



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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

JUNE 30, 2011

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheets – Governmental Fund	12-13
Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	14-16
Statements of Fiduciary Net Assets	17
Component Unit Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Notes to the Basic Financial Statements	20-35
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	36
Note to Budgetary Comparison Schedule	37

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS
415 E. CAPITOL
JACKSON, MISSISSIPPI 39201
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

MEMBERS
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
MISSISSIPPI SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television as of and for the year ended June 30, 2011, 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 Mississippi Authority for Educational Television's June 30, 2010 financial statements and, in our report dated October 27, 2010, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit 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 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 and the changes in financial position of the State of Mississippi as of and for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

(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 unit and remaining fund information of the Mississippi Authority for Educational Television as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011 on our consideration of the Mississippi Authority for Educational Television's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9, 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mississippi Authority for Educational Television's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tamm, Brown & Luss Co.

October 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



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

Introduction and Reporting Entity

The following discussion and analysis 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 unit for the year ended June 30, 2011. 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 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, 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 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 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.

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.

The Statement of Net Assets includes Assets, Liabilities and Net Assets of the Agency as of June 30, 2011 and 2010, with Net Assets classified into several categories. The Statement of Net Assets and Statement of 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.

Financial Highlights

- The Agency's FY 2011 Net Assets increased \$547,124 from the previous year. Net Assets totaled \$32,532,218 for FY 2011 compared with \$31,985,094 for FY 2010. This increase is due primarily to capital project funding provided by State bond funds and grants from the U.S. Department of Commerce and the Corporation for Public Broadcasting.
- The total General Fund expenditures as reflected on the Fund Financial Statements on **page 14** of the Agency's programs were \$12.8 million in 2011, compared to \$14 million in 2010, a \$1.2 million decrease in operations. Expenditure decreases were due mainly to prior year expenditures associated with the *Between the Lions* production.
- The major source of financial support available to the Agency in 2011 was in the form of appropriations and transfers from the State of Mississippi (the State). These resources increased by \$1.6 million in FY 2011 as a result of increased State bond proceeds received in FY 2011 for capital projects.
- Total revenue from sources other than the State in FY 2011 was \$4.8 million compared to \$5.8 million in FY 2010, a \$1 million decrease mainly due to the completion of *Between the Lions* production that was funded by grants.
- Total revenue from all sources for FY 2011 was \$14.9 million compared to \$14.4 million in FY 2010, an overall decrease of \$526,383.

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 a reconciliation at the bottom of the Fund Financial Statements.

Financial Analysis of the Statements

The Agency's condensed financial statements represented below for FY 2011 and FY 2010 are for Governmental Activities only.

Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 5,783,165	\$ 3,807,101
Capital assets	<u>27,426,550</u>	<u>29,031,676</u>
Total assets	<u>33,209,715</u>	<u>32,838,777</u>
Current liabilities	421,867	581,102
Long-term liabilities	<u>255,630</u>	<u>272,581</u>
Total liabilities	<u>677,497</u>	<u>853,683</u>
Net assets		
Invested in capital assets	27,426,550	29,031,676
Restricted for capital projects	2,136,864	512,878
Unrestricted	<u>2,968,804</u>	<u>2,440,540</u>
Total net assets	<u>\$ 32,532,218</u>	<u>\$ 31,985,094</u>

Condensed Statements of Activities

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,095,062	\$ 656,590
Operating grants and contributions	311,440	1,671,489
Capital grants and contributions	3,023,962	11,497,309
General revenues:		
State appropriations	7,527,411	7,615,492
Contributed state facilities use	454,373	493,417
Grants	2,451,140	2,477,031
Other	49,650	68,987
Total revenues	<u>14,913,038</u>	<u>24,480,315</u>
Expenses:		
Programming and production	5,298,686	6,469,843
Educational services	1,166,501	1,195,762
Broadcasting and technical services	6,254,341	6,185,327
Management and general	<u>1,646,386</u>	<u>1,752,628</u>
Total expenses	<u>14,365,914</u>	<u>15,603,560</u>
Change in net assets	547,124	8,876,755
Net assets, beginning	<u>31,985,094</u>	<u>23,108,339</u>
Net assets, ending	<u>\$ 32,532,218</u>	<u>\$ 31,985,094</u>

To aid in the understanding of the Statement of Activities on **page 11**, some additional explanation is provided. Comparative information is provided for the program areas in FY 2010. The Programming and Production activities make up the largest portion of expenses (37% in FY 2011). This program area is responsible for development 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.

