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MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

JUNE 30, 2007

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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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 units and remaining fund information of the Mississippi Authority for Educational Television as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mississippi Authority for Educational Television's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's June 30, 2006 financial statements and, in our report dated September 29, 2006, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of 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 activities and funds of the State of Mississippi that is attributable to the transactions of the Mississippi Authority for Educational Television. They do not purport to, and do not, present fairly the financial position and the changes in financial position of the State of Mississippi as of and for the year ended June 30, 2007 in conformity with U.S. generally accepted accounting principles.

(Continued)

In our opinion, 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 units and remaining fund information of the Mississippi Authority for Educational Television as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 on our consideration of the Mississippi Authority for Educational Television's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and the budgetary comparison information on pages 37 and 38 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Mississippi Authority for Educational Television. The accompanying schedule of expenditures of federal awards on pages 39 and 40 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Tamm, Brown & Russ Co.

November 2, 2007

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 is an overview of the financial position and activities of the Mississippi Authority for Educational Television d/b/a Mississippi Public Broadcasting (the Agency) and its component units for the year ended June 30, 2007. Management has prepared the following discussion and it should be read with the financial statements and related footnotes which follow this section.

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 board appointee and the Board of Trustees of the State Institutions of Higher Learning board appointee.

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

Overview of the Financial Statements

The Agency's financial statements present the Agency (the primary governmental public broadcasting entity) and its component units. The Agency's two component units are the Foundation for Public Broadcasting in Mississippi, Inc. (the Foundation) and the Friends of ETV and PRM (Friends). The Foundation raises funds for the Agency and provides grants to the Agency derived from fundraising efforts. The Friends provide volunteer support and promotion for the Agency and is funded by the Foundation. These units are legally separate from the Agency and are reported in a separate column in the government-wide financial statements. The Friends dissolved during the year ended June 30, 2007 and their remaining funds were transferred to a Community Foundation to establish an endowment for the benefit of the Agency. The Foundation assumed the functions of Friends.

The financial statements of the Agency consist of the Statement of Net Assets, the Statement of Activities, the Balance Sheet-Governmental Fund, and the Statement of Revenues, Expenses 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 5. 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 Assets and the Statement of Activities report information about the Agency as a whole and about its activities.

The Statement of Net Assets includes Assets, Liabilities and Net Assets of the Agency as of June 30, 2007 and 2006, with Net Assets classified into several categories. The Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. These two statements report the Agency's net assets and changes. Over time, increases and decreases in the Agency's net assets are one 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 Revenues, Expenses and Changes in Fund Balance depicts the operating revenues and expenses 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, and combining financial statements for the component units.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) 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 12 and explain how these services were financed in the short term, as well as what remains for future spending.

Financial Highlights

- The Agency's FY 2007 net assets increased \$7,127,599 over the previous year. Net Assets totaled \$20,437,108 for the year ended June 30, 2007 (FY 2007) compared with \$13,309,509 for the year ended June 30, 2006 (FY 2006). This increase is due to \$8,830,609 in transfers from the Office of Building for completed digital conversion projects adjusted for annual depreciation of capital assets.
- The total general fund expenditures as reflected on the Fund Financial Statements on page 14 of all the Agency's programs were \$13.5 million in 2007, compared to \$12 million in 2006, a \$1.5 million increase in operations.

Expenditure increases were due mainly to a \$1.8 million increase in funding outlays provided by the Foundation for Public Broadcasting for the special production of the *Between the Lions* television series. A total of \$3.5 million was received by the Foundation in FY 2007 for this special production.

- The major source of financial support available to the Agency in 2007 was in the form of appropriations and transfers from the State of Mississippi (the State). These resources increased by \$455,984 in FY 2007.
- Total Revenues from all sources in FY 2007 was \$17.4 million compared to \$12.6 million in FY 2006, a \$4.8 million overall increase due mainly to a \$1.8 million funding increase provided by the Foundation for Public Broadcasting for the special production of the *Between the Lions* television series. A \$2.5 million increase in special grant funding was also received from the Corporation for Public Broadcasting for digital conversion projects.

Reporting the Agency's Funds

Fund Financial Statements

Our analysis of the Agency's major fund begins on page 7. The fund financial statements begin on page 12 and provide detailed information about the 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 governmental fund statements provide a detailed short-term view of the Agency's operations. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's operations. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliation at the bottom of the fund financial statements.

Financial Analysis of the Statements

The Agency's condensed financial statements represented below for FY 2007 and FY 2006 are for Governmental Activities only.

Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 4,186,977	\$ 4,951,771
Capital assets	<u>17,443,697</u>	<u>10,659,292</u>
Total assets	<u>\$21,630,674</u>	<u>\$15,611,063</u>

	<u>2007</u>	<u>2006</u>
Current liabilities	\$ 894,730	\$ 2,015,217
Long-term liabilities	<u>298,836</u>	<u>286,337</u>
Total liabilities	<u>\$ 1,193,566</u>	<u>\$ 2,301,554</u>
Net assets		
Invested in capital assets	\$17,443,697	\$10,659,292
Unrestricted	<u>2,993,411</u>	<u>2,650,217</u>
Total net assets	<u>\$20,437,108</u>	<u>\$13,309,509</u>

