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**MISSISSIPPI AUTHORITY FOR  
EDUCATIONAL TELEVISION**

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

**June 30, 2015**

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## 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, 2015, 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.

### Auditors' 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 6.1 percent, 9.7 percent, and 12.1 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mississippi Authority for Educational Television as of June 30, 2015, 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, 2015, 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, budgetary comparison information, the Schedule of MPB's Proportionate Share of the Net Pension Liability and the Schedule of MPB's Contributions on pages 4 - 11 and 41 - 44 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 and other auditors 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016 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, 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 Mississippi Authority for Educational Television's internal control over financial reporting and compliance.



REA, SHAW, GIFFIN & STUART, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



Mississippi Public Broadcasting

## **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 units' financial performance provides an overview of the Agency and its component units' financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the Agency and its component units' 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 2015 decreased \$10,282,253 from the previous year. Net position totaled \$14,162,387 for FY 2015 compared with \$24,444,640 for FY 2014. This decrease is due primarily to a prior period adjustment to record the net pension liability.
- 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 \$11,369,896 in 2015, compared to \$11,523,587 in 2014, a \$153,691 decrease in operations.
- The major source of financial support available to the Agency in 2015 was in the form of appropriations and transfers from the State of Mississippi (the State). These resources increased by \$213,963 in FY 2015 as a result of additional monies appropriated by the State.



## 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.

Net pension liability is not due and payable in the current period and, therefore, is not reported in 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.

## Financial Analysis of the Statements

The Agency's condensed financial statements represented below for FY 2015 and FY 2014 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 \$14,162,387 as of June 30, 2015.

### Condensed Statement of Net Position

	2015	2014
Current and other assets	\$ 4,805,682	\$ 4,121,815
Capital assets	<u>19,129,189</u>	<u>21,506,643</u>
Total assets	<u>\$ 23,934,871</u>	<u>\$ 25,628,458</u>
Deferred Outflows	<u>\$ 793,731</u>	<u>\$ -</u>
Current liabilities	\$ 405,860	\$ 776,535
Long-term liabilities	<u>8,928,693</u>	<u>407,283</u>
Total liabilities	<u>\$ 9,334,553</u>	<u>\$ 1,183,818</u>
Deferred Inflows	<u>\$ 1,231,662</u>	<u>\$ -</u>
Net position		
Net investment in capital assets	\$ 19,129,189	\$ 21,506,643
Restricted	213,066	45,915
Unrestricted	<u>(5,179,868)</u>	<u>2,892,082</u>
Total net position	<u>\$ 14,162,387</u>	<u>\$ 24,444,640</u>

## Changes in net position

The Agency's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$12,393,761 and \$12,211,442, respectively. The total cost of all programs and services was \$13,655,630 for 2015 and \$13,788,740 for 2014.

### Condensed Changes in Net Position

	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 772,263	\$ 813,359
Operating grants and contributions	74,103	202,930
Capital grants and contributions	3,678	255,866
General revenues:		
State appropriations	7,926,798	7,712,835
Contributed state facilities use	557,308	539,983
Grants	2,707,209	2,501,130
Other	352,402	185,339
Total revenues	<u>\$ 12,393,761</u>	<u>\$ 12,211,442</u>
Expenses:		
Programming and production	\$ 4,977,384	\$ 5,386,026
Educational services	1,110,977	1,200,158
Broadcasting and technical services	5,173,470	5,447,725
Management and general	1,818,349	1,754,831
Pension expense	575,450	-
Total expenses	<u>\$ 13,655,630</u>	<u>\$ 13,788,740</u>
Change in net position	\$ (1,261,869)	\$ (1,577,298)
Net position - beginning, as previously reported	24,444,640	26,021,938
Prior period adjustment	(9,020,384)	-
Net position - beginning, as restated	<u>15,424,256</u>	<u>26,021,938</u>
Net position - ending	<u>\$ 14,162,387</u>	<u>\$ 24,444,640</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 2014. The Programming and Production activities make up a large portion of expenses (36% in FY 2015). 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, 2015, compared to the previous year.