Current and Other Assets and the Net Assets Restricted for Capital Projects both increased in 2011 as a result of State bond funds received by the Agency but not yet spent. Charges for Services revenue increased in 2011 as a result of increased underwriting for special productions and revenues from providing production services. Operating Grants revenue and Programming and Production expenses decreased in 2011 as a result of the 2010 completion of Foundation grants for *Between the Lions* production costs. Capital Grants revenue was higher in 2010 because of completed digital conversion project assets transferred from the State Bureau of Buildings.

THE AGENCY'S FUNDS

The following schedule presents a summary of General Fund revenues and expenditures for the Fiscal Year ended June 30, 2011, compared to the previous year.

Changes in Fund Balance (in thousands)

Revenues and Other Financing Sources (Uses)	<u>2011</u>	<u>2010</u>
Transfers In (Out):		
State appropriations	\$ 7,527	\$ 7,615
Other state agencies	454	493
State Bureau of Buildings	2,180	513
Federal and state grants	600	354
Charges for services	1,095	657
Corporation for Public Broadcasting grants	2,520	2,654
Foundation for Public Broadcasting in Miss. grants	469	1,908
Other grants	18	86
Other revenue	<u>50</u>	<u>106</u>
Total Revenues and Other Financing Sources	<u>14,913</u>	<u>14,386</u>
Expenditures		
Current:		
Programming and production	5,099	6,324
Educational services	1,166	1,185
Broadcasting and technical services	3,216	3,253
Management and general	1,622	1,716
Capital outlay	<u>1,686</u>	<u>1,548</u>
Total Expenditures	<u>12,789</u>	<u>14,026</u>
Excess of Revenues and Other		
Financing Sources over Expenditures	<u>\$ 2,124</u>	<u>\$ 360</u>

State Bureau of Buildings transfers were higher in 2011 because of additional bond proceeds transferred in 2011 for use in capital projects. Federal and State Grants revenue and Capital Outlay expenditures increased in 2011 as a result of federal grants for capital projects. Charges for Services revenue increased in 2011 as a result of increased underwriting for special productions and revenues from providing production services. Foundation grant revenue and programming and production expenditures decreased in 2011 as a result of the 2010 completion of funding for *Between the Lions* production costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Agency's original \$11.8 million budget for expenditures was revised several times to arrive at a final year-end budget of \$15.5 million as shown in the Budgetary Comparison Schedule on **page 36**. The budget was revised as new funds became available during the year.

The funding sources budget line item for special funds was increased by \$4 million during the year to include State bond funds for capital projects and various grants from the Corporation for Public Broadcasting and federal funding sources. Notification of some awards was received after the original budget was approved and other grants carried over from the previous fiscal year. In addition, \$250 thousand was removed from the 2011 State General Fund budget appropriation because it was reappropriated for expenditure in 2012. The variance of \$3.3 million between the final budget and the actual expenditures reflects grants awarded and State bond funds 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>2011</u>	<u>2010</u>
Land	\$ 51	\$ 51
Building	905	905
Furniture and Equipment	44,233	51,921
Infrastructure	7,054	-
Construction in Progress	22	-
Less Accum. Depreciation	<u>(24,838)</u>	<u>(23,845)</u>
Capital Assets, Net	<u>\$27,427</u>	<u>\$29,032</u>

The major change to the Agency's Capital Assets during the year was the reclassification of certain long-lived capital assets to the Infrastructure category. Annual depreciation expense for 2011 was \$3.1 million.

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 50% of the Agency's 2011 total general fund revenues and other financing sources. State funding is expected to decrease in 2012 due to the current economic crisis. Revenue from other financing sources is expected to decrease as a result of non-recurring State bond funds that were received in 2011. 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 FY 2011, the Agency continued to position itself to remain as the State's lifeline of communication for citizens during a disaster. In 2012, 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.