Condensed Statements of Activities

	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 744,940	\$ 743,925
Operating grants and contributions	3,496,568	2,065,269
Capital grants and contributions	11,939,864	-0-
General revenues:		
State appropriations	7,375,571	6,746,406
Contributed state facilities use	488,037	639,787
Grants	2,098,916	2,292,873
Other	<u>121,312</u>	<u>108,309</u>
Total revenues	<u>\$26,265,208</u>	<u>\$12,596,569</u>
Expenses:		
Programming and production	9,336,045	7,995,726
Broadcasting and technical services	8,611,642	4,316,363
Management and general	<u>1,189,922</u>	<u>1,357,698</u>
Total expenses	<u>\$19,137,609</u>	<u>\$13,669,787</u>
Change in net assets	7,127,599	(1,073,218)
Net assets, beginning	<u>13,309,509</u>	<u>14,382,727</u>
Net assets, ending	<u>\$20,437,108</u>	<u>\$13,309,509</u>

It should be noted that the net asset increase is due mainly to an \$8,830,609 transfer of capital assets from the Mississippi Office of Buildings, Grounds and Real Property Management (Office of Buildings) for digital television (DTV) transmission equipment. The unrestricted net assets, which can be used to finance day-to-day operations, increased by \$343,194 from FY 2006 to FY 2007.

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Comparative information is provided by the three program areas. The programming and production program makes up the largest portion of expenses (49% in FY 2007 compared to 58% in FY 2006). This program area is responsible for development services and content that is offered via a variety of mediums. It has five

major departments: Educational Services, Communications, Purchased and Produced Television Programming, News and Public Affairs, and Radio operations. You will notice that expenses by program are listed first, then reduced by program revenues, resulting in a net expense from operations. The portion that is financed through general revenues is listed separately and deducted from net expenses to reflect changes 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.

Overall revenue (less capital grants and contributions) had an increase of \$1.7 million over the previous year. State appropriations in FY 2007 increased \$629,165 over the FY 2006 level. Grants and contributions increased by \$1.2 million.

Total Expenses increased \$5.5 million due mainly to costs associated with the special production of the *Between the Lions* series, which was supported by a \$3.5 million donor grant.

THE AGENCY'S FUNDS

The following schedule presents a summary of General Fund revenues and expenditures for the fiscal year ended June 30, 2007, as compared to the previous year.

Changes in Fund Balance (in thousands)

Revenues and Other Financing Sources (Uses)	<u>2007</u>	<u>2006</u>
Transfers In:		
State appropriations	\$7,354	\$6,746
Other state agencies	488	640
Transfers Out: Other state agencies	(3,539)	-0-
Federal and state grants	756	504
Charges for services	745	744
Corporation for Public Broadcasting grants	4,603	2,039
Foundation for Public Broadcasting in Miss. grant	3,268	1,486
Other grants	78	330
Other revenue	<u>121</u>	<u>108</u>
Total Revenues and Other Financing Sources	<u>\$13,874</u>	<u>\$12,597</u>
Expenditures		
Current:		
Programming and production	\$ 9,078	\$ 7,723
Broadcasting and technical services	3,175	2,841
Management and general	1,097	1,309
Capital outlay	<u>193</u>	<u>145</u>
Total Expenditures	<u>\$13,543</u>	<u>\$12,018</u>
Excess of Expenditures over Revenues and Other Financing Sources	<u>\$ 331</u>	<u>\$ 579</u>

The Agency's total expenditures overall increased by \$1.53 million from the 2006 level due primarily to funding in support of the special production of the *Between the Lions* television series.

Total Revenues and Other Financing Sources (uses) for the Agency increased \$4.82 million (excluding Transfers Out: Other State Agencies) from 2006 to 2007, due to increases in the State appropriation, Corporation for Public Broadcasting grants and the Foundation for Public Broadcasting support. The Transfer Out: Other State Agencies represents transfers to the Mississippi Office of Buildings, Grounds and Real Property Management for use in projects that were not yet completed as of June 30, 2007.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Agency's original \$10.3 million budget for expenditures was revised several times in order to arrive at a final year-end budget of \$17.2 million as shown in the Budgetary Comparison Schedule on page 37. The budget was revised as new funds became available during the year.

The Revenue budget line item was increased by \$6.84 million over the course of the year to include various grants from the Corporation for Public Broadcasting and federal funding sources. Notification of the awards was received after the original budget was approved or for grants that overlapped state fiscal years. All funds received from State appropriations were expended. The variance of \$2.4 million between the final budget and the actual expenditures reflects grant awards received during the year that were unexpended and carried forward to the next year's budget.

CAPITAL ASSETS

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

	<u>2007</u>	<u>2006</u>
Land	\$ 51	\$ 51
Building	905	905
Furniture and Equipment	38,899	30,668
Construction in Progress	-0-	116
Less Accum. Depreciation	(22,411)	(21,081)
Capital Assets, Net	<u>\$17,444</u>	<u>\$10,659</u>

The major increase to the Agency's Capital Assets during the year was for the transfer of assets from the Mississippi Office of Buildings, Grounds and Real Property Management for equipment purchased for the TV digital transmission system. Annual \$2.1 million depreciation expenses were allocated between the three programs.

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 42% of the Agency's 2007 total general fund revenues and other financing sources. State funding is expected to remain stable in 2008. In order to continue operations at its current level, the Agency continues to seek other alternative sources of revenue.

In FY 2007, the Agency continued to position itself to remain as the State's lifeline of communication for citizens during a disaster. In 2008, 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 to replace dwindling State support, such as identifying available funding resources for upgrading digital television and radio transmitters to meet full-power requirements, as well as funding to maintain the existing infrastructure.

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.