Changes in Fund Balance (in thousands)

	2015	2014
Revenues and Other Financing Sources (Uses)		
Transfers In:		
State appropriations	\$ 7,927	\$ 7,423
Other state agencies	557	540
State Budget Contingency Fund	-	289
Federal and state grants	4	256
Charges for services	772	813
Corporation for Public Broadcasting grants	1,925	1,801
Foundation for Public Broadcasting in Miss. grants	782	858
Other grants	74	45
Other revenue	353	186
Transfer Out of Bureau of Buildings re-wiring project costs	-	(250)
	<u>          </u>	<u>          </u>
Total Revenues and Other Financing Sources	\$ 12,394	\$ 11,961
Expenditures		
Current:		
Programming and production	\$ 5,115	\$ 5,104
Educational services	1,174	1,202
Broadcasting and technical services	3,002	3,047
Management and general	2,054	1,731
Capital outlay	25	440
	<u>          </u>	<u>          </u>
Total Expenditures	\$ 11,370	\$ 11,524
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	<u>          </u>	<u>          </u>
	\$ 1,024	\$ 437

## 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 41.

## CAPITAL ASSETS

As of June 30, 2015, the Agency's total capital assets were \$48,435,243, including land, buildings, furniture and equipment, and infrastructure at year-end. Total accumulated depreciation as of June 30, 2015 was \$29,306,054 and total depreciation expense for the year was \$2,458,713, resulting in total net capital assets of \$19,129,189.

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

	2015	2014
Land	\$ 51	\$ 51
Building	1,706	1,706
Furniture and equipment	39,524	39,099
Infrastructure	7,154	7,154
Construction in-progress	-	370
Less accumulation depreciation	<u>(29,306)</u>	<u>(26,873)</u>
Capital assets, net	<u>\$ 19,129</u>	<u>\$ 21,507</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 64% of the Agency's 2015 total general fund revenues and other financing sources. State funding is expected to remain at the same level in 2016 due to the State currently forecasting 2016 revenues ahead of budgeted estimates. This should be a positive sign for the Agency's appropriation in 2017. 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 FY2015, the Agency continued to position itself to remain as the State's lifeline of communication for citizens during a disaster. In 2016, 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, 2015  
 (With Comparative Totals for June 30, 2014)

	Primary Governmental		Totals	
	Governmental Activities	Component Unit	2015	2014
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,185,320	\$ 896,298	\$ 5,081,618	\$ 4,476,149
Investments	-	288,594	288,594	287,398
Receivables:				
Unconditional promises to give	-	250,823	250,823	321,928
Federal grants	-	-	-	30,339
Other grants	-	-	-	3,897
Intergovernmental	243,335	-	243,335	411,650
Other	233,778	-	233,778	293,895
Prepaid broadcast rights and other items	143,249	8,253	151,502	119,072
Investments held for long-term purposes	-	102,850	102,850	99,677
Interest in charitable trust	-	23,959	23,959	28,845
Capital assets:				
Land and construction in-progress	51,386	-	51,386	420,479
Other capital assets, net of depreciation	<u>19,077,803</u>	<u>4,707</u>	<u>19,082,510</u>	<u>21,091,342</u>
Total assets	<u>\$ 23,934,871</u>	<u>\$ 1,575,484</u>	<u>\$ 25,510,355</u>	<u>\$ 27,584,671</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 793,731</u>	<u>\$ -</u>	<u>\$ 793,731</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 358,118	\$ 13,599	\$ 371,717	\$ 656,680
Grants payable	-	-	-	59,160
Due to other governments	7,742	-	7,742	412
Unearned revenue	-	-	-	96,146
Commission payable	-	-	-	3,441
Accrued compensated absences:				
Current	40,000	-	40,000	40,000
Noncurrent	431,975	33,545	465,520	431,963
Net pension liability	<u>8,496,718</u>	<u>-</u>	<u>8,496,718</u>	<u>-</u>
Total liabilities	<u>\$ 9,334,553</u>	<u>\$ 47,144</u>	<u>\$ 9,381,697</u>	<u>\$ 1,287,802</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 1,231,662</u>	<u>\$ -</u>	<u>\$ 1,231,662</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 19,129,189	\$ 4,707	\$ 19,133,896	\$ 21,511,821
Restricted for:				
Capital projects	213,066	-	213,066	45,915
Subsequent year	-	236,815	236,815	310,191
Specific activities	-	60,071	60,071	60,071
Nonexpendable permanent endowment	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total restricted	<u>\$ 213,066</u>	<u>\$ 306,886</u>	<u>\$ 519,952</u>	<u>\$ 426,177</u>
Unrestricted	<u>\$ (5,179,868)</u>	<u>\$ 1,216,747</u>	<u>\$ (3,963,121)</u>	<u>\$ 4,358,871</u>
Total net position	<u>\$ 14,162,387</u>	<u>\$ 1,528,340</u>	<u>\$ 15,690,727</u>	<u>\$ 26,296,869</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, 2015  
 (With Comparative Totals for the Year Ended June 30, 2014)

