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**MISSISSIPPI AUTHORITY FOR
EDUCATIONAL TELEVISION**

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

June 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Foundation for Public Broadcasting in Mississippi, Inc. (discretely presented component unit), which represents 5.9 percent, 10.1 percent, and 11.4 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation for Public Broadcasting in Mississippi, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation for Public Broadcasting in Mississippi, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mississippi Authority for Educational Television as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Mississippi Authority for Educational Television are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the State of Mississippi that is attributable to the transactions of the Mississippi Authority for Educational Television and its component unit. They do not purport to, and do not present fairly the financial position of the State of Mississippi as of June 30, 2016, or the changes in its financial position in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of MPB's Proportionate Share of the Net Pension Liability and the Schedule of MPB's Contributions on pages 4 - 11 and 41 - 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the Mississippi Authority for Educational Television's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Authority for Educational Television's internal control over financial reporting and compliance.

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

REA, SHAW, GIFFIN & STUART, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Introduction and Reporting Entity

The following discussion and analysis of Mississippi Authority for Educational Television d/b/a Mississippi Public Broadcasting (the Agency) and its component unit's financial performance provides an overview of the Agency and its component unit's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the Agency and its component unit's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the Agency's financial performance.

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

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

Financial Highlights

- Total net position for 2016 decreased \$2,309,682 from the previous year. Net position totaled \$11,852,705 for FY 2016 compared with \$14,162,387 for FY 2015. This decrease is due primarily to the adjustment to record the net pension liability.
- The Agency's total General Fund expenditures as reflected on the Fund Financial Statements on page 16 were relatively comparable to the prior year. Expenditures totaled \$12,098,531 in 2016, compared to \$11,369,896 in 2015, a \$728,635 increase in operations.
- The major source of financial support available to the Agency in 2016 was in the form of appropriations and transfers from the State of Mississippi (the State). These resources decreased by \$172,139 in FY 2016 as a result of budget cuts by the State.

Overview of the Financial Statements

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

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

Our analysis of the total Agency begins on page 6. One of the most important questions asked about the Agency's finances is, "Is the Agency, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Agency as a whole and about its activities.

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

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

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

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

Reporting the Agency's Funds

Fund Financial Statements

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

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Financial Analysis of the Statements

The Agency's condensed financial statements represented below for FY 2016 and FY 2015 are for Governmental Activities only.

Net position

Net position may serve over time as a useful indicator of the Agency's financial position. Assets exceeded liabilities by \$11,852,705 as of June 30, 2016.

Condensed Statement of Net Position

	2016	2015
Current and other assets	\$ 4,860,734	\$ 4,805,682
Capital assets	<u>17,014,901</u>	<u>19,129,189</u>
Total assets	<u>\$ 21,875,635</u>	<u>\$ 23,934,871</u>
Deferred Outflows	<u>\$ 2,277,708</u>	<u>\$ 793,731</u>
Current liabilities	\$ 451,026	\$ 405,860
Long-term liabilities	<u>10,925,865</u>	<u>8,928,693</u>
Total liabilities	<u>\$ 11,376,891</u>	<u>\$ 9,334,553</u>
Deferred Inflows	<u>\$ 923,747</u>	<u>\$ 1,231,662</u>
Net position		
Net investment in capital assets	\$ 17,014,901	\$ 19,129,189
Restricted	213,537	213,066
Unrestricted	<u>(5,375,733)</u>	<u>(5,179,868)</u>
Total net position	<u>\$ 11,852,705</u>	<u>\$ 14,162,387</u>

Changes in net position

The Agency's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$12,133,645 and \$12,393,761, respectively. The total cost of all programs and services was \$14,443,327 for 2016 and \$13,655,630 for 2015.

Condensed Changes in Net Position

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 640,494	\$ 772,263
Operating grants and contributions	600	74,103
Capital grants and contributions	-	3,678
General revenues:		
State appropriations	7,754,659	7,926,798
Contributed state facilities use	501,595	557,308
Grants	2,863,062	2,707,209
Other	<u>373,235</u>	<u>352,402</u>
Total revenues	<u>\$ 12,133,645</u>	<u>\$ 12,393,761</u>
Expenses:		
Programming and production	\$ 5,416,310	\$ 4,977,384
Educational services	973,257	1,110,977
Broadcasting and technical services	5,191,850	5,173,470
Management and general	1,939,035	1,818,349
Pension expense	<u>922,875</u>	<u>575,450</u>
Total expenses	<u>\$ 14,443,327</u>	<u>\$ 13,655,630</u>
Change in net position	<u>\$ (2,309,682)</u>	<u>\$ (1,261,869)</u>
Net position - beginning, as previously reported	\$ 14,162,387	\$ 24,444,640
Prior period adjustment	<u>-</u>	<u>(9,020,384)</u>
Net position - beginning, as restated	<u>\$ 14,162,387</u>	<u>\$ 15,424,256</u>
Net position - ending	<u>\$ 11,852,705</u>	<u>\$ 14,162,387</u>

