ -</u>	<u>\$ (12,516,585)</u>	<u>\$ (12,056,912)</u>
COMPONENT UNIT								
Foundation for Public Broadcasting in Mississippi, Inc.	<u>\$ 1,922,560</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,919,957)</u>	<u>\$ (1,919,957)</u>	<u>\$ (1,627,176)</u>
GENERAL REVENUES								
State appropriations					\$ 7,712,835	\$ -	\$ 7,712,835	\$ 7,200,000
Contributed facilities use from a state agency					539,983	-	539,983	494,665
Grants not restricted to specific programs					2,501,130	1,680,310	4,181,440	4,075,952
Investment and other income					185,339	35,545	220,884	39,913
Loss on sale of capital assets					<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,408,429)</u>
Total General Revenues					<u>\$ 10,939,287</u>	<u>\$ 1,715,855</u>	<u>\$ 12,655,142</u>	<u>\$ 10,402,101</u>
CHANGE IN NET POSITION					<u>\$ (1,577,298)</u>	<u>\$ (204,102)</u>	<u>\$ (1,781,400)</u>	<u>\$ (3,281,987)</u>
NET POSITION, Beginning of year					<u>26,021,938</u>	<u>2,056,331</u>	<u>28,078,269</u>	<u>31,360,256</u>
NET POSITION, End of year					<u>\$ 24,444,640</u>	<u>\$ 1,852,229</u>	<u>\$ 26,296,869</u>	<u>\$ 28,078,269</u>

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS – GOVERNMENTAL FUND

June 30, 2014 and 2013

	<u>General Fund</u>	
	2014	2013
ASSETS		
Appropriations/allotment balance	\$ -	\$ 29,500
Cash	3,269,462	2,760,356
Receivables:		
Federal grants	30,339	30,339
Other grants	3,897	3,249
Intergovernmental	411,650	172,105
Other	<u>293,895</u>	<u>64,861</u>
Total Assets	<u>\$ 4,009,243</u>	<u>\$ 3,060,410</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 639,977	\$ 192,978
Due to other governments	412	2,445
Unearned revenue	<u>96,146</u>	<u>29,723</u>
Total Liabilities	<u>\$ 736,535</u>	<u>\$ 225,146</u>
FUND BALANCE		
Restricted for capital projects	\$ 45,915	\$ 45,915
Unassigned	<u>3,226,793</u>	<u>2,789,349</u>
Total Fund Balances	<u>\$ 3,272,708</u>	<u>\$ 2,835,264</u>
Total Liabilities and Fund Balances	<u>\$ 4,009,243</u>	<u>\$ 3,060,410</u>

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS – GOVERNMENTAL FUND (continued)

June 30, 2014 and 2013

	<u>General Fund</u>	
	2014	2013
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Fund balance - governmental fund	\$ 3,272,708	\$ 2,835,264
Amounts reported for governmental activities in the statement of net position are different because:		
Prepaid broadcast rights and other items are not financial resources and therefore are not reported in the fund as assets.	112,572	109,820
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund as assets (net of accumulated depreciation).	21,506,643	23,563,154
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund as liabilities.	<u>(447,283)</u>	<u>(486,300)</u>
Net position - governmental activities	<u>\$ 24,444,640</u>	<u>\$ 26,021,938</u>

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

**STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND**

For the Years Ended June 30, 2014 and 2013

	<u>General Fund</u>	
	2014	2013
REVENUES		
Intergovernmental:		
Federal grants:		
Passed through state agencies	\$ -	\$ 50,000
Other	255,866	113,257
Charges for services:		
State agencies	89,388	155,728
Other	723,971	647,726
Interest income	18,215	18,897
Miscellaneous:		
Corporation for Public Broadcasting grants	1,801,130	1,767,039
Foundation for Public Broadcasting in Mississippi grants	857,938	854,069
Other grants	44,992	92,225
Other revenue	<u>167,125</u>	<u>425</u>
Total Revenues	<u>\$ 3,958,625</u>	<u>\$ 3,699,366</u>
EXPENDITURES		
Current:		
Programming and production	\$ 4,926,789	\$ 5,098,075
Educational services	1,199,674	1,172,685
Broadcasting and technical services	3,013,233	3,216,276
Management and general	1,729,324	1,795,371
Capital outlay	<u>654,567</u>	<u>183,238</u>
Total Expenditures	<u>\$ 11,523,587</u>	<u>\$ 11,465,645</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>\$ (7,564,962)</u>	<u>\$ (7,766,279)</u>