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	2015 Totals	2014 Totals
<b>PRIMARY GOVERNMENT</b>								
Governmental Activities:								
Programming and production	\$ 4,977,384	\$ 35,289	\$ 74,103	\$ -	\$ (4,867,992)	\$ -	\$ (4,867,992)	\$ (4,964,105)
Educational services	1,110,977	183,061	-	-	(927,916)	-	(927,916)	(1,049,035)
Broadcasting and technical services	5,173,470	473,232	-	3,678	(4,696,560)	-	(4,696,560)	(4,754,614)
Management and general	1,818,349	80,681	-	-	(1,737,668)	-	(1,737,668)	(1,748,831)
Pension expense	575,450	-	-	-	(575,450)	-	(575,450)	-
Total primary government	<u>\$ 13,655,630</u>	<u>\$ 772,263</u>	<u>\$ 74,103</u>	<u>\$ 3,678</u>	<u>\$ (12,805,586)</u>	<u>\$ -</u>	<u>\$ (12,805,586)</u>	<u>\$ (12,516,585)</u>
<b>COMPONENT UNIT</b>								
Foundation for Public Broadcasting in Mississippi, Inc.	<u>\$ 2,030,735</u>	<u>\$ 1,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,029,653)</u>	<u>\$ (2,029,653)</u>	<u>\$ (1,919,957)</u>
<b>GENERAL REVENUES</b>								
State appropriations					\$ 7,926,798	\$ -	\$ 7,926,798	\$ 7,712,835
Contributed facilities use from a state agency					557,308	-	557,308	539,983
Grants not restricted to specific programs					2,707,209	1,701,083	4,408,292	4,181,440
Investment and other income					352,402	4,681	357,083	220,884
Total general revenues					<u>\$ 11,543,717</u>	<u>\$ 1,705,764</u>	<u>\$ 13,249,481</u>	<u>\$ 12,655,142</u>
<b>CHANGE IN NET POSITION</b>					\$ (1,261,869)	\$ (323,889)	\$ (1,585,758)	\$ (1,781,400)
<b>NET POSITION - Beginning of year, as previously reported</b>					24,444,640	1,852,229	26,296,869	28,078,269
<b>Prior period adjustment</b>					(9,020,384)	-	(9,020,384)	-
<b>NET POSITION - Beginning of year, as restated</b>					<u>15,424,256</u>	<u>1,852,229</u>	<u>17,276,485</u>	<u>28,078,269</u>
<b>NET POSITION - End of year</b>					<u>\$ 14,162,387</u>	<u>\$ 1,528,340</u>	<u>\$ 15,690,727</u>	<u>\$ 26,296,869</u>

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

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**BALANCE SHEETS – GOVERNMENTAL FUND**

June 30, 2015 and 2014

		General Fund	
		2015	2014
<b>ASSETS</b>			
Cash		\$ 4,185,320	\$ 3,269,462
Receivables:			
Federal grants		-	30,339
Other grants		-	3,897
Intergovernmental		243,334	411,650
Other		<u>233,778</u>	<u>293,895</u>
Total assets		<u>\$ 4,662,432</u>	<u>\$ 4,009,243</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable		\$ 358,118	\$ 639,977
Due to other governments		7,742	412
Unearned revenue		<u>-</u>	<u>96,146</u>
Total liabilities		<u>\$ 365,860</u>	<u>\$ 736,535</u>
<b>FUND BALANCE</b>			
Restricted for capital projects		\$ 213,066	\$ 45,915
Unassigned		<u>4,083,506</u>	<u>3,226,793</u>
Total fund balances		<u>\$ 4,296,572</u>	<u>\$ 3,272,708</u>
Total liabilities and fund balances		<u>\$ 4,662,432</u>	<u>\$ 4,009,243</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, 2015 and 2014

	General Fund	
	2015	2014
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>		
Fund balance - governmental fund	\$ 4,296,572	\$ 3,272,708
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.	143,249	112,572
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund as assets (net of accumulated depreciation).	19,129,189	21,506,643
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(8,496,718)	-
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	793,731	-
Deferred inflows of resources related to pensions	(1,231,662)	-
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund as liabilities.	(471,975)	(447,283)
Rounding	1	-
Net position - governmental activities	\$ 14,162,387	\$ 24,444,640