To aid in the understanding of the Statement of Activities on page 13, some additional explanation is provided. Comparative information is provided for the program areas in FY 2015. The Programming and Production activities make up a large portion of expenses (38% in FY 2016). This program area is responsible for development of services and content that is offered via a variety of mediums. It has three major departments: purchased and produced Television Programming, News and Public Affairs, and Radio Programming and Production. You will notice that expenses by program are listed first in the Statement of Activities and then reduced by program revenues to arrive at a net expense from operations. The portion that is financed through general revenues is listed separately and deducted from net expenses to reflect the total change in net assets. The reason for this format is to highlight the portion of the activities by program that is self-financing through fees and grants.

THE AGENCY'S FUNDS

The following schedule presents a summary of General Fund revenues and expenditures for the fiscal year ended June 30, 2016, compared to the previous year.

Changes in Fund Balance (in thousands)

	2016	2015
Revenues and Other Financing Sources (Uses)		
Transfers In:		
State appropriations	\$ 7,755	\$ 7,927
Other state agencies	502	557
Federal and state grants	-	4
Charges for services	716	772
Corporation for Public Broadcasting grants	1,939	1,925
Foundation for Public Broadcasting in Miss. grants	585	782
Other grants	-	74
Other revenue	<u>639</u>	<u>353</u>
Total Revenues and Other Financing Sources	<u>\$ 12,136</u>	<u>\$ 12,394</u>
Expenditures		
Current:		
Programming and production	\$ 5,590	\$ 5,115
Educational services	1,031	1,174
Broadcasting and technical services	3,168	3,002
Management and general	2,117	2,054
Capital outlay	<u>193</u>	<u>25</u>
Total Expenditures	<u>\$ 12,099</u>	<u>\$ 11,370</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	<u>\$ 37</u>	<u>\$ 1,024</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Agency revised the annual operating budget to address changes needed within various expenditure categories of the budget. The overall totals for funding sources and expenditures remained the same in the original and final budgets. The original and final year-end budget information is shown in the Budgetary Comparison Schedule on page 41.

CAPITAL ASSETS

As of June 30, 2016, the Agency's total capital assets were \$48,612,101, including land, buildings, furniture and equipment, and infrastructure at year-end. Total accumulated depreciation as of June 30, 2016 was \$31,597,200 and total depreciation expense for the year was \$2,305,406, resulting in total net capital assets of \$17,014,901.

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

	2016	2015
Land	\$ 51	\$ 51
Building	1,706	1,706
Furniture and equipment	39,701	39,524
Infrastructure	7,154	7,154
Less accumulation depreciation	<u>(31,597)</u>	<u>(29,306)</u>
Capital assets, net	<u>\$ 17,015</u>	<u>\$ 19,129</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency, as a unit of State government, relies heavily upon State appropriations to fund its operating activities. State revenue directly affects the funding level of the Agency as a whole. State appropriations represented 65% of the Agency's 2016 total general fund revenues and other financing sources. State funding is expected to remain at the same level in 2016 due to the State currently forecasting 2016 revenues ahead of budgeted estimates. This should be a positive sign for the Agency's appropriation in 2017. In order to continue operations at its current level, the Agency continues to exercise prudent budgeting practices and seeks other alternative sources of revenue.

In FY2016, the Agency continued to position itself to remain as the State's lifeline of communication for citizens during a disaster. In 2017, the Agency will continue to focus its attention on its role in the State's disaster plan along with strategic urgencies identified by the Board. The Board has identified the need to address the Agency's future funding from the State Legislature, to seek new funding paradigms, and to identify available funding resources for system upgrades.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT OFFICE

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
FINANCIAL STATEMENTS

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET POSITION June 30, 2016 (With Comparative Totals for June 30, 2015)