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND (continued)
For the Years Ended June 30, 2014 and 2013

	<u>General Fund</u>	
	2014	2013
OTHER FINANCING SOURCES (USES):		
Transfers from other state agencies:		
State General Fund appropriations	\$ 5,779,272	\$ 5,555,933
State Education Enhancement Fund appropriations	1,644,067	1,644,067
State Institutions of Higher Learning - contributed facilities use	539,983	494,665
State Budget Contingency Fund	289,496	-
Transfers to other state agencies:		
Bureau of Buildings re-wiring project costs	(250,000)	
Interest earned on bond proceeds	<u>(412)</u>	<u>(821)</u>
Net Other Financing Sources	<u>\$ 8,002,406</u>	<u>\$ 7,693,844</u>
NET CHANGE IN FUND BALANCE	\$ 437,444	\$ (72,435)
FUND BALANCE, Beginning of Year	<u>2,835,264</u>	<u>2,907,699</u>
FUND BALANCE, End of Year	<u><u>\$ 3,272,708</u></u>	<u><u>\$ 2,835,264</u></u>

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND (continued)
For the Years Ended June 30, 2014 and 2013

	General Fund	
	2014	2013
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balance - governmental fund	\$ 437,444	\$ (72,435)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets which exceed the capitalization threshold are allocated over their estimated useful lives as depreciation expense:		
Capital outlay expenditures capitalized	458,408	125,754
Depreciation expense	(2,514,919)	(1,842,712)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$0 and the proceeds from the sale of \$0.	-	(1,430,554)
Governmental funds report broadcast rights and production costs as expenditures when incurred. However, in the statement of activities, these costs are expensed over the related broadcast periods. This is the amount of the difference between the incurred costs and the amount expensed.	2,752	(24,125)
Governmental funds do not report the change in the accrued compensated absences liability as an expense because it does not require the use of current financial resources. This is the amount of the change in the liability.	39,017	657
Change in net position - governmental activities	\$ (1,577,298)	\$ (3,243,415)

The Notes to Financial Statements are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

**STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES –
FIDUCIARY FUND**

June 30, 2014 and 2013

	Cafeteria Plan Agency Fund	
	2014	2013
ASSETS		
Cash	<u>\$ 20,961</u>	<u>\$ 18,005</u>
LIABILITIES		
Amounts held in custody for others	<u>\$ 20,961</u>	<u>\$ 18,005</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF NET POSITION- COMPONENT UNIT

June 30, 2014 and 2013

	Foundation for Public Broadcasting in Mississippi, Inc.	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,206,687	\$ 1,535,955
Investments	287,398	261,151
Receivables:		
Unconditional promises to give	321,928	185,844
Prepaid expenses	6,500	7,383
Investments held for long-term purposes	99,677	86,641
Interest in charitable trust	28,845	29,640
Capital assets, net of depreciation	<u>5,178</u>	<u>907</u>
Total Assets	<u>\$ 1,956,213</u>	<u>\$ 2,107,521</u>
LIABILITIES		
Accounts payable	\$ 16,703	\$ 16,920
Grants payable	59,160	17,996
Accrued compensated absences	24,680	16,274
Commission payable	<u>3,441</u>	<u>-</u>
Total Liabilities	<u>\$ 103,984</u>	<u>\$ 51,190</u>
NET POSITION		
Invested in capital assets, net	<u>\$ 5,178</u>	<u>\$ 907</u>
Restricted for:		
Subsequent year	\$ 310,191	\$ 174,274
Specific activities	60,071	58,259
Nonexpendable permanent endowment	<u>10,000</u>	<u>10,000</u>
Total Restricted	<u>\$ 380,262</u>	<u>\$ 242,533</u>
Unrestricted	<u>\$ 1,466,789</u>	<u>\$ 1,812,891</u>
Total Net Position	<u><u>\$ 1,852,229</u></u>	<u><u>\$ 2,056,331</u></u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES – COMPONENT UNIT

Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions		Totals	
			Operating	Capital	2014	2013
FOUNDATION FOR PUBLIC BROADCASTING IN MISSISSIPPI, INC.						
Program information and promotion	\$ 125,457	\$ -	\$ -	\$ -	\$ (125,457)	\$ (129,099)
Grants to Mississippi Authority for Educational Television	857,938	-	-	-	(857,938)	(854,069)
Media services	-	2,603	-	-	2,603	2,170
Fundraising	589,357	-	-	-	(589,357)	(425,620)
Management and general	290,196	-	-	-	(290,196)	(220,558)
Total Component Unit	<u>\$ 1,862,948</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,860,345)</u>	<u>\$ (1,627,176)</u>
GENERAL REVENUES						
Grants not restricted to specific programs					\$ 1,680,310	\$ 1,568,013
Investment and other income					35,545	20,591
Loss on return of prior year underwriting					(59,612)	-
Total General Revenues					<u>\$ 1,656,243</u>	<u>\$ 1,588,604</u>
CHANGE IN NET POSITION					\$ (204,102)	\$ (38,572)
NET POSITION, Beginning of year					<u>2,056,331</u>	<u>2,094,903</u>
NET POSITION, End of year					<u>\$ 1,852,229</u>	<u>\$ 2,056,331</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Mississippi Authority for Educational Television (MPB) is an agency of the State of Mississippi (the State) and was created by an act of the State Legislature to provide educational, instructional, and public service programs for the students and citizens of the State through educational broadcasting. MPB operates under the name Mississippi Public Broadcasting.

MPB is subject to the review and appropriation authority of the State Legislature. Rather than functioning as an autonomous entity, MPB is a part of the oversight unit of the State. The accompanying financial statements present the financial position and the changes in financial position of only that portion of the activities and funds of the State of Mississippi that is attributable to the transactions of MPB and its component unit.

Governmental Accounting Standards Board (GASB) Statement No. 61, "Determining Whether Certain Organizations Are Component Units", requires the inclusion of organizations for which the nature and significance of their relationship with MPB is such that their exclusion would cause MPB's financial statements to be misleading or incomplete. As a result, MPB's financial statements include a legally separate nonprofit entity as a component unit. MPB's component unit is the Foundation for Public Broadcasting in Mississippi, Inc. (the Foundation). The Foundation was established to raise funds for MPB and provides grants to MPB based on the results of its fundraising efforts. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from MPB. Transactions between MPB and the component unit have not been eliminated. The Foundation's audited financial statements are issued under separate cover and are available upon request from the Foundation.

Financial Reporting

MPB complies with accounting principles generally accepted in the United States of America (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-wide Financial Statements:

The statement of net position and statement of activities display information about MPB as a whole. They include all funds and component units of MPB except for the fiduciary fund. Program revenues include charges to the recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements:

Fund financial statements of MPB are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into two major categories: governmental and fiduciary.

The funds of MPB are described below:

- **Governmental Fund**

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

- **Fiduciary Fund**

Agency Fund — The Agency Fund is used to account for the contributions of employees to the MPB cafeteria plan. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of operations.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus:

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position. All assets and liabilities (whether current or noncurrent) associated with activities are reported. Equity is classified as net position.

In the fund financial statements, the governmental fund uses the "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The fund uses fund balance as the measure of available spendable financial resources at the end of the period.