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, 2015 and 2014

	General Fund	
	2015	2014
<b>REVENUES</b>		
Intergovernmental:		
Federal grants:		
Other	\$ 3,678	\$ 255,866
Charges for services:		
State agencies	22,916	89,388
Other	749,347	723,971
Interest income	16,566	18,215
Miscellaneous:		
Corporation for Public Broadcasting grants	1,924,953	1,801,130
Foundation for Public Broadcasting in Mississippi grants	782,256	857,938
Other grants	74,103	44,992
Other revenue	335,835	167,125
Total revenues	\$ 3,909,654	\$ 3,958,625
<b>EXPENDITURES</b>		
Current:		
Programming and production	\$ 5,115,244	\$ 4,926,789
Educational services	1,174,071	1,199,674
Broadcasting and technical services	3,001,967	3,013,233
Management and general	2,053,775	1,729,324
Capital outlay	24,839	654,567
Total expenditures	\$ 11,369,896	\$ 11,523,587
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>\$ (7,460,242)</b>	<b>\$ (7,564,962)</b>

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, 2015 and 2014

	General Fund	
	2015	2014
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers from other state agencies:		
State General Fund appropriations	\$ 5,807,832	\$ 5,779,272
State Education Enhancement Fund appropriations	2,118,966	1,644,067
State Institutions of Higher Learning - contributed facilities use	557,308	539,983
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	-	(412)
	<u>\$ 8,484,106</u>	<u>\$ 8,002,406</u>
 Total other financing sources (uses)		
	<u>\$ 8,484,106</u>	<u>\$ 8,002,406</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 \$ 1,023,864	 \$ 437,444
 <b>FUND BALANCE, Beginning of year</b>	 <u>3,272,708</u>	 <u>2,835,264</u>
 <b>FUND BALANCE, End of year</b>	 <u>\$ 4,296,572</u>	 <u>\$ 3,272,708</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, 2015 and 2014

	General Fund	
	2015	2014
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balance - governmental fund	\$ 1,023,864	\$ 437,444
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	84,141	458,408
Depreciation expense	(2,458,713)	(2,514,919)
Adjustments	(2,882)	-
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.		
	30,677	2,752
Change in pension expense	(575,450)	-
Contributions made subsequent to the measurement date	661,185	-
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.		
	(24,692)	39,017
Rounding	1	-
Change in net position - governmental activities	\$ (1,261,869)	\$ (1,577,298)

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, 2015 and 2014

	Cafeteria Plan Agency Fund	
	2015	2014
<b>ASSETS</b>		
Cash	<u>\$ 19,813</u>	<u>\$ 20,961</u>
<b>LIABILITIES</b>		
Amounts held in custody for others	<u>\$ 19,813</u>	<u>\$ 20,961</u>

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**STATEMENTS OF NET POSITION – COMPONENT UNIT**

June 30, 2015 and 2014

	Foundation for Public Broadcasting in Mississippi, Inc.	
	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 896,298	\$ 1,206,687
Investments	288,594	287,398
Receivables:		
Unconditional promises to give	250,823	321,928
Prepaid expenses	8,253	6,500
Investments held for long-term purposes	102,850	99,677
Interest in charitable trust	23,959	28,845
Capital assets, net of depreciation	<u>4,707</u>	<u>5,178</u>
Total assets	<u>\$ 1,575,484</u>	<u>\$ 1,956,213</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 13,599	\$ 16,703
Grants payable	-	59,160
Accrued compensated absences	33,545	24,680
Commission payable	<u>-</u>	<u>3,441</u>
Total liabilities	<u>\$ 47,144</u>	<u>\$ 103,984</u>
<b>NET POSITION</b>		
Net investment in capital assets	<u>\$ 4,707</u>	<u>\$ 5,178</u>
Restricted for:		
Subsequent year	\$ 236,815	\$ 310,191
Specific activities	60,071	60,071
Nonexpendable permanent endowment	<u>10,000</u>	<u>10,000</u>
Total restricted	<u>\$ 306,886</u>	<u>\$ 380,262</u>
Unrestricted	<u>\$ 1,216,747</u>	<u>\$ 1,466,789</u>
Total net position	<u>\$ 1,528,340</u>	<u>\$ 1,852,229</u>