BASIC FINANCIAL STATEMENTS

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET ASSETS
June 30, 2007
(With Comparative Totals for June 30, 2006)

	Primary Government Governmental Activities	Component Units	Totals	
			2007	2006
ASSETS				
Appropriations/allotment balance	\$ 52,313	\$ -	\$ 52,313	\$ 33,972
Cash and cash equivalents	2,640,250	2,114,641	4,754,891	5,516,917
Investments	-	240,565	240,565	219,714
Receivables:				
Unconditional promises to give	-	160,317	160,317	160,671
Federal grants	294,977	-	294,977	46,301
Other grants	927,957	-	927,957	152,164
Intergovernmental	74,814	-	74,814	92,501
Other	49,004	-	49,004	91,428
Prepaid broadcast rights and deferred production costs	147,662	99,172	246,834	216,493
Investments held for long-term purposes	-	216,881	216,881	142,037
Interest in charitable trust	-	60,222	60,222	71,950
Capital assets:				
Land and construction in progress	51,386	-	51,386	167,259
Other capital assets, net of depreciation	17,392,311	37,376	17,429,687	10,499,842
Total Assets	<u>21,630,674</u>	<u>2,929,174</u>	<u>24,559,848</u>	<u>17,411,249</u>
LIABILITIES				
Accounts payable	416,546	29,304	445,850	490,120
Due to other governments	23,745	-	23,745	17,200
Deferred revenue:				
Federal grants	40,000	-	40,000	-
Other grants and rent	254,439	-	254,439	1,379,729
Accrued compensation	-	-	-	34,554
Accrued compensated absences:				
Current	160,000	-	160,000	160,000
Noncurrent	298,836	25,208	324,044	306,645
Deferred compensation payable - noncurrent	-	153,396	153,396	83,025
Total Liabilities	<u>1,193,566</u>	<u>207,908</u>	<u>1,401,474</u>	<u>2,471,273</u>
NET ASSETS				
Invested in capital assets	<u>17,443,697</u>	<u>37,376</u>	<u>17,481,073</u>	<u>10,667,101</u>
Restricted for:				
Subsequent years	-	191,577	191,577	237,994
Specific projects	-	1,041,291	1,041,291	41,291
Nonexpendable permanent endowment	-	11,864	11,864	10,775
Total restricted net assets	<u>-</u>	<u>1,244,732</u>	<u>1,244,732</u>	<u>290,060</u>
Unrestricted	<u>2,993,411</u>	<u>1,439,158</u>	<u>4,432,569</u>	<u>3,982,815</u>
Total Net Assets	<u>\$ 20,437,108</u>	<u>\$ 2,721,266</u>	<u>\$ 23,158,374</u>	<u>\$ 14,939,976</u>

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Grants and Contributions Operating Capital	Primary Government	Component Units	2007 Totals
	Expenses				2006 Totals
PRIMARY GOVERNMENT					
Governmental Activities:					
Programming and production	\$ 9,336,045	\$ 237,685	\$ 3,496,568	\$ -	\$ (5,601,792)
Broadcasting and technical services	8,611,642	507,255	-	11,939,864	3,835,477
Management and general	1,189,922	-	-	(1,189,922)	(1,189,922)
					\$ (5,601,792)
					3,835,477
					(1,189,922)
					\$ (5,601,792)
					\$ (5,657,396)
					(3,845,499)
					(1,357,698)
Total primary government	\$19,137,609	\$744,940	\$3,496,568	\$11,939,864	(2,956,237)
					(10,860,593)
COMPONENT UNITS					
Foundation for Public Broadcasting					
in Mississippi, Inc.	\$ 4,357,943	\$ 4,118	\$ 3,500,000	\$ -	\$ (853,825)
Friends of ETV and PRM	3,361	-	-	-	(3,361)
					\$ (853,825)
					(3,361)
					\$ (853,825)
Total component units	\$ 4,361,304	\$ 4,118	\$ 3,500,000	\$ -	(857,186)
					(2,724,004)
GENERAL REVENUES					
State appropriations			7,375,571	-	7,375,571
Contributed facilities use from a state agency			488,037	26,724	514,761
Grants not restricted to specific programs			2,098,916	1,871,250	3,970,166
Miscellaneous			121,312	100,223	221,535
					138,499
Total general revenues			10,083,836	1,998,197	12,082,033
					11,801,123
SPECIAL ITEM - ENDOWMENT CONTRIBUTION				(50,212)	(50,212)
					-
CHANGE IN NET ASSETS			7,127,599	1,090,799	8,218,398
					(1,783,474)
NET ASSETS, Beginning of Year			13,309,509	1,630,467	14,939,976
					16,723,450
NET ASSETS, End of Year			\$ 20,437,108	\$ 2,721,266	\$ 23,158,374
					\$ 14,939,976

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS - GOVERNMENTAL FUND

June 30, 2007 and 2006

	General Fund	
	2007	2006
<u>ASSETS</u>		
Appropriations/allotment balance	\$ 52,313	\$ 33,972
Cash	2,640,250	4,429,715
Receivables:		
Federal grants	294,977	46,301
Other grants	927,957	152,164
Intergovernmental	74,814	92,501
Other	49,004	74,608
Total Assets	<u>\$ 4,039,315</u>	<u>\$ 4,829,261</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 416,546	\$ 458,288
Due to other governments	23,745	17,200
Deferred revenue:		
Federal grants	40,000	-
Other grants	<u>254,439</u>	<u>1,379,729</u>
Total Liabilities	<u>734,730</u>	<u>1,855,217</u>
<u>FUND BALANCE</u>		
Reserved for encumbrances	530,572	153,627
Unreserved	<u>2,774,013</u>	<u>2,820,417</u>
Total Fund Balance	<u>3,304,585</u>	<u>2,974,044</u>
Total Liabilities and Fund Balance	<u>\$ 4,039,315</u>	<u>\$ 4,829,261</u>