BASIC FINANCIAL STATEMENTS

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET ASSETS

June 30, 2011

(With Comparative Totals for June 30, 2010)

	Primary Governmental Activities	Component Unit	Totals	
			2011	2010
ASSETS				
Appropriations/allotment balance	\$ 304,611	\$ -	\$ 304,611	\$ 29,183
Cash and cash equivalents	4,895,753	1,443,030	6,338,783	4,399,979
Investments	-	249,581	249,581	213,841
Receivables:				
Unconditional promises to give	-	132,759	132,759	108,241
Federal grants	87,637	-	87,637	98,522
Other grants	208,205	-	208,205	301,028
Intergovernmental	114,488	-	114,488	54,854
Other	26,977	6,659	33,636	17,225
Prepaid broadcast rights and deferred production costs	145,494	-	145,494	149,455
Investments held for long-term purposes	-	74,862	74,862	255,013
Interest in charitable trust	-	31,692	31,692	26,993
Capital assets:				
Land and construction in progress	73,056	-	73,056	51,386
Other capital assets, net of depreciation	27,353,494	6,409	27,359,903	28,995,528
Total Assets	33,209,715	1,944,992	35,154,707	34,701,248
LIABILITIES				
Accounts payable	215,922	25,667	241,589	303,005
Grants payable	-	39,624	39,624	6,895
Due to other governments	116	-	116	2,325
Deferred revenue:				
Federal grants	1,366	-	1,366	-
Other grants and rent	9,463	-	9,463	78,306
Accrued compensated absences:				
Current	195,000	-	195,000	210,000
Noncurrent	255,630	18,841	274,471	290,402
Deferred compensation payable:				
Current	-	-	-	205,667
Total Liabilities	677,497	84,132	761,629	1,096,600
NET ASSETS				
Invested in capital assets	27,426,550	6,409	27,432,959	29,046,914
Restricted for:				
Capital projects	2,136,864	-	2,136,864	512,878
Subsequent years	-	170,715	170,715	88,762
Specific activities	-	41,291	41,291	41,291
Nonexpendable permanent endowment	-	10,000	10,000	10,000
Total restricted net assets	2,136,864	222,006	2,358,870	652,931
Unrestricted	2,968,804	1,632,445	4,601,249	3,904,803
Total Net Assets	\$ 32,532,218	\$ 1,860,860	\$ 34,393,078	\$ 33,604,648

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Grants and Contributions Operating	Capital	Primary Government	Component Unit	2011 Totals
	Expenses					2010 Totals
PRIMARY GOVERNMENT						
Governmental Activities:						
Programming and production	\$ 5,298,686	\$ 71,112	\$ -	\$ (4,681,112)	\$ -	\$ (4,985,823)
Educational services	1,166,501	240,328	-	(926,173)	-	(893,113)
Broadcasting and technical services	6,254,341	-	3,023,962	(2,681,779)	-	5,853,392
Management and general	1,646,386	-	-	(1,646,386)	-	(1,752,628)
Total primary government	\$14,365,914	\$ 311,440	\$ 3,023,962	(9,935,450)	-	(1,778,172)
COMPONENT UNIT						
Foundation for Public Broadcasting in Mississippi, Inc.	\$ 1,183,125	\$ 4,080	\$ -	-	(1,179,045)	(2,891,857)
GENERAL REVENUES						
State appropriations				7,527,411	-	7,527,411
Contributed facilities use from a state agency				454,373	12,519	466,892
Grants not restricted to specific programs				2,451,140	1,367,722	3,818,862
Investment and other income				49,650	40,110	89,760
Total general revenues				10,482,574	1,420,351	11,902,925
CHANGE IN NET ASSETS				547,124	241,306	788,430
NET ASSETS, Beginning of Year				31,985,094	1,619,554	33,604,648
NET ASSETS, End of Year				\$ 32,532,218	\$ 1,860,860	\$ 34,393,078
						\$ 33,604,648

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS - GOVERNMENTAL FUND

June 30, 2011 and 2010

	General Fund	
	2011	2010
<u>ASSETS</u>		
Appropriations/allotment balance	\$ 304,611	\$ 29,183
Cash	4,895,753	3,163,269
Receivables:		
Federal grants	87,637	98,522
Other grants	208,205	301,028
Intergovernmental	114,488	54,854
Other	26,977	10,790
Total Assets	<u>\$ 5,637,671</u>	<u>\$ 3,657,646</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 215,922	\$ 290,471
Due to other governments	116	2,325
Deferred revenue:		
Federal grants	1,366	-
Other grants and rent	9,463	78,306
Total Liabilities	<u>226,867</u>	<u>371,102</u>
<u>FUND BALANCE</u>		
Restricted for capital projects	2,136,864	512,878
Assigned	359,023	165,688
Unassigned	2,914,917	2,607,978
Total Fund Balances	<u>5,410,804</u>	<u>3,286,544</u>
Total Liabilities and Fund Balances	<u>\$ 5,637,671</u>	<u>\$ 3,657,646</u>

See accompanying notes to the basic financial statements.