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**STATEMENT OF ACTIVITIES – COMPONENT UNIT**

For the Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions Operating	Contributions Capital	Totals	
					2015	2014
<b>FOUNDATION FOR PUBLIC BROADCASTING IN MISSISSIPPI, INC.</b>						
Program information and promotion	\$ 173,084	\$ -	\$ -	\$ -	\$ (173,084)	\$ (125,457)
Grants to Mississippi Authority for Educational Television	782,256	-	-	-	(782,256)	(857,938)
Media services	-	1,082	-	-	1,082	2,603
Fundraising	777,240	-	-	-	(777,240)	(589,357)
Management and general	<u>298,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,155)</u>	<u>(290,196)</u>
Total component unit	<u>\$ 2,030,735</u>	<u>\$ 1,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,029,653)</u>	<u>\$ (1,860,345)</u>
<b>GENERAL REVENUES</b>						
Grants not restricted to specific programs					\$ 1,701,083	\$ 1,680,310
Investment and other income					4,681	35,545
Loss on return of prior year underwriting					-	(59,612)
Total general revenues					<u>\$ 1,705,764</u>	<u>\$ 1,656,243</u>
<b>CHANGE IN NET POSITION</b>					\$ (323,889)	\$ (204,102)
<b>NET POSITION, Beginning of year</b>					<u>1,852,229</u>	<u>2,056,331</u>
<b>NET POSITION, End of year</b>					<u>\$ 1,528,340</u>	<u>\$ 1,852,229</u>

## MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

#### 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

For the Year Ended June 30, 2015

### 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

For the Year Ended June 30, 2015

#### 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

For the Year Ended June 30, 2015

### 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.

#### 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 include 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**

For the Year Ended June 30, 2015

**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**

For the Year Ended June 30, 2015

**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

For the Year Ended June 30, 2015

#### 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. Net investment in capital assets · 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**

For the Year Ended June 30, 2015

**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, 2014, 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, 2015, 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, 2015, consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 171,774
Equity mutual fund shares	<u>116,820</u>
	<u>\$ 288,594</u>

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**Note 2. Investments (continued)**

The Foundation's investments held for long-term purposes at June 30, 2015 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 44,403
Equity mutual fund shares	49,519
International equity mutual fund shares	<u>8,928</u>
Held for endowment purposes (including both donor-restricted and board-designated)	<u>\$ 102,850</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, 2015:

Membership contributions	\$ 222,037
Underwriting	<u>104,245</u>
	\$ 326,282
Allowance for uncollectible amounts	<u>(75,459)</u>
	<u>\$ 250,823</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**

For the Year Ended June 30, 2015

**Note 5. Capital Assets**

The primary government's capital asset activity for the year ended June 30, 2015, was as follows:

	Balance 7/1/2014	Additions	Disposals and Transfers	Completed Construction	Balance 6/30/2015
Capital assets not being depreciated:					
Land	\$ 51,386	\$ -	\$ -	\$ -	\$ 51,386
Construction in progress	<u>369,093</u>	<u>-</u>	<u>-</u>	<u>(369,093)</u>	<u>-</u>
Total not being depreciated	<u>\$ 420,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (369,093)</u>	<u>\$ 51,386</u>
Other capital assets:					
Buildings	\$ 1,706,520	\$ -	\$ -	\$ -	\$ 1,706,520
Furniture and equipment	39,098,915	84,141	(28,356)	369,093	39,523,793
Infrastructure	<u>7,153,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,153,544</u>
Total other capital assets	<u>\$ 47,958,979</u>	<u>\$ 84,141</u>	<u>\$ (28,356)</u>	<u>\$ 369,093</u>	<u>\$ 48,383,857</u>
Accumulated depreciation:					
Buildings	\$ (679,936)	\$ (24,418)	\$ (2)	\$ -	\$ (704,356)
Furniture and equipment	(22,209,018)	(2,229,561)	25,476	-	(24,413,103)
Infrastructure	<u>(3,983,861)</u>	<u>(204,734)</u>	<u>-</u>	<u>-</u>	<u>(4,188,595)</u>
Total accumulated depreciation	<u>\$ (26,872,815)</u>	<u>\$ (2,458,713)</u>	<u>\$ 25,474</u>	<u>\$ -</u>	<u>\$ (29,306,054)</u>
Other capital assets, net	<u>\$ 21,086,164</u>	<u>\$ (2,374,572)</u>	<u>\$ (2,882)</u>	<u>\$ 369,093</u>	<u>\$ 19,077,803</u>
Capital assets, net	<u>\$ 21,506,643</u>	<u>\$ (2,374,572)</u>	<u>\$ (2,882)</u>	<u>\$ -</u>	<u>\$ 19,129,189</u>