The agency fund is not involved in the measurement of results of operations; therefore, measurement focus is not applicable to it.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, the governmental fund is presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Appropriations/Allotment Balance

The appropriations/allotment balance is composed of the appropriated funds provided by the State Legislature. Section 64 of the Constitution of the State of Mississippi provides that "no bill passed...to make appropriations of money out of the State Treasury shall continue in force more than two months after the expiration of

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

the fiscal year". Section 7-7-23, Miss. Code Ann. (1972), provides that purchase orders covering purchases of equipment, supplies, materials or services of whatever kind or nature for any department or agency to be paid for out of funds appropriated for any fiscal year are required to be executed by June 30 of the fiscal year. These purchase orders must be filed and received by the Department of Finance and Administration within five working days after June 30, and are considered obligations against the State. Appropriated funds are disbursed for these obligations until August 31, and any appropriations that remain undisbursed at August 31 lapse to the appropriating fund of the State of Mississippi to be used for appropriations in the following fiscal year. For the year ended June 30, 2014 there was \$88,741 of appropriated funds that were not utilized as of August 31, 2014 and lapsed back to the appropriating funds.

Cash and Investments

MPB's general fund cash is held by the Mississippi Treasury Department. MPB deposits cash of the fiduciary type fund in financial institutions selected by the board of directors in accordance with state statutes.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

MPB may invest in interest-bearing time certificates of deposit or any bonds or other direct obligations of the United States of America, the State of Mississippi, or any county, municipality, or school district of Mississippi, provided certain provisions have been met.

The investments of the discretely presented component unit consist of marketable debt and equity securities and are reflected at market value based on quoted market prices from brokers and banks.

Cash and cash equivalents includes highly liquid investments with a maturity of three months or less when purchased unless the investments are held for long-term purposes.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Contributions and underwriting are recognized when the donor makes a promise to give to MPB or its component unit that is, in substance, unconditional. The allowance method is used to determine the uncollectible portion of these unconditional promises to give.

In the fund financial statements, receivables accrued in the governmental fund include substantially all types since they are both measurable and available.

Prepaid Broadcast Rights, Production Costs, and Production Revenue

In the government-wide statements, amounts paid for program broadcast rights are expensed ratably over the broadcasting period. Costs incurred by MPB for production of special programs are expensed when the program is broadcast.

In the fund financial statements, payments for broadcast rights and production costs are recorded as expenditures when the costs are incurred.

Capital Assets

Government-Wide Statements:

In the government-wide financial statements, property and equipment is accounted for as capital assets. Capital assets are valued at historical cost, or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Maintenance and repair costs are expensed as incurred, and property and equipment of MPB is capitalized only if it exceeds thresholds established by the State as follows:

<u>Category</u>	<u>Threshold</u>
Land	\$ -
Land improvements	25,000
Buildings	50,000
Infrastructure	100,000
Furniture and equipment	5,000

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided using the straight-line method of depreciation over the assets estimated useful lives. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Infrastructure	20 years
Furniture and equipment	3-15 years

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Unearned Revenue

MPB defers revenue recognition in connection with resources that have been received but not yet earned.

Accrued Compensated Absences

Section 25-3-97, Miss. Code Ann. (1972), authorizes payment for a maximum of 30 days accrued personal leave upon termination of employment. No payment is authorized for accrued major medical leave unless the employee presents medical evidence that his or her physical condition is such that he or she can no longer work in a capacity of state government.

The liability for these compensated absences up to a maximum of 30 days of accrued personal leave per employee is recorded as a liability in the government-wide statements. In the fund financial statements, the governmental fund reports only the compensated absence liability payable from expendable available financial resources.