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS - GOVERNMENTAL FUND - CONTINUED

June 30, 2007 and 2006

	General Fund	
	2007	2006
<u>Reconciliation to the Statement of Net Assets</u>		
Fund balance - governmental fund	\$ 3,304,585	\$ 2,974,044
Amounts reported for governmental activities in the statement of net assets are different because:		
Prepaid broadcast rights and deferred production costs are not financial resources and therefore are not reported in the fund as assets.	147,662	122,510
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund as assets (net of accumulated depreciation).	17,443,697	10,659,292
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund as liabilities.	(458,836)	(446,337)
Net assets - governmental activities	<u>\$ 20,437,108</u>	<u>\$ 13,309,509</u>

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Years Ended June 30, 2007 and 2006

	General Fund	
	2007	2006
REVENUES:		
Intergovernmental:		
Federal grants:		
Passed through state agencies	\$ 255,259	\$ 394,926
Other	501,075	108,587
Charges for services:		
State agencies	204,702	200,788
Other	540,238	543,137
Interest income	105,415	104,654
Miscellaneous:		
Corporation for Public Broadcasting grants	4,602,654	2,038,969
Foundation for Public Broadcasting in Mississippi grants	3,267,652	1,486,133
Other grants	78,099	329,528
Other revenue	15,897	3,654
Total Revenues	<u>9,570,991</u>	<u>5,210,376</u>
EXPENDITURES:		
Current:		
Programming and production	9,078,538	7,723,234
Broadcasting and technical services	3,175,270	2,841,163
Management and general	1,096,854	1,308,458
Capital outlay	193,159	144,695
Total Expenditures	<u>13,543,821</u>	<u>12,017,550</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(3,972,830)</u>	<u>(6,807,174)</u>

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND - CONTINUED
Years Ended June 30, 2007 and 2006

	General Fund	
	2007	2006
OTHER FINANCING SOURCES (USES):		
Transfers from other state agencies:		
State General Fund appropriations	\$ 5,240,073	\$ 5,087,218
State Education Enhancement Fund appropriations	1,644,067	1,659,188
State Budget Contingency Fund appropriations	470,000	-
State Institutions of Higher Learning - contributed facilities use	488,037	639,787
Transfers to other state agencies:		
State Office of Buildings, Grounds and Real Property	(3,538,806)	-
Net Other Financing Sources	<u>4,303,371</u>	<u>7,386,193</u>
NET CHANGE IN FUND BALANCE	330,541	579,019
FUND BALANCE, Beginning of Year	<u>2,974,044</u>	<u>2,395,025</u>
FUND BALANCE, End of Year	<u>\$ 3,304,585</u>	<u>\$ 2,974,044</u>

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND - CONTINUED
Years Ended June 30, 2007 and 2006

	General Fund	
	2007	2006
<u>Reconciliation to the Statement of Activities</u>		
Net change in fund balance - governmental fund	\$ 330,541	\$ 579,019
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. This is the amount by which depreciation expense exceeded the capitalized expenditures.	(1,976,774)	(1,607,315)
Governmental funds do not reflect the value of capital assets transferred from other governmental entities because they do not provide current financial resources.	8,830,609	-
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 by which the incurred costs exceeded the amount expensed.	25,152	(38,259)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the difference between the proceeds received and the gain or loss on the disposals.	(69,431)	(8,054)
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.	(12,498)	1,391
Change in net assets - governmental activities	<u>\$ 7,127,599</u>	<u>\$ (1,073,218)</u>

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

June 30, 2007 and 2006

	Cafeteria Plan Agency Fund	
	2007	2006
<u>ASSETS</u>		
Cash	<u>\$ 8,788</u>	<u>\$ 6,695</u>
<u>LIABILITIES</u>		
Amounts held in custody for others	<u>\$ 8,788</u>	<u>\$ 6,695</u>

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2007

(With Comparative Totals for June 30, 2006)

	Foundation for Public Broadcasting in Mississippi, Inc.	Friends of ETV and PRM	Totals	
			2007	2006
ASSETS				
Cash and cash equivalents	\$ 2,114,641	\$ -	\$ 2,114,641	\$ 1,087,202
Investments	240,565	-	240,565	219,714
Receivables:				
Unconditional promises to give	160,317	-	160,317	160,671
Other	-	-	-	16,820
Prepaid broadcast rights and deferred production costs	99,172	-	99,172	93,983
Investments held for long-term purposes	216,881	-	216,881	142,037
Interest in charitable trust	60,222	-	60,222	71,950
Capital assets, net of depreciation	37,376	-	37,376	7,809
Total Assets	<u>2,929,174</u>	<u>-</u>	<u>2,929,174</u>	<u>1,800,186</u>
LIABILITIES				
Accounts payable	29,304	-	29,304	31,832
Accrued compensation	-	-	-	34,554
Accrued compensated absences	25,208	-	25,208	20,308
Deferred compensation payable	153,396	-	153,396	83,025
Total Liabilities	<u>207,908</u>	<u>-</u>	<u>207,908</u>	<u>169,719</u>
NET ASSETS				
Invested in capital assets	<u>37,376</u>	<u>-</u>	<u>37,376</u>	<u>7,809</u>
Restricted for:				
Subsequent years	191,577	-	191,577	237,994
Specific projects	1,041,291	-	1,041,291	41,291
Nonexpendable permanent endowment	11,864	-	11,864	10,775
	<u>1,244,732</u>	<u>-</u>	<u>1,244,732</u>	<u>290,060</u>
Unrestricted	<u>1,439,158</u>	<u>-</u>	<u>1,439,158</u>	<u>1,332,598</u>
Total Net Assets	<u>\$ 2,721,266</u>	<u>\$ -</u>	<u>\$ 2,721,266</u>	<u>\$ 1,630,467</u>