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS - GOVERNMENTAL FUND - CONTINUED

June 30, 2011 and 2010

	General Fund	
	2011	2010
<u>Reconciliation to the Statement of Net Assets</u>		
Fund balance - governmental fund	\$ 5,410,804	\$ 3,286,544
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.	145,494	149,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund as assets (net of accumulated depreciation).	27,426,550	29,031,676
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund as liabilities.	(450,630)	(482,581)
Net assets - governmental activities	<u>\$ 32,532,218</u>	<u>\$ 31,985,094</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, 2011 and 2010

	General Fund	
	2011	2010
REVENUES:		
Intergovernmental:		
State grants	\$ 977	\$ 24,952
Federal grants:		
Passed through state agencies	-	59,375
Other	598,821	269,601
Charges for services:		
State agencies	337,861	151,235
Other	757,201	505,355
Interest income	39,686	66,012
Miscellaneous:		
Corporation for Public Broadcasting grants	2,520,077	2,653,602
Foundation for Public Broadcasting in Mississippi grants	469,112	1,907,755
Other grants	17,693	85,835
Other revenue	9,964	41,146
Total Revenues	<u>4,751,392</u>	<u>5,764,868</u>
EXPENDITURES:		
Current:		
Programming and production	5,098,528	6,324,179
Educational services	1,166,314	1,185,004
Broadcasting and technical services	3,216,018	3,252,473
Management and general	1,622,161	1,716,438
Capital outlay	<u>1,685,757</u>	<u>1,548,276</u>
Total Expenditures	<u>12,788,778</u>	<u>14,026,370</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(8,037,386)</u>	<u>(8,261,502)</u>

See accompanying notes to the basic financial statements.

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND - CONTINUED
Years Ended June 30, 2011 and 2010

	General Fund	
	2011	2010
OTHER FINANCING SOURCES (USES):		
Transfers from other state agencies:		
State General Fund appropriations	\$ 5,913,653	\$ 6,167,583
State Education Enhancement Fund appropriations	1,613,758	1,488,282
State Institutions of Higher Learning - contributed facilities use	454,373	493,417
State Office of Buildings, Grounds and Real Property - bond proceeds	2,179,862	512,878
Transfers to other state agencies:		
State General Fund - appropriation reduction	-	(40,373)
Net Other Financing Sources	<u>10,161,646</u>	<u>8,621,787</u>
NET CHANGE IN FUND BALANCE	2,124,260	360,285
FUND BALANCE, Beginning of Year	<u>3,286,544</u>	<u>2,926,259</u>
FUND BALANCE, End of Year	<u>\$ 5,410,804</u>	<u>\$ 3,286,544</u>

See accompanying notes to the basic financial statements.

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
 STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND - CONTINUED
 Years Ended June 30, 2011 and 2010

	General Fund	
	2011	2010
<u>Reconciliation to the Statement of Activities</u>		
Net change in fund balance - governmental fund	\$ 2,124,260	\$ 360,285
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 of the difference between the capitalized expenditures and the depreciation expense.	(1,605,126)	(1,627,439)
Governmental funds do not reflect the value of capital assets transferred from other governmental entities because they do not provide current financial resources.	-	10,131,831
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.	(3,961)	(3,541)
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.	-	(38,171)
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.	<u>31,951</u>	<u>53,790</u>
Change in net assets - governmental activities	<u>\$ 547,124</u>	<u>\$ 8,876,755</u>

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2011 and 2010

	Cafeteria Plan Agency Fund	
	2011	2010
<u>ASSETS</u>		
Cash	\$ 11,066	\$ 11,861
<u>LIABILITIES</u>		
Amounts held in custody for others	\$ 11,066	\$ 11,861

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET ASSETS - COMPONENT UNIT

June 30, 2011 and 2010

Foundation for Public Broadcasting in Mississippi, Inc.	
2011	2010
ASSETS	
Cash and cash equivalents	\$ 1,443,030
Investments	249,581
Receivables:	
Unconditional promises to give	132,759
Other	6,659
Investments held for long-term purposes	74,862
Interest in charitable trust	31,692
Capital assets, net of depreciation	6,409
Total Assets	<u>1,944,992</u>
LIABILITIES	
Accounts payable	25,667
Grants payable	39,624
Accrued compensated absences	18,841
Deferred compensation payable	-
Total Liabilities	<u>84,132</u>
NET ASSETS	
Invested in capital assets	<u>6,409</u>
Restricted for:	
Subsequent years	170,715
Specific activities	41,291
Nonexpendable permanent endowment	10,000
	<u>222,006</u>
Unrestricted	<u>1,632,445</u>
Total Net Assets	<u>\$ 1,860,860</u>
	<u>\$ 1,619,554</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES - COMPONENT UNIT

Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

See accompanying notes to the basic financial statements.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2011

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. 39, "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 non-profit 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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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.