Accumulated unpaid major medical leave is not accrued in the financial statements because it is not probable that the compensation will be paid.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

Equity Classifications

Government-wide Statements:

Equity is classified as net position in the government-wide financial statements and is displayed in three components:

- a. Invested in capital assets, net — Consists of capital assets, net of accumulated depreciation.
- b. Restricted — Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted — Consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on the extent of the constraints on their use as follows:

- a. Nonspendable fund balance — Consists of amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact.
- b. Restricted fund balance — Consists of amounts for which constraints have been placed on their use: (1) by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments, or (2) by law through constitutional provisions or enabling legislation.
- c. Committed fund balance — Consists of amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

- d. Assigned fund balance — Consists of amounts that are constrained by the Mississippi Authority for Educational Television's intent to use them for a specific purpose but that are neither restricted nor committed. Intent can be expressed by an official or body to which the Board of Directors has delegated the authority.
- e. Unassigned fund balance — Consists of the residual fund balance for the General Fund.

MPB utilizes restricted fund balances first, followed by committed fund balances and then assigned fund balances.

Prior-Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with MPB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Investments

All of the Foundation's investments at June 30, 2014, were valued using a Level 1 fair value measurement based on quoted market prices from brokers and banks.

The Foundation's investments at June 30, 2014 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 152,792
Equity mutual fund shares	<u>134,606</u>
	<u>\$ 287,398</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 2. Investments (continued)

The Foundation's investments held for long-term purposes at June 30, 2014 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 43,472
Equity mutual fund shares	46,934
International equity mutual fund shares	<u>9,271</u>
Held for ednowment purposes (including both donor-restricted and board-designated)	<u>\$ 99,677</u>

Note 3. Promises to Give

The Foundation's receivables for unconditional promises to give are due in less than one year and consist of the following at June 30, 2014:

Membership contributions	\$ 200,312
Underwriting	<u>223,430</u>
	\$ 423,742
Allowance for uncollectible amounts	<u>(101,814)</u>
	<u>\$ 321,928</u>

Note 4. Interest in Charitable Trust

The Foundation is one of four beneficiaries of an irrevocable charitable trust. The trust makes annual distributions equal to its investment earnings plus \$20,000 of the trust principal, and the Foundation receives 17% of these annual distributions for its unrestricted use. The Foundation does not have control over the trust principal, which is invested primarily in equity mutual fund shares. The Foundation's 17% interest in the trust's investments is included in the Foundation's assets and temporarily restricted net assets at fair market value using a Level 1 fair value measurement based on quoted market prices in active markets for identical assets.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 5. Capital Assets

The primary government's capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Additions	Disposals and Transfers	Balance 6/30/2014
Capital assets not being depreciated:				
Land	\$ 51,386	\$ -	\$ -	\$ 51,386
Construction in progress	<u>-</u>	<u>369,093</u>	<u>-</u>	<u>369,093</u>
Total not being depreciated	<u>\$ 51,386</u>	<u>\$ 369,093</u>	<u>\$ -</u>	<u>\$ 420,479</u>
Other capital assets:				
Buildings	\$ 1,706,520	\$ -	\$ -	\$ 1,706,520
Furniture and equipment	39,025,868	89,315	(16,268)	39,098,915
Infrastructure	<u>7,153,544</u>	<u>-</u>	<u>-</u>	<u>7,153,544</u>
Total other capital assets	<u>\$ 47,885,932</u>	<u>\$ 89,315</u>	<u>\$ (16,268)</u>	<u>\$ 47,958,979</u>
Accumulated depreciation:				
Buildings	\$ (653,821)	\$ (26,115)	\$ -	\$ (679,936)
Furniture and equipment	(19,943,735)	(2,281,551)	16,268	(22,209,018)
Infrastructure	<u>(3,776,608)</u>	<u>(207,253)</u>	<u>-</u>	<u>(3,983,861)</u>
Total accumulated depreciation	<u>\$ (24,374,164)</u>	<u>\$ (2,514,919)</u>	<u>\$ 16,268</u>	<u>\$ (26,872,815)</u>
Other capital assets, net	<u>\$ 23,511,768</u>	<u>\$ (2,425,604)</u>	<u>\$ -</u>	<u>\$ 21,086,164</u>
Capital assets, net	<u>\$ 23,563,154</u>	<u>\$ (2,056,511)</u>	<u>\$ -</u>	<u>\$ 21,506,643</u>

MPB's depreciation expense for the year ended June 30, 2014 was as follows:

Programming and production	\$ 125,746
Broadcasting and technical services	2,364,024
Management and general	<u>25,149</u>
Total depreciation expense	<u>\$ 2,514,919</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 5. Capital Assets (continued)

Certain capital assets of MPB were acquired with federal grant revenues and, as a result, the disposition of the capital assets is restricted under the terms of the federal grants.