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Grants and Contributions Operating Capital	Foundation for Public Broadcasting In Mississippi, Inc.	Friends of ETV and PRM	Totals
FOUNDATION FOR PUBLIC BROADCASTING						
IN MISSISSIPPI, INC.						
Program information and promotion	\$ 364,991	\$ -	\$ -	\$ (364,991)	\$ (364,991)	\$ (235,017)
Grants to Mississippi Authority for Educational Television	3,267,652	-	3,500,000	232,348	232,348	(1,486,133)
Media services	13,341	637	-	(12,704)	(12,704)	(192,119)
Fundraising	552,025	3,481	-	(548,544)	(548,544)	(550,629)
Management and general	159,934	-	-	(159,934)	(159,934)	(150,467)
Total Foundation for Public Broadcasting in Mississippi, Inc.	4,357,943	4,118	3,500,000	(853,825)	(853,825)	(2,614,365)
FRIENDS OF ETV AND PRM						
Membership development and volunteer services	1,612	-	-	-	(1,612)	(78,343)
Management and general	1,749	-	-	-	(1,749)	(31,296)
Total Friends of ETV and PRM	3,361	-	-	-	(3,361)	(109,639)
Total component units	\$4,361,304	\$ 4,118	\$3,500,000	\$ (853,825)	(857,186)	(2,724,004)
GENERAL REVENUES						
Contributed facilities use from a state agency				26,724	-	37,012
Grants not restricted to specific programs				1,871,250	-	1,946,546
Miscellaneous				100,179	44	30,190
Total general revenues				1,998,153	44	2,013,748
SPECIAL ITEM - ENDOWMENT CONTRIBUTION						
				-	(50,212)	-
CHANGE IN NET ASSETS				1,144,328	(53,529)	(710,256)
NET ASSETS, Beginning of Year				1,576,938	53,529	2,340,723
NET ASSETS, End of Year				\$ 2,721,266	\$ -	\$ 1,630,467

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2007

NOTE 1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Mississippi Authority for Educational Television (MAET or the Agency) 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 television and radio systems.

The Agency is subject to the review and appropriation authority of the State Legislature. Rather than functioning as an autonomous entity, the Agency 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 the Agency and its component units.

Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units", requires the inclusion of organizations for which the nature and significance of their relationship with the Agency is such that their exclusion would cause the Agency's financial statements to be misleading or incomplete. As a result, the Agency's financial statements include two legally separate non-profit entities as component units. The Agency's two component units are the Foundation for Public Broadcasting in Mississippi, Inc. (the Foundation) and Friends of ETV and PRM (Friends). The Foundation was established to raise funds for the Agency and provides grants to the Agency based on the results of its fundraising efforts. Friends was established to provide volunteer support and promotion for the Agency, and the operations of Friends is funded by the Foundation. These discretely-presented component units are reported in the aggregate as a separate column in the government-wide financial statements to emphasize that they are legally separate from the Agency. Transactions between the Agency and the component units have not been eliminated. The Foundation's audited financial statements are issued under separate cover and are available on request from the Foundation.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Financial Reporting

The Agency complies with generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and statement of activities display information about the Agency as a whole. They include all funds and component units of the Agency 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 which are not classified as program revenues are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the Agency 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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

The funds of the Agency are described below:

- **Governmental Fund**

General Fund – The General Fund is the general operating fund of the Agency. 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 MAET 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.

Measurement Focus:

On the government-wide Statement of Net Assets 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 operating income, changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with activities are reported. Equity is classified as net assets.

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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Basis of Accounting:

In the government-wide Statement of Net Assets 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 economic asset 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 60 days. 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 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. All of the June 30, 2007 appropriation balances were utilized as of August 31, 2007, and no amount lapsed to the appropriating funds.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Cash and Investments

The Agency's general fund cash is held by the Mississippi Treasury Department. The Agency deposits cash of the fiduciary type funds 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.

The Agency 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 units consist of marketable debt and equity securities and are reflected at market value.

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.

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 the Agency or its component units 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 usually both measurable and available.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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 the Agency for production of special programs are expensed when the program is broadcast. Revenue from the Foundation's sale of media productions is recognized when the completed product is made available to the purchaser. Media production costs incurred by the Foundation are capitalized as an asset and then amortized based on the ratio of recognized revenues compared to estimated total revenues to be generated by each production, and it is at least reasonably possible that the total estimated revenues to be generated by each production will change in the near term.

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

Fixed Assets

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Property and equipment of the Agency is capitalized only if it exceeds thresholds established by the State as follows:

<u>Category</u>	<u>Threshold</u>
Land	\$ 0
Land improvements	25,000
Buildings	50,000
Furniture and equipment	5,000

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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
Furniture and equipment	3-15 years

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Fund Financial Statements:

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

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.