	Primary Governmental			
	Governmental	Component	Totals	
	Activities	Unit	2016	2015
ASSETS				
Cash and cash equivalents	\$ 4,302,662	\$ 98,443	\$ 4,401,105	\$ 5,081,618
Investments	-	85,522	85,522	288,594
Receivables:				
Unconditional promises to give	-	226,361	226,361	250,823
Intergovernmental	308,073	-	308,073	243,335
Other	133,562	-	133,562	233,778
Prepaid broadcast rights and other items	116,437	13,419	129,856	151,502
Investments held for long-term purposes	-	103,969	103,969	102,850
Interest in investments held by a community foundation	-	800,590	800,590	-
Interest in charitable trust	-	20,287	20,287	23,959
Capital assets:				
Land and construction in-progress	51,386	-	51,386	51,386
Other capital assets, net of depreciation	16,963,515	15,738	16,979,253	19,082,510
Total assets	<u>\$ 21,875,635</u>	<u>\$ 1,364,329</u>	<u>\$ 23,239,964</u>	<u>\$ 25,510,355</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,277,708</u>	<u>\$ -</u>	<u>\$ 2,277,708</u>	<u>\$ 793,731</u>
LIABILITIES				
Accounts payable	\$ 382,706	\$ 338	\$ 383,044	\$ 371,717
Due to other governments	28,320	-	28,320	7,742
Accrued compensated absences:				
Current	40,000	-	40,000	40,000
Noncurrent	414,406	26,958	441,364	465,520
Net pension liability	10,511,459	-	10,511,459	8,496,718
Total liabilities	<u>\$ 11,376,891</u>	<u>\$ 27,296</u>	<u>\$ 11,404,187</u>	<u>\$ 9,381,697</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 923,747</u>	<u>\$ -</u>	<u>\$ 923,747</u>	<u>\$ 1,231,662</u>
NET POSITION				
Net investment in capital assets	<u>\$ 17,014,901</u>	<u>\$ 15,738</u>	<u>\$ 17,030,639</u>	<u>\$ 19,133,896</u>
Restricted for:				
Capital projects	\$ 213,537	\$ -	\$ 213,537	\$ 213,066
Subsequent year	-	273,733	273,733	236,815
Specific activities	-	55,602	55,602	60,071
Nonexpendable permanent endowment	-	10,000	10,000	10,000
Total restricted	<u>\$ 213,537</u>	<u>\$ 339,335</u>	<u>\$ 552,872</u>	<u>\$ 519,952</u>
Unrestricted	<u>\$ (5,375,733)</u>	<u>\$ 981,960</u>	<u>\$ (4,393,773)</u>	<u>\$ (3,963,121)</u>
Total net position	<u>\$ 11,852,705</u>	<u>\$ 1,337,033</u>	<u>\$ 13,189,738</u>	<u>\$ 15,690,727</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Grants and Contributions		Primary Government	Component Unit	2016 Totals	2015 Totals
			Operating	Capital				
PRIMARY GOVERNMENT								
Governmental Activities:								
Programming and production	\$ 5,416,310	\$ 376,347	\$ 264,747	\$ -	\$ (4,775,216)	\$ -	\$ (4,775,216)	\$ (4,867,992)
Educational services	973,257	-	-	-	(973,257)	-	(973,257)	(927,916)
Broadcasting and technical services	5,191,850	-	-	-	(5,191,850)	-	(5,191,850)	(4,696,560)
Management and general	1,939,035	-	-	-	(1,939,035)	-	(1,939,035)	(1,737,668)
Pension expense	922,875	-	-	-	(922,875)	-	(922,875)	(575,450)
Total primary government	<u>\$ 14,443,327</u>	<u>\$ 376,347</u>	<u>\$ 264,747</u>	<u>\$ -</u>	<u>\$ (13,802,233)</u>	<u>\$ -</u>	<u>\$ (13,802,233)</u>	<u>\$ (12,805,586)</u>
COMPONENT UNIT								
Foundation for Public Broadcasting in Mississippi, Inc.	<u>\$ 1,755,731</u>	<u>\$ 3,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,752,603)</u>	<u>\$ (1,752,603)</u>	<u>\$ (2,029,653)</u>
GENERAL REVENUES								
State appropriations					\$ 7,754,659	\$ -	\$ 7,754,659	\$ 7,926,798
Contributed facilities use from a state agency					501,595	-	501,595	557,308
Grants not restricted to specific programs					2,863,062	1,544,850	4,407,912	4,408,292
Investment and other income					374,820	16,446	391,266	357,083
Loss on sale of capital assets					(1,585)	-	(1,585)	-
Total general revenues					<u>\$ 11,492,551</u>	<u>\$ 1,561,296</u>	<u>\$ 13,053,847</u>	<u>\$ 13,249,481</u>
CHANGE IN NET POSITION					<u>\$ (2,309,682)</u>	<u>\$ (191,307)</u>	<u>\$ (2,500,989)</u>	<u>\$ (1,585,758)</u>
NET POSITION - Beginning of year, as previously reported					\$ 14,162,387	\$ 1,528,340	\$ 15,690,727	\$ 26,296,869
Prior period adjustment					-	-	-	(9,020,384)
NET POSITION - Beginning of year, as restated					<u>\$ 14,162,387</u>	<u>\$ 1,528,340</u>	<u>\$ 15,690,727</u>	<u>\$ 17,276,485</u>
NET POSITION - End of year					<u>\$ 11,852,705</u>	<u>\$ 1,337,033</u>	<u>\$ 13,189,738</u>	<u>\$ 15,690,727</u>