Basis of Presentation

Government-wide Financial Statements:

The statement of net assets 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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies – Continued

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.

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 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 60 days. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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, 2011 appropriation balances were either utilized as of August 31, 2011 or were reappropriated to MPB for use in the subsequent year, and no amount lapsed to the appropriating funds.

Cash and Investments

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

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

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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.

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 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 usually 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. 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.

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

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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	\$ 0
Land improvements	25,000
Buildings	50,000
Infrastructure	100,000
Furniture and equipment	5,000

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 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
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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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 in the government-wide financial statements and is 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 Financial Statements:

MPB implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. 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.
- 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.

(Continued)

Notes to the Basic Financial Statements – Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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, 2009, from which the summarized information was derived.

Certain prior year amounts have been reclassified in order to be consistent with the current year's presentation.

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.

Change in Accounting Estimate

During the year ended June 30, 2011, MPB reclassified certain types of long-lived capital assets from "furniture and equipment" to a new "infrastructure" category in order to more accurately reflect the useful lives and residual values of these capital assets. As a result of the change to a longer estimated useful life and a higher estimated salvage value in the infrastructure category, depreciation expense on the reclassified capital assets decreased by approximately \$172,000 for the year ended June 30, 2011.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 2. Investments

The Foundation's investments at June 30, 2011 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 148,142
Equity mutual fund shares	<u>101,439</u>
	<u>\$ 249,581</u>

The Foundation's investments held for long-term purposes at June 30, 2011 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 36,731
Equity mutual fund shares	30,403
International equity mutual fund shares	<u>7,728</u>
Held for endowment purposes (including both donor-restricted and board-designated)	<u>\$ 74,862</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, 2011:

Unrestricted promises	\$ 279,206
Restricted for use in subsequent year	<u>102,111</u>
	381,317
Allowance for uncollectible amounts	<u>(248,558)</u>
	<u>\$ 132,759</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 at fair market value in the Foundation's assets and temporarily restricted net assets.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 5. Capital Assets

The primary government's capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Disposals and Transfers	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 51,386	\$ -	\$ -	\$ 51,386
Construction in progress	-	21,670	-	21,670
Total not being depreciated	<u>51,386</u>	<u>21,670</u>	<u>-</u>	<u>73,056</u>
Other Capital Assets:				
Buildings	904,819	-	-	904,819
Furniture & equipment	51,920,523	1,286,516	(8,974,406)	44,232,633
Infrastructure	-	7,053,543	-	7,053,543
Total other capital assets	<u>52,825,342</u>	<u>8,340,059</u>	<u>(8,974,406)</u>	<u>52,190,995</u>
Accumulated depreciation:				
Buildings	(457,626)	(18,098)	-	(475,724)
Furniture & equipment	(23,387,426)	(3,024,886)	6,598,916	(19,813,396)
Infrastructure	-	(4,548,381)	-	(4,548,381)
Total accumulated depreciation	<u>(23,845,052)</u>	<u>(7,591,365)</u>	<u>6,598,916</u>	<u>(24,837,501)</u>
Other capital assets, net	<u>28,980,290</u>	<u>748,694</u>	<u>(2,375,490)</u>	<u>27,353,494</u>
Capital assets, net	<u>\$ 29,031,676</u>	<u>\$ 770,364</u>	<u>\$(2,375,490)</u>	<u>\$27,426,550</u>

MPB's depreciation expense for the year ended June 30, 2011 was as follows:

Programming and production	\$ 156,178
Broadcasting and technical services	2,936,147
Management and general	31,236
Total depreciation expense	<u>\$3,123,561</u>

(Continued)

Notes to the Basic Financial Statements - Continued

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, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Furniture and equipment	\$ 183,751	\$ 660	\$ (4,383)	\$ 180,028
Accumulated depreciation	<u>(168,513)</u>	<u>(9,489)</u>	<u>4,383</u>	<u>(173,619)</u>
Capital assets, net	<u>\$ 15,238</u>	<u>\$ 8,829</u>	<u>\$ -</u>	<u>\$ 6,409</u>

The Foundation's depreciation expense for the year ended June 30, 2011 was \$9,489.