Equity Classifications

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints 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. Restricted net assets are utilized first when an expense is incurred for which both restricted and unrestricted net assets are available.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

Appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. Even though goods and services have not been received, the transactions are accounted for as a reservation of fund balances in the year that the commitment is made. Encumbrances at year-end do not constitute expenditures or liabilities.

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 the Agency's financial statements for the year ended June 30, 2006, 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. Concentration of Credit Risk

The Foundation's cash on deposit with a bank at June 30, 2007 exceeded the federally insured amount by approximately \$705,000, and this uninsured balance was also uncollateralized.

NOTE 3. Investments

The Foundation's investments at June 30, 2007 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 132,435
Equity mutual fund shares	108,130
	<u>\$ 240,565</u>

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 3. Investments - Continued

The Foundation's investments held for long-term purposes at June 30, 2007 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$	33,899
Equity mutual fund shares		31,903
International equity mutual fund shares		<u>8,584</u>
Held for endowment purposes (including both donor-restricted and board-designated)		<u>74,386</u>
Corporate bonds:		
7.00% 11/04/2013 BBB+ (S&P)		14,849
7.200% 03/15/2032 A+ (S&P)		14,347
7.125% 06/30/2042 A- (S&P)		14,069
Fixed income mutual fund shares		87,238
Money market mutual fund shares and cash		<u>11,992</u>
Held for deferred compensation purposes		<u>142,495</u>
	\$	<u>216,881</u>

NOTE 4. 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, 2007:

Unrestricted promises	\$	116,945
Restricted for use in subsequent year		<u>131,355</u>
		248,300
Allowance for uncollectible amounts		<u>(87,983)</u>
	\$	<u>160,317</u>

In addition, a donor has made a conditional promise to give a total of \$3.5 million to the Foundation over the next two fiscal years in order to fund additional production of the "Between the Lions" series. The donor contributed \$3.5 million during the fiscal year ended June 30, 2007 to fund production of the "Between the Lions" series, and the additional \$3.5 million promise to give is conditional upon progress toward certain early childhood literacy goals as determined by the donor.

NOTE 5. Media Production Costs

As of June 30, 2007, the Foundation's capitalized media production costs relate to productions which had not yet been completed, and the production costs are expected to be amortized within three years.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 6. 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 at fair market value in the Foundation's assets and temporarily restricted net assets.

NOTE 7. Capital Assets

The primary government's capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2007</u>
Capital Assets Not Being Depreciated:				
Land	\$ 51,386	\$ -	\$ -	\$ 51,386
Construction in progress	<u>115,873</u>	<u>-</u>	<u>(115,873)</u>	<u>-</u>
Total not being depreciated	<u>167,259</u>	<u>-</u>	<u>(115,873)</u>	<u>51,386</u>
Other Capital Assets:				
Buildings	904,819	-	-	904,819
Furniture & equipment	<u>30,668,327</u>	<u>9,025,098</u>	<u>(794,819)</u>	<u>38,898,606</u>
Total other capital assets	<u>31,573,146</u>	<u>9,025,098</u>	<u>(794,819)</u>	<u>39,803,425</u>
Accumulated depreciation:				
Buildings	(385,239)	(18,103)	-	(403,342)
Furniture & equipment	<u>(20,695,874)</u>	<u>(2,037,287)</u>	<u>725,389</u>	<u>(22,007,772)</u>
Total accumulated depreciation	<u>(21,081,113)</u>	<u>(2,055,390)</u>	<u>725,389</u>	<u>(22,411,114)</u>
Other capital assets, net	<u>10,492,033</u>	<u>6,969,708</u>	<u>(69,430)</u>	<u>17,392,311</u>
Capital assets, net	<u>\$10,659,292</u>	<u>\$6,969,708</u>	<u>\$(185,303)</u>	<u>\$17,443,697</u>

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 7. Capital Assets - Continued

The Agency's depreciation expense for the year ended June 30, 2007 was as follows:

Programming and production	\$ 239,042
Broadcasting and technical services	1,792,711
Management and general	<u>23,637</u>
Total depreciation expense	<u>\$2,055,390</u>

Certain capital assets of the Agency 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 component units' capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2007</u>
Furniture and equipment	\$ 155,873	\$ 38,480	\$ (11,254)	\$ 183,099
Accumulated depreciation	<u>(148,064)</u>	<u>(8,913)</u>	<u>11,254</u>	<u>(145,723)</u>
Capital assets, net	<u>\$ 7,809</u>	<u>\$ 29,567</u>	<u>\$ -</u>	<u>\$ 37,376</u>

The component units' depreciation expense for the year ended June 30, 2007 was as follows:

Foundation for Public Broadcasting in Mississippi, Inc.	\$ 8,489
Friends of ETV and PRM	<u>424</u>
Total depreciation expense	<u>\$ 8,913</u>

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 8. Accrued Compensated Absences

The following is a summary of changes in the accrued compensated absences liability for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>	<u>Estimated Due Within One Year</u>
Primary government	<u>\$ 446,337</u>	<u>\$ 182,338</u>	<u>\$(169,839)</u>	<u>\$ 458,836</u>	<u>\$ 160,000</u>
Component units	<u>\$ 20,308</u>	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 25,208</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.

NOTE 9. Lease Revenues

The Agency leases unneeded space on its transmitter towers to various governmental and commercial entities. Tower lease revenue during the year ended June 30, 2007 totaled \$449,730.