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

Source: DFA Audit Reports received from CPA firms; ZBL3 Report obtained from MAGIC

Purpose: To tie out CPA audited funds to the ZBL3 report to ensure CAFR amounts agree to final, audited balances.

Conclusion: See conclusion on recon at

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS – GOVERNMENTAL FUND

June 30, 2016 and 2015

		General Fund	
		2016	2015
ASSETS			
Cash		\$ 4,302,662	\$ 4,185,320
Receivables:			
Intergovernmental		308,073	243,334
Other		<u>133,562</u>	<u>233,778</u>
Total assets		<u>\$ 4,744,297</u>	<u>\$ 4,662,432</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable		\$ 382,706	\$ 358,118
Due to other governments		<u>28,320</u>	<u>7,742</u>
Total liabilities		<u>\$ 411,026</u>	<u>\$ 365,860</u>
FUND BALANCE			
Restricted for capital projects		\$ 213,537	\$ 213,066
Unassigned		<u>4,119,734</u>	<u>4,083,506</u>
Total fund balances		<u>\$ 4,333,271</u>	<u>\$ 4,296,572</u>
Total liabilities and fund balances		<u>\$ 4,744,297</u>	<u>\$ 4,662,432</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEETS – GOVERNMENTAL FUND (continued)

June 30, 2016 and 2015

	<u>General Fund</u>	
	2016	2015
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Fund balance - governmental fund	\$ 4,333,271	\$ 4,296,572
Amounts reported for governmental activities in the statement of net position are different because:		
Prepaid broadcast rights and other items are not financial resources and therefore are not reported in the fund as assets.	116,437	143,249
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund as assets (net of accumulated depreciation).	17,014,901	19,129,189
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(10,511,459)	(8,496,718)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	2,277,708	793,731
Deferred inflows of resources related to pensions	(923,747)	(1,231,662)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund as liabilities.	(454,406)	(471,975)
Rounding	<u>-</u>	<u>1</u>
Net position - governmental activities	<u>\$ 11,852,705</u>	<u>\$ 14,162,387</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

For the Years Ended June 30, 2016 and 2015

	<u>General Fund</u>	
	2016	2015
REVENUES		
Intergovernmental:		
Federal grants:		
Other	\$ -	\$ 3,678
Charges for services:		
State agencies	-	22,916
Other	716,099	749,347
Interest income	13,764	16,566
Miscellaneous:		
Corporation for Public Broadcasting grants	1,938,590	1,924,953
Foundation for Public Broadcasting in Mississippi grants	584,719	782,256
Other grants	264,147	74,103
Other revenue	<u>361,657</u>	<u>335,835</u>
Total revenues	<u>\$ 3,878,976</u>	<u>\$ 3,909,654</u>
EXPENDITURES		
Current:		
Programming and production	\$ 5,589,933	\$ 5,115,244
Educational services	1,030,707	1,174,071
Broadcasting and technical services	3,168,367	3,001,967
Management and general	2,116,744	2,053,775
Capital outlay	<u>192,780</u>	<u>24,839</u>
Total expenditures	<u>\$ 12,098,531</u>	<u>\$ 11,369,896</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>\$ (8,219,555)</u>	<u>\$ (7,460,242)</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

For the Years Ended June 30, 2016 and 2015

	<u>General Fund</u>	
	2016	2015
OTHER FINANCING SOURCES (USES):		
Transfers from other state agencies:		
State General Fund appropriations	\$ 5,654,711	\$ 5,807,832
State Education Enhancement Fund appropriations	2,099,948	2,118,966
State Institutions of Higher Learning - contributed facilities use	<u>501,595</u>	<u>557,308</u>
Total other financing sources	<u>\$ 8,256,254</u>	<u>\$ 8,484,106</u>
NET CHANGE IN FUND BALANCE	\$ 36,699	\$ 1,023,864
FUND BALANCE, Beginning of year	<u>4,296,572</u>	<u>3,272,708</u>
FUND BALANCE, End of year	<u><u>\$ 4,333,271</u></u>	<u><u>\$ 4,296,572</u></u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