The Foundation's capital asset activity for the year ended June 30, 2014 was as follows:

	Balance 7/1/2013	Additions	Disposals	Balance 6/30/2014
Furniture and equipment	\$ 159,494	\$ 8,560	\$ (3,145)	\$ 164,909
Accumulated depreciation	<u>(158,587)</u>	<u>(1,563)</u>	<u>419</u>	<u>(159,731)</u>
Capital assets, net	<u>\$ 907</u>	<u>\$ 6,997</u>	<u>\$ (2,726)</u>	<u>\$ 5,178</u>

The Foundation's depreciation expense for the year ended June 30, 2014 was \$1,563.

Note 6. Accrued Compensated Absences

The following is a summary of changes in the accrued compensated absences liability for the year ended June 30, 2014:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
Primary government	<u>\$ 486,300</u>	<u>\$ 179,271</u>	<u>\$ (218,288)</u>	<u>\$ 447,283</u>	<u>\$ 40,000</u>
Component unit	<u>\$ 16,274</u>	<u>\$ 8,406</u>	<u>\$ -</u>	<u>\$ 24,680</u>	<u>\$ -</u>

There were no amounts left unpaid at year-end that normally would be liquidated with expendable available financial resources. Therefore, no current liability for compensated absences is reported in the fund financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 7. Lease Revenues

MPB leases unneeded space on its transmitter towers to various governmental and commercial entities. Tower lease revenue totaled \$412,245 and \$438,621 during the years ended June 30, 2014 and June 30, 2013, respectively.

Future minimum lease revenues are as follows:

Fiscal years ending June 30,

2015	\$ 399,718
2016	90,716
2017	45,583
2018	36,086
2019	-
	<u>\$ 572,103</u>

Note 8. Defined Benefit Pension Plan

Plan Description. MPB contributes to the Public Employees Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly-available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and MPB is required to contribute a percentage of annual covered payroll of 15.75% beginning July 1, 2013 through June 30, 2014. The contribution requirements of PERS are established and may be amended only by the Mississippi Legislature. MPB's contributions to PERS for the years ended June 30, 2014, 2013, and 2012 were \$672,847, \$654,601, \$588,991, respectively, and were equal to the required contributions for each year.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 9. Defined Contribution Retirement Plans

The Foundation has a defined contribution retirement plan covering substantially all of its employees. The Foundation contributes 6% of covered employees' salaries. The Foundation's retirement plan expense for the year ended June 30, 2014 was \$23,386.

The Foundation also has a 403(b) retirement plan for the benefit of its full-time employees. Currently, the Foundation does not make contributions to the plan; however, eligible employees may contribute to the plan.

Note 10. Commitments

MPB leases certain land, storage space, and equipment under operating leases. Total rental expense under operating leases (with initial terms in excess of one year) for the years ended June 30, 2014 and June 30, 2013 were \$37,558 and \$47,401 and, respectively.

The Foundation has several operating leases for office equipment and storage space. The Foundation's rental expense was \$12,174 for the year ended June 30, 2014.

Future minimum lease commitments for leases (with initial terms in excess of one year) are as follows:

Fiscal years ending June 30,	Primary	
	<u>Government</u>	<u>Foundation</u>
2015	\$ 24,978	\$ 3,240
2016	10,462	3,240
2017	8,730	3,205
2018	6,230	-
2019	6,230	-
2020-2024	31,150	-
2025-2029	31,150	-
2030-2034	29,590	-
2035-2039	<u>27,250</u>	<u>-</u>
Total minimum lease payments	<u>\$ 175,770</u>	<u>\$ 9,685</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 11. Risk Management

The State of Mississippi has elected to retain most exposure to risk, including health and life benefits, tort liability, unemployment benefits and workers compensation benefits. MPB contributes to the State's internal service risk management fund based on actuarially determined assessments and premiums charged by the State.