NOTE 6. Accrued Compensated Absences

The following is a summary of changes in the accrued compensated absences liability for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Estimated Due Within One Year</u>
Primary government	<u>\$ 482,581</u>	<u>\$ 161,527</u>	<u>\$ (193,478)</u>	<u>\$ 450,630</u>	<u>\$ 195,000</u>
Component unit	<u>\$ 17,821</u>	<u>\$ 1,020</u>	<u>\$ -</u>	<u>\$ 18,841</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.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 7. Assigned Fund Balance

The assigned fund balance at June 30, 2011 was assigned to the following purposes:

Equipment replacement	\$ 8,190
Current budget year obligations	100,833
Subsequent budget year operations	<u>250,000</u>
	<u>\$ 359,023</u>

NOTE 8. Lease Revenues

MPB leases unneeded space on its transmitter towers to various governmental and commercial entities. Tower lease revenue during the year ended June 30, 2011 totaled \$501,772.

Future minimum lease revenues are as follows:

Fiscal Year Ending

June 30, 2012	\$ 225,178
June 30, 2013	<u>37,120</u>
	<u>\$ 262,298</u>

NOTE 9. Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and MPB is required to contribute 12% of annual covered payroll through December 31, 2011 and 12.93% subsequently. The contribution requirements of PERS are established and may be amended only by the Mississippi Legislature. MPB's contributions to PERS for the years ended June 30, 2011, 2010, and 2009 were \$535,952, \$570,030, and \$588,736, respectively, and were equal to the required contributions for each year.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 10. 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, 2011 was \$14,148.

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 11. Deferred Compensation

The Foundation entered into an agreement with a former employee whereby the Foundation agreed to defer payment of a portion of the employee's compensation. This deferred compensation was accrued as a liability in the year earned, and the final payment was made during the year ended June 30, 2011.

NOTE 12. 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 year ended June 30, 2011 was \$62,039.

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

<u>Fiscal Years Ending</u>	
June 30, 2012	\$ 62,039
June 30, 2013	30,856
June 30, 2014	20,034
June 30, 2015	11,370
June 30, 2016	10,050
June 30, 2017-2021	33,650
June 30, 2022-2026	31,150
June 30, 2027-2031	30,370
June 30, 2032-2036	27,250
June 30, 2037-2041	<u>5,450</u>
Total minimum lease payments	<u>\$ 262,219</u>

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 13. 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. MPB contributes to the State's internal service risk management fund based on actuarially determined assessments and premiums charged by the State.

NOTE 14. Contingent Liabilities

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

NOTE 15. Related Party Transactions

Transactions with Component Unit

During the year ended June 30, 2011, the primary government received grant revenue totaling \$469,112 from its component unit, including \$27,913 owed by the Foundation to MPB as of June 30, 2011.

Cash and Investments

The Foundation has cash and investment accounts at a local bank, and one of the bank's officers was a member of the Foundation's board of directors. The fair market value of these accounts totaled \$1,397,564 at June 30, 2011.

Contributed Facilities Use

MPB and its component unit occupy buildings owned by the Institutions of Higher Learning (a State agency). The value of the facilities use in excess of the \$110,511 rent charged to MPB is estimated at \$466,892 for the year ended June 30, 2011 and is reflected in these financial statements as revenue and also as expense for the same amount.

Charges for Services

MPB had tower lease and production services revenue from other State agencies during the year ended June 30, 2011 totaling \$71,374 and \$266,487, respectively.

(Continued)

Notes to the Basic Financial Statements - Continued

NOTE 15. Related Party Transactions – Continued

Grants

During the year ended June 30, 2011, MPB received grant revenues from other State agencies totaling \$977.

Appropriations

During the year ended June 30, 2011, MPB received appropriation transfers from the State's General Fund and Education Enhancement Fund totaling \$7,527,411.

In addition, the State Office of Buildings, Grounds and Real Property transferred bond proceeds totaling \$2,179,862 to MPB during the year ended June 30, 2011 for MPB's use in completing capital projects.

Expenses

During the year ended June 30, 2011, MPB was charged fees by other agencies of the State of Mississippi for various services as follows:

Institutions of Higher Learning (facility costs)	\$ 110,511
Information Technology Services	123,735
Finance and Administration (insurance)	48,874
Finance and Administration (accounting)	21,524
Personnel Board	18,915
Other agencies	15,209
	<u>\$ 338,768</u>

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, 2011, the endowment assets were valued at \$48,096.

REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis, See Note A)	Variance with Final Budget Over (Under)
	Original	Final		
FUNDING SOURCES:				
State General Fund	\$ 5,913,653	\$ 5,663,653	\$ 5,663,653	\$ -
State Education Enhancement Fund	1,644,067	1,644,067	1,613,758	(30,309)
Special Funds	<u>4,253,920</u>	<u>8,242,075</u>	<u>6,635,646</u>	<u>(1,606,429)</u>
Total Funding Sources	<u>11,811,640</u>	<u>15,549,795</u>	<u>13,913,057</u>	<u>(1,636,738)</u>
EXPENDITURES:				
Current:				
Personal services:				
Salaries, wages and fringe benefits	6,392,787	6,574,237	5,850,687	(723,550)
Travel and subsistence	95,677	131,652	81,253	(50,399)
Contractual services	4,700,142	4,955,334	4,650,667	(304,667)
Commodities	314,496	423,605	288,259	(135,346)
Capital outlay:				
Equipment	288,538	3,439,967	1,380,545	(2,059,422)
Vehicles	<u>20,000</u>	<u>25,000</u>	<u>23,475</u>	<u>(1,525)</u>
Total Expenditures	<u>11,811,640</u>	<u>15,549,795</u>	<u>12,274,886</u>	<u>(3,274,909)</u>
NET CHANGE IN FUND BALANCE	-	-	1,638,171	1,638,171
FUND BALANCE, Beginning of Year	<u>-</u>	<u>-</u>	<u>3,108,052</u>	<u>3,108,052</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,746,223</u>	<u>\$ 4,746,223</u>

See accompanying note to budgetary comparison schedule.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2011

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	\$ 13,913,057
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.	228,131
GAAP basis deferred revenue is recognized as budgetary basis funding sources when received.	67,477
GAAP basis appropriations revenue that is reappropriated for use in the subsequent budget year is recorded as budgetary basis funding sources in the subsequent year.	250,000
Non-cash contributions are not reflected as budgetary basis funding sources.	<u>454,373</u>
Revenues and Other Financing Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 14,913,038</u>
Expenditures - Budgetary Comparison Schedule	\$ 12,274,886
Differences:	
Budgetary basis expenditures 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.	59,519
Non-cash contributions are not reflected as budgetary basis expenditures.	<u>454,373</u>
Expenditures and Other Financing Uses - Statement of Revenues, Expenses and Changes in Fund Balance	<u>\$ 12,788,778</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Grantor/ Program Title	Federal CFDA Number	Pass- Through Identifier	Program or Award Amount	Accrued (Deferred) Revenue at July 1, 2010	Receipts	Accrued (Deferred) Revenue at June 30, 2011	Expenditures
U.S. DEPARTMENT OF COMMERCE							
Public Telecommunications Facilities Planning and Construction:							
Direct	11.550	N/A	\$ 252,003	\$ -	\$ 252,003	\$ -	\$ 252,003
		N/A	125,160	-	125,160	-	125,160
				-	377,163	-	377,163
NATIONAL ENDOWMENT FOR THE HUMANITIES:							
Promotion of the Humanities-Federal/State Partnership:							
Passed through Mississippi Humanities Council	45.129	RG10-08-110	2,632	-	-	2,632	2,632
NATIONAL SCIENCE FOUNDATION							
Geosciences:							
Passed through the University of Southern Mississippi	47.050	USM-GR04064-A10	75,000	-	62,872	-	62,872
U.S. DEPARTMENT OF ENERGY							
ARRA-Energy Efficiency and Conservation Block Grant Program:							
Passed through Mississippi Development Authority	81.128	ARR050-GT11-0311-0001	77,900	-	-	9,848	9,848
U.S. DEPARTMENT OF EDUCATION							
Ready to Teach:							
Passed through Public Broadcasting Service	84.286	U286A050005	6,800	-	5,000	(1,366)	3,634
Passed through Alabama Public Television	84.286	U286A050018	224,112	31,535	70,218	53,119	91,802
		Year 5		31,535	75,218	51,753	95,436