MPB's depreciation expense for the year ended June 30, 2015, was as follows:

Programming and production	\$ 122,936
Broadcasting and technical services	2,311,190
Management and general	<u>24,587</u>
Total depreciation expense	<u>\$ 2,458,713</u>

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**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, 2015, was as follows:

	Balance 7/1/2014	Additions	Disposals	Balance 6/30/2015
Furniture and equipment	\$ 164,909	\$ 1,092	\$ (79,645)	\$ 86,356
Accumulated depreciation	<u>(159,731)</u>	<u>(1,563)</u>	<u>79,645</u>	<u>(81,649)</u>
Capital assets, net	<u>\$ 5,178</u>	<u>\$ (471)</u>	<u>\$ -</u>	<u>\$ 4,707</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, 2015:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
Primary government	<u>\$ 447,283</u>	<u>\$ 191,895</u>	<u>\$ (167,203)</u>	<u>\$ 471,975</u>	<u>\$ 40,000</u>
Component unit	<u>\$ 24,680</u>	<u>\$ 8,865</u>	<u>\$ -</u>	<u>\$ 33,545</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**

For the Year Ended June 30, 2015

**Note 7. Lease Revenues**

MPB leases unneeded space on its transmitter towers to various governmental and commercial entities. Tower lease revenue totaled \$494,241 and \$412,245 during the years ended June 30, 2015 and June 30, 2014, respectively.

Future minimum lease revenues are as follows:

Fiscal years ending June 30,

2016	\$ 399,718
2017	90,716
2018	45,583
2019	36,086
2020	<u>-</u>
	<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. Plan provisions and the Board of Trustees authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201, or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became

## MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

#### Note 8. Defined Benefit Pension Plan (continued)

members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and MPB is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. MPB's contributions to PERS for the fiscal years ending June 30, 2015, 2014, and 2013 were \$661,185, \$672,847 and \$654,601, respectively, which equaled the required contributions for each year.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, MPB reported a liability of \$8,496,718 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MPB's proportion of the net pension liability was based on a projection of MPB's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, MPB's proportion was 0.07 percent.

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**Note 8. Defined Benefit Pension Plan (continued)**

For the year ended June 30, 2015, MPB recognized pension expense of \$575,450. At June 30, 2015 MPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 132,546	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,231,662
Changes of assumptions	-	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>661,185</u>	<u>-</u>
Total	<u>\$ 793,731</u>	<u>\$ 1,231,662</u>

\$661,185 reported as deferred outflows of resources related to pensions resulting from MPB contributions subsequent to the measurement date, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 260,237
2017	260,237
2018	270,726
2019	307,915
2020	-
Thereafter	-

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**Note 8. Defined Benefit Pension Plan (continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 - 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**Note 8. Defined Benefit Pension Plan (continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of MPB's proportionate share of the net pension liability to changes in the discount rate.* The following presents MPB's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what MPB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
MPB's proportionate share of the net pension liability	\$ 11,583,561	\$ 8,496,718	\$ 5,921,833

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**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, 2015, was \$29,059.

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.

## MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

#### 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, 2015 and June 30, 2014, were \$34,386 and \$37,558, respectively.

The Foundation has several operating leases for office equipment and storage space. The Foundation's rental expense was \$12,616 for the year ended June 30, 2015.

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>
2016	\$ 26,766	\$ 3,240
2017	23,046	3,205
2018	7,423	-
2019	6,230	-
2020	6,230	-
2021-2025	31,150	-
2026-2030	31,150	-
2031-2035	28,030	-
2036-2040	<u>16,350</u>	<u>-</u>
Total minimum lease payments	<u>\$ 176,375</u>	<u>\$ 6,445</u>

#### 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.

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**Note 13. Related Party Transactions**

Transactions with Component Unit

During the year ended June 30, 2015, the primary government recognized grant revenue totaling \$782,256 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 used in excess of the \$124,800 rent charged to MPB, is estimated at \$557,308 for the year ended June 30, 2015, 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, 2015, totaling \$22,916.