Note 12. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, would constitute a liability of the applicable funds. MPB is neither aware of nor expects any significant disallowances.

Note 13. Related Party Transactions

Transactions with Component Unit

During the year ended June 30, 2014, the primary government recognized grant revenue totaling \$857,938 from its component unit.

Contributed Facilities Use

MPB and its component unit occupy buildings owned by the Institutions of Higher Learning (a State agency). The value of the facilities use in excess of the \$106,236 rent charged to MPB is estimated at \$539,983 for the year ended June 30, 2014 and is reflected in these financial statements as revenue and also as expense for the same amount.

Charges for Services

MPB had production services revenue from other State agencies during the year ended June 30, 2014 totaling \$89,388.

Appropriations

During the year ended June 30, 2014, MPB received appropriation transfers from the State's General Fund, Education Enhancement Fund, and Budget Contingency Fund totaling \$7,712,835.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 13. Related Party Transactions (continued)

Expenses

During the year ended June 30, 2014, MPB was charged fees by other agencies of the State of Mississippi for various services as follows:

Institutions of Higher Learning (facility costs)	\$ 106,236
Information Technology Services	105,698
Finance and administration (insurance)	34,999
Finance and administration (accounting)	4,163
Personnel board	18,501
Other agencies	<u>23,346</u>
	<u>\$ 292,943</u>

The Foundation paid \$57,847 for printing services during the year ended June 30, 2014 to a printing company that is owned by a member of the Foundation's board of directors.

Mississippi Ednet Institute, Inc.

MPB provides certain facilities and administrative services at no charge to Mississippi Ednet Institute, Inc. (Ednet), which is a non-profit organization that provides educational programming through a statewide Educational Broadband Service system. MPB's executive director serves as the president and chief executive officer of Ednet, and one of MPB's board members is the chairperson of Ednet's eight-member board of directors.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

Note 13. Related Party Transactions (continued)

Friends of ETV and PRM

Friends of ETV and PRM (Friends) was dissolved during the year ended June 30, 2007, and Friends' remaining funds were transferred to the Community Foundation of Greater Jackson in order to establish an endowment for the benefit of MPB. The Community Foundation of Greater Jackson owns and controls the endowment assets, determines the purpose and amount of endowment distributions, and can change the endowment's overall purpose or beneficiary. Therefore, the endowment is not reflected in these financial statements. As of June 30, 2014, the endowment assets were valued at \$52,245.

Note 14. Subsequent Events

MPB's management has evaluated subsequent events through November 11, 2014, which is the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis, See Note A)	Variance with Final Budget Over (Under)
	Original	Final		
FUNDING SOURCES				
State General Fund	\$ 5,868,013	\$ 5,868,013	\$ 5,779,272	\$ (88,741)
State Education Enhancement Fund	1,644,067	1,644,067	1,644,067	-
Special Funds	<u>4,550,453</u>	<u>4,550,453</u>	<u>4,329,379</u>	<u>(221,074)</u>
Total Funding Sources	<u>\$ 12,062,533</u>	<u>\$ 12,062,533</u>	<u>\$ 11,752,718</u>	<u>\$ (309,815)</u>
EXPENDITURES				
Current:				
Personal services:				
Salaries, wages and fringe benefits	\$ 6,082,352	\$ 6,082,352	\$ 5,713,310	\$ (369,042)
Travel and subsistence	85,100	85,100	69,960	(15,140)
Contractual services	4,281,802	4,480,702	4,190,184	(290,518)
Commodities	675,964	425,964	391,297	(34,667)
Subsidies, loans and grants	-	251,100	251,099	(1)
Capital outlay:				
Equipment	937,315	737,315	619,413	(117,902)
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 12,062,533</u>	<u>\$ 12,062,533</u>	<u>\$ 11,235,263</u>	<u>\$ (827,270)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 517,455	\$ 517,455
FUND BALANCE, Beginning of Year	<u>-</u>	<u>-</u>	<u>2,851,399</u>	<u>2,851,399</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,368,854</u>	<u>\$ 3,368,854</u>