Future minimum lease revenues are as follows:

<u>Fiscal Year Ending</u>	
June 30, 2008	\$ 322,014
June 30, 2009	57,433
June 30, 2010	<u>20,394</u>
	<u>\$ 399,841</u>

NOTE 10. Defined Benefit Pension Plan

Plan Description. The Agency 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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 10. Defined Benefit Pension Plan - Continued

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the Agency is required to contribute 11.3% of annual covered payroll. The contribution requirements of PERS are established and may be amended only by the Mississippi Legislature. The Agency's contributions to PERS for the years ended June 30, 2007, 2006, and 2005 were \$497,241, \$408,492, and \$417,017, respectively, and were equal to the required contributions for each year.

NOTE 11. 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, 2007 was \$20,112.

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, employees may contribute to the plan.

NOTE 12. Deferred Compensation

The Foundation has entered into an agreement with an employee whereby the Foundation agreed to defer payment of a portion of the employee's compensation until April 15, 2014, at which time the deferred compensation and earnings thereon is to be paid to the employee. This deferred compensation has been accrued as a liability in the accompanying financial statements.

NOTE 13. Commitments

The Agency 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 year ended June 30, 2007 was \$32,875.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 13. Commitments - Continued

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

<u>Fiscal Year Ending</u>	
June 30, 2008	\$ 28,143
June 30, 2009	21,060
June 30, 2010	9,433
June 30, 2011	7,270
June 30, 2012	5,950
June 30, 2013-2017	29,750
June 30, 2018-2022	29,750
June 30, 2023-2027	29,750
June 30, 2028-2032	28,750
June 30, 2033-2037	<u>27,250</u>
Total minimum lease payments	<u>\$ 217,106</u>

NOTE 14. Risk Management

The State of Mississippi has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers compensation benefits. The Agency contributes to the State's internal service risk management fund based on actuarially determined assessments and premiums charged by the State.

NOTE 15. 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. The Agency is neither aware of nor expects any significant disallowances.

NOTE 16. Related Party Transactions

Transactions with Component Units

Following is a summary of transactions during the year ended June 30, 2007 between the primary government and component units and between the two component units:

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 16. Related Party Transactions – Continued

Grants revenue/expense in the Statement of Activities:

From the Foundation to the Agency	\$3,267,652
From the Foundation to Friends	-
	<u>\$3,267,652</u>

Cash and Investments

The Foundation has cash and investment accounts at a local bank, and one of the bank's officers is a member of the Foundation's board of directors. The fair market value of these accounts totaled approximately \$1,772,000 at June 30, 2007.

Contributed Facilities Use

The Agency and its component units occupy buildings owned by the Institutions of Higher Learning (a State agency). The value of the facilities use in excess of the \$110,509 rent charged to the Agency is estimated at \$514,761 for the year ended June 30, 2007 and is reflected in these financial statements as revenue and also as expense for the same amount.

Charges for Services

The Agency had tower lease and production services revenue from other State agencies during the year ended June 30, 2007 totaling \$73,524 and \$131,178, respectively.

Program Grants

During the year ended June 30, 2007, the Agency had grant revenues from other State agencies (including federal grants passed through State agencies) totaling \$255,259.

Appropriations

During the year ended June 30, 2007, the Agency received appropriations transfers from the State's General Fund, Education Enhancement Fund, and Budget Contingency Fund totaling \$7,354,140.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 16. Related Party Transactions – Continued

Capital Asset Transfers

The Mississippi Office of Buildings, Grounds and Real Property Management (Office of Buildings) administers various construction projects for the Agency. These projects are funded primarily by federal grants and the proceeds of general obligation bonds issued by the State of Mississippi. The Agency transferred a total of \$3,538,806 to the Office of Buildings during the year ended June 30, 2007 for use in projects that were not yet completed. As of June 30, 2007, the Office of Buildings was administering uncompleted construction projects for the Agency with an estimated total cost of \$11,871,796 and had expended \$10,494,120 on these projects. The uncompleted projects are not reflected in these financial statements because the Office of Buildings retains ownership until completion of a project. During the year ended June 30, 2007, the Office of Buildings transferred a completed project to the Agency with costs totaling \$8,830,609 that were capitalized by the Agency upon transfer.

Expenses

During the year ended June 30, 2007, the Agency was charged fees by other agencies of the State of Mississippi for various services as follows:

Institutions of Higher Learning (facility costs)	\$ 110,509
Information Technology Services	101,141
Finance and Administration (insurance)	64,037
Finance and Administration (accounting)	22,189
Personnel Board	20,563
Mississippi State University	66,157
University of Mississippi	58,796
Other agencies	11,534
	<u>\$ 454,926</u>

Mississippi Ednet Institute, Inc.

The Agency 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. The Agency's executive director serves as the president and chief executive officer of Ednet, and one of the Agency's board members is the chairperson of Ednet's eight-member board of directors.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 17. Special Item – Endowment Contribution

Friends of ETV and PRM (Friends) was dissolved during the year ended June 30, 2007, and Friends' remaining funds totaling \$50,212 were transferred to the Community Foundation of Greater Jackson in order to establish an endowment for the benefit of the Agency. 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, 2007, the endowment assets were valued at \$53,355, and no amounts had been distributed from the endowment.

REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis, See Note A)	Variance with Final Budget Over (Under)
	Original	Final		
FUNDING SOURCES:				
State General Fund	\$ 5,240,073	\$ 5,240,073	\$ 5,240,073	\$ -
State Education Enhancement Fund	1,644,067	1,644,067	1,644,067	-
State Budget Contingency Fund	470,000	470,000	470,000	-
Special Funds	<u>2,981,085</u>	<u>9,816,198</u>	<u>5,711,498</u>	<u>(4,104,700)</u>
Total Funding Sources	<u>10,335,225</u>	<u>17,170,338</u>	<u>13,065,638</u>	<u>(4,104,700)</u>
EXPENDITURES:				
Current:				
Personal services:				
Salaries, wages and fringe benefits	5,905,417	6,049,675	5,763,816	(285,859)
Travel and subsistence	45,000	140,477	124,339	(16,138)
Contractual services	3,940,211	5,124,973	4,732,203	(392,770)
Commodities	244,597	666,844	422,755	(244,089)
Subsidies, loans, grants and transfers	-	3,582,552	3,581,668	(884)
Capital outlay	<u>200,000</u>	<u>1,605,817</u>	<u>140,182</u>	<u>(1,465,635)</u>
Total Expenditures	<u>10,335,225</u>	<u>17,170,338</u>	<u>14,764,963</u>	<u>(2,405,375)</u>
NET CHANGE IN FUND BALANCE	-	-	(1,699,325)	(1,699,325)
FUND BALANCE, Beginning of Year	<u>-</u>	<u>-</u>	<u>3,993,723</u>	<u>3,993,723</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294,398</u>	<u>\$ 2,294,398</u>

See accompanying note to budgetary comparison schedule.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2007

Note A. Budgetary Basis Reconciliation

An explanation of the differences between budgetary basis amounts and the amounts determined in accordance with U.S. generally accepted accounting principles (GAAP) follows:

Funding Sources - Budgetary Comparison Schedule	\$ 13,065,638
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.	789,556
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GAAP basis deferred revenue is recognized as budgetary basis funding sources when received.	1,085,290
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Non-cash contributions are not reflected as budgetary basis funding sources.	<u>2,472,684</u>
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Revenues and Other Financing Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 17,413,168</u>
--------------------------------------------------------------------------------------------------------	----------------------

Expenditures - Budgetary Comparison Schedule	\$ 14,764,963
Differences:	

Budgetary basis expenditures only include encumbrances at fiscal year end that were paid during the two subsequent months, regardless of whether the goods or services were received prior to fiscal year end.	(155,020)
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Non-cash contributions are not reflected as budgetary basis expenditures.	<u>2,472,684</u>
---------------------------------------------------------------------------	------------------

Expenditures and Other Financing Uses - Statement of Revenues, Expenses and Changes in Fund Balance	<u>\$ 17,082,627</u>
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OTHER SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

Federal Grantor/ Program Title	Federal CFDA Number	Pass- Through Identifier	Program or Award Amount	Accrued (Deferred) Revenue at July 1, 2006	Receipts	Accrued (Deferred) Revenue at June 30, 2007	Expenditures
U.S. DEPARTMENT OF COMMERCE							
Public Telecommunication Facilities - Planning & Construction:							
Direct	11.550	28-02-N01136	\$ 2,768,241	\$ -	\$ 160,124	\$ 189,673	\$ 349,797
		28-01-N06084	902,393	-	-	-	-
				-	160,124	189,673	349,797
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
Aerospace Education Services Program:	43.001	06-06-047	2,445	-	2,445	-	2,445
Passed through University of Mississippi							
U.S. DEPARTMENT OF EDUCATION							
Fund for the Improvement of Education:							
Passed through Philadelphia School District	84.215	U215X040190	5,000	5,000	5,000	-	-
		2005-2006					
Reach to Teach:							
Passed through Alabama Educational Television							
Foundation Authority	84.286	U286A050018	76,413	31,522	71,082	-	39,560
		2005-2006	152,485	-	86,566	22,707	109,273
		2006-2007		31,522	157,648	22,707	148,833
Ready-to-Learn Television:							
Passed through Corporation for Public Broadcasting	84.295	10519	200,000	-	40,000	(40,000)	-
Total U.S. Department of Education				36,522	202,648	(17,293)	148,833

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year Ended June 30, 2007

Federal Grantor/ Program Title	Federal CFDA Number	Pass- Through Identifier	Program or Award Amount	Accrued (Deferred) Revenue at July 1, 2006	Receipts	Accrued (Deferred) Revenue at June 30, 2007	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Child Care and Development Block Grant: Passed through Mississippi Department of Human Services	93.575	555Q7461	50,897	7,653	23,266	-	15,613
FEDERAL EMERGENCY MANAGEMENT AGENCY Disaster Grants - Public Assistance (Presidentially Declared Disasters): Passed through Mississippi Emergency Management Agency	97.036	000-UBL4S-00	547,735	2,126	159,175	82,597	239,646
GRAND TOTAL -- ALL PROGRAMS				\$ 46,301	\$ 547,658	\$ 254,977	\$ 756,334

Note: The schedule of expenditures of federal awards is presented on the accrual basis of accounting.

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

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
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 FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Mississippi Authority for Educational Television (the Agency) as of and for the year ended June 30, 2007, which collectively comprise Mississippi Authority for Educational Television's basic financial statements, and have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information and use of the board of directors of the Agency, its management, the State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tamm, Brown & Runo Co.

November 2, 2007

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

Compliance

We have audited the compliance of the Mississippi Authority for Educational Television (the Agency) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

(Continued)

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors of the Agency, its management, the State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tammy Brown & Russo Co.

November 2, 2007

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	

CFDA Number (s)

Name of Federal Program or Cluster

11.550

Public Telecommunication Facilities –
Planning & Construction

Dollar threshold used to distinguish Between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year Ended June 30, 2007

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007**

No audit findings were reported in the audit of the year ended June 30, 2006.