Appropriations

During the year ended June 30, 2015, MPB received appropriation transfers from the State's General Fund and Education Enhancement Fund totaling \$7,926,798.

Expenses

During the year ended June 30, 2015, MPB was charged fees by other agencies of the State of Mississippi for various services as follows:

Institutions of Higher Learning (facility costs)	\$ 124,800
Information Technology Services	82,172
Finance and administration (insurance)	34,577
Personnel board	18,017
Other agencies	<u>67,512</u>
	<u>\$ 327,078</u>

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

**Note 13. Related Party Transactions** (continued)

The Foundation paid \$15,621 for printing services during the year ended June 30, 2015, 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.

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, 2015, the endowment assets were valued at \$50,604.

**Note 14. Subsequent Events**

MPB's management has evaluated subsequent events through February 4, 2016, 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, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis, See Note A)	Variance with Final Budget Over (Under)
	Original	Final		
<b>FUNDING SOURCES</b>				
State General Fund	\$ 5,807,832	\$ 5,807,832	\$ 5,807,832	\$ -
State Education Enhancement Fund	2,118,966	2,118,966	2,118,966	-
Special Funds	<u>4,107,074</u>	<u>4,107,074</u>	<u>3,108,570</u>	<u>(998,504)</u>
Total funding sources	<u>\$ 12,033,872</u>	<u>\$ 12,033,872</u>	<u>\$ 11,035,368</u>	<u>\$ (998,504)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services:				
Salaries, wages and fringe benefits	\$ 5,975,389	\$ 5,975,389	\$ 5,623,399	\$ (351,990)
Travel and subsistence	97,900	97,900	120,904	23,004
Contractual services	4,974,909	4,974,909	4,044,886	(930,023)
Commodities	464,350	464,350	621,687	157,337
Capital outlay:				
Equipment	<u>521,324</u>	<u>521,324</u>	<u>137,465</u>	<u>(383,859)</u>
Total expenditures	<u>\$ 12,033,872</u>	<u>\$ 12,033,872</u>	<u>\$ 10,548,341</u>	<u>\$ (1,485,531)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	\$ 487,027	\$ 487,027
<b>FUND BALANCE, Beginning of year</b>	<u>-</u>	<u>-</u>	<u>3,368,854</u>	<u>3,368,854</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,855,881</u>	<u>\$ 3,855,881</u>

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

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**SCHEDULE OF MPB'S SHARE OF NET PENSION LIABILITY**

For the Year Ended June 30, 2015

MPB's proportion of the total net pension liability	\$	25,910,702
MPB's proportion of the plan net position		<u>17,413,984</u>
MPB's proportionate share of the net pension liability	\$	<u>8,496,718</u>
MPB's covered-employee payroll	\$	<u>4,220,179</u>
MPB's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		201%
Plan fiduciary net position as a percentage of the total pension liability		67.21%

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year end June 30, 2015, and, until a full 10-year trend is compiled, MPB has only presented information for the years in which information is available.

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

**MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION**

**SCHEDULE OF MPB'S SHARE OF NET PENSION LIABILITY**

For the Year Ended June 30, 2015

Contractually required contribution	\$ 661,185
Contributions in relation to the contractually required contribution	<u>661,185</u>
Contributions deficiency (excess)	<u>\$ -</u>
MPB's covered-employee payroll	<u>\$ 4,220,179</u>
Contributions as a percentage of covered-employee payroll	15.67%
Proportionate share percentage	0.07%

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year end June 30, 2015, and, until a full 10-year trend is compiled, MPB has only presented information for the years in which information is available.

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, 2015

**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	\$ 11,035,368
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.	801,084
Non-cash contributions are not reflected as budgetary basis funding sources.	<u>557,308</u>
Revenues and Other Financing Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 12,393,760</u>
Expenditures - Budgetary Comparison Schedule	\$ 10,548,341
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.	264,247
Non-cash contributions are not reflected as budgetary basis expenditures.	<u>557,308</u>
Expenditures and Other Financing Uses - Statement of Revenues, Expenses and Changes in Fund Balance	<u>\$ 11,369,896</u>

**Note B. Pension Schedules**

(1) Changes of Benefit terms

None

(2) Changes in assumptions

None

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

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



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

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**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, 2015, 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 February 4, 2016. 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 2015-1 to be a material weakness.

- 2015-1 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