The Notes to the Required Supplementary Information are an integral part of this statement.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTE TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2014

Note A. Budgetary Basis Reconciliation

An explanation of the differences between budgetary basis amounts and the amounts determined in accordance with accounting principles generally accepted in the United States of America (GAAP) follows:

Funding Sources - Budgetary Comparison Schedule	\$ 11,752,718
Differences:	
GAAP basis receivables at fiscal year end that are received in the two subsequent months are recorded as budgetary basis funding sources of the year for which the amounts were budgeted.	(14,834)
GAAP basis unearned revenue is recognized as budgetary basis funding sources when received.	(66,424)
Non-cash contributions are not reflected as budgetary basis funding sources.	<u>539,983</u>
Revenues and Other Financing Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 12,211,443</u>
Expenditures - Budgetary Comparison Schedule	\$ 11,235,263
Differences:	
Budgetary basis expenditures include encumbrances at fiscal year end that were paid during two subsequent months, regardless of whether the goods or services were received prior to fiscal year end.	(1,247)
Non-cash contributions are not reflected as budgetary basis expenditures.	<u>539,983</u>
Expenditures and Other Financing Uses - Statement of Revenues, Expenses and Changes in Fund Balance	<u>\$ 11,773,999</u>

OTHER SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Program or Award Amount</u>	<u>Accrued (Deferred) Revenue at 7/1/2013</u>	<u>Receipts</u>	<u>Accrued (Deferred) Revenue at 6/30/2014</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE							
Rural Development Distance Learning and Telemedicine Grant	10.855	N/A	\$ 255,866	\$ -	\$ 255,866	\$ -	\$ 255,866
GRAND TOTAL - ALL PROGRAMS				<u>\$ -</u>	<u>\$ 255,866</u>	<u>\$ -</u>	<u>\$ 255,866</u>

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND INTERNAL CONTROL**



REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2080
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2851

POST OFFICE BOX 582
WAYNESBORO MS 39367
TELEPHONE 601-735-2317
FAX 601-735-0685

POST OFFICE BOX 606
PHILADELPHIA MS 39360
TELEPHONE 601-858-2742
FAX 601-858-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited, in accordance with the 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, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television (MPB) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Mississippi Authority for Educational Television's basic financial statements, and have issued our report thereon dated November 11, 2014. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MPB'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MPB's internal control. Accordingly, we do not express an opinion on the effectiveness of MPB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following paragraph, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as item 2014-1 to be a material weakness.

- 2014-1 Material Weakness — Financial Reporting

Criteria: MPB's annual financial statements, including the notes, are the responsibility of MPB's management. Therefore, a proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements in the annual financial statements and notes.

Condition: MPB's management has requested that we prepare MPB's financial statements, including the notes, because MPB does not have the necessary internal expertise to prepare the financial statements in accordance with U.S. generally accepted accounting principles.

Cause: As is the case with many entities of similar size, MPB has determined that it is more cost efficient to utilize the expertise of the auditor for preparation of the annual financial statements as opposed to hiring an employee with comparable expertise.

Effect: While we have implemented appropriate controls over the financial statement preparation process within our CPA firm, our controls cannot be considered as part of the MPB's controls. Accordingly, a material weakness in MPB's internal controls exists in the annual financial statement reporting function.

Response: MPB's management has determined that it remains more cost efficient to utilize the auditor for preparation of the annual financial statements. However, management thoroughly reviews and approves the annual financial statements prior to issuance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MPB'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*.

MPB's Response to Findings

MPB's response to the finding identified in our audit is described on the previous page. MPB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 MPB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MPB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rea, Shaw, Giffin & Stuart".

REA, SHAW, GIFFIN & STUART, LLP