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year Ended June 30, 2011

Federal Grantor/ Program Title	Federal CFDA Number	Pass- Through Identifier	Program or Award Amount	Accrued (Deferred) Revenue at July 1, 2010	Receipts	Accrued (Deferred) Revenue at June 30, 2011	Expenditures
U.S. DEPARTMENT OF EDUCATION: (Continued)							
Ready-to-Learn Television:							
Passed through Corporation for Public Broadcasting	84,295	10519	200,000	14,130	65,000	-	50,870
Total U.S. Department of Education				45,665	140,218	51,753	146,306
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Disaster Grants - Public Assistance (Presidentially Declared Disasters):							
Passed through Mississippi Emergency Management Agency	97,036	1604-DR-MS 1906-DR-MS	501,385 3,665	49,192 3,665	27,154 3,665	22,038 -	- -
				52,857	30,819	22,038	-
GRAND TOTAL -- ALL PROGRAMS				\$ 98,522	\$ 611,072	\$ 86,271	\$ 598,821

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

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE AND INTERNAL CONTROL

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

415 E. CAPITOL
JACKSON, MISSISSIPPI 39201
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

MEMBERS
AMERICAN INSTITUTE
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 unit and remaining fund information of the Mississippi Authority for Educational Television (MPB) as of and for the year ended June 30, 2011, which collectively comprise Mississippi Authority for Educational Television's basic financial statements, and have issued our report thereon dated October 24, 2011. 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. 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, we considered MPB'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 MPB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MPB's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

(Continued)

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 deficiencies described in the accompanying schedule of findings and questioned cost as items 2011-1 and 2011-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MPB's financial statements are free of 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MPB's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors of MPB, 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 + Jones Co.

October 24, 2011

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

415 E. CAPITOL
JACKSON, MISSISSIPPI 39201
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

MEMBERS
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
MISSISSIPPI SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 Mississippi Authority for Educational Television's (MPB) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on MPB's major federal program for the year ended June 30, 2011. MPB'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 MPB's management. Our responsibility is to express an opinion on MPB's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 MPB'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 MPB's compliance with those requirements.

In our opinion, MPB complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

(Continued)

Internal Control Over Compliance

The management of MPB 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 MPB's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 MPB's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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 MPB, 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.

October 24, 2011

Tamm, Brown + Ruess Co.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified that are 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 that are 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 Telecommunications Facilities
Planning and Construction

Dollar threshold used to distinguish Between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-1 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 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.

2011-2 Material Weakness – Capital Assets

- Criteria: The cost recorded for a capital asset should include all costs necessary to put the asset into service. As described in the definition section of the Property Officers Manual issued by the Office of the State Auditor:
- Fixed Assets... include land, buildings, land improvements, machinery, furniture, infrastructure and other equipment... All of the costs required to get the assets in existing condition and location are capitalized (i.e., cost of negotiations, finders fees, installation, breaking in, etc.).

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year Ended June 30, 2011

2011-2 Material Weakness – Capital Assets - Continued

Condition: We noted that equipment related to some large projects had not yet been itemized and recorded in MPB's property management system as of the fiscal year end. We also noted that the costs reflected in MPB's property system for items related to several large projects did not include fees charged by engineering firms and installation and overhead fees charged by contractors. In addition, certain discounts given by contractors for purchasing equipment components as a package were not allocated as reductions of the recorded equipment costs.

Cause: The contracts for these large equipment projects included numerous items of equipment as well as various other contractor charges and discounts that were not specifically identified with individual pieces of equipment in the contracts. Similarly, engineering fees and installation fees charged by contractors other than the contractor from whom the equipment was purchased were often not easily identifiable with specific pieces of equipment. Therefore, the amounts recorded in the property management system were usually obtained solely from the portions of the contracts that specifically itemized the direct cost of each piece of equipment. In addition, delayed receipt of cost breakdowns from contractors resulted in some equipment not being recorded by year end.

Effect: The costs recorded in MPB's property management system do not accurately reflect the costs that were incurred by MPB to put the assets into service. As a result, it has become necessary to account for additional capital asset costs and depreciation thereon outside of the property management system in order to properly reflect capital assets in the annual financial statements.

Recommendation: Procedures should be implemented to properly capture all costs necessary to put an asset into service when recording an asset in the property management system. In addition, large projects should be monitored to ensure that adequate cost breakdowns are provided in a timely manner by contractors.

Response: MPB will implement procedures to ensure the timely allocation of project costs and discounts to the various identifiable assets in order to properly record the assets in the property management system in the period that they are acquired.

(Continued)

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year Ended June 30, 2011

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, 2011

No audit findings were reported in the audit of the year ended June 30, 2010.