For the Years Ended June 30, 2016 and 2015

	<u>General Fund</u>	
	2016	2015
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balance - governmental fund	\$ 36,699	\$ 1,023,864
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets which exceed the capitalization threshold are allocated over their estimated useful lives as depreciation expense:		
Capital outlay expenditures capitalized	192,703	84,141
Depreciation expense	(2,305,406)	(2,458,713)
Loss on sale of capital assets	(1,585)	-
Adjustments	-	(2,882)
Governmental funds report broadcast rights and production costs as expenditures when incurred. However, in the statement of activities, these costs are expensed over the related broadcast periods. This is the amount of the difference between the incurred costs and the amount expensed.	(26,812)	30,677
Change in pension expense	(922,875)	(575,450)
Contributions made subsequent to the measurement date	700,026	661,185
Governmental funds do not report the change in the accrued compensated absences liability as an expense because it does not require the use of current financial resources. This is the amount of the change in the liability.	17,569	(24,692)
Rounding	<u>(1)</u>	<u>1</u>
Change in net position - governmental activities	<u>\$ (2,309,682)</u>	<u>\$ (1,261,869)</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

June 30, 2016 and 2015

	Cafeteria Plan Agency Fund	
	2016	2015
ASSETS		
Cash	<u>\$ 21,758</u>	<u>\$ 19,813</u>
LIABILITIES		
Amounts held in custody for others	<u>\$ 21,758</u>	<u>\$ 19,813</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENTS OF NET POSITION – COMPONENT UNIT

June 30, 2016 and 2015

	Foundation for Public Broadcasting in Mississippi, Inc.	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 98,443	\$ 896,298
Investments	85,522	288,594
Receivables:		
Unconditional promises to give	226,361	250,823
Prepaid expenses	13,419	8,253
Investments held for long-term purposes	103,969	102,850
Interest in investments held by a community foundation	800,590	-
Interest in charitable trust	20,287	23,959
Capital assets, net of depreciation	<u>15,738</u>	<u>4,707</u>
Total assets	<u>\$ 1,364,329</u>	<u>\$ 1,575,484</u>
LIABILITIES		
Accounts payable	\$ 338	\$ 13,599
Accrued compensated absences	<u>26,958</u>	<u>33,545</u>
Total liabilities	<u>\$ 27,296</u>	<u>\$ 47,144</u>
NET POSITION		
Net investment in capital assets	<u>\$ 15,738</u>	<u>\$ 4,707</u>
Restricted for:		
Subsequent year	\$ 273,733	\$ 236,815
Specific activities	55,602	60,071
Nonexpendable permanent endowment	<u>10,000</u>	<u>10,000</u>
Total restricted	<u>\$ 339,335</u>	<u>\$ 306,886</u>
Unrestricted	<u>\$ 981,960</u>	<u>\$ 1,216,747</u>
Total net position	<u><u>\$ 1,337,033</u></u>	<u><u>\$ 1,528,340</u></u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES – COMPONENT UNIT

For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for	Grants and Contributions		Totals	
		Services	Operating	Capital	2016	2015
FOUNDATION FOR PUBLIC BROADCASTING IN MISSISSIPPI, INC.						
Program information and promotion	\$ 157,502	\$ -	\$ -	\$ -	\$ (157,502)	\$ (173,084)
Grants to Mississippi Authority for Educational Television	584,719	-	-	-	(584,719)	(782,256)
Media services	-	3,128	-	-	3,128	1,082
Fundraising	725,226	-	-	-	(725,226)	(777,240)
Management and general	288,284	-	-	-	(288,284)	(298,155)
Total component unit	<u>\$ 1,755,731</u>	<u>\$ 3,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,752,603)</u>	<u>\$ (2,029,653)</u>
GENERAL REVENUES						
Grants not restricted to specific programs					\$ 1,544,850	\$ 1,701,083
Investment and other income					16,446	4,681
Total general revenues					<u>\$ 1,561,296</u>	<u>\$ 1,705,764</u>
CHANGE IN NET POSITION					\$ (191,307)	\$ (323,889)
NET POSITION, Beginning of year					<u>1,528,340</u>	<u>1,852,229</u>
NET POSITION, End of year					<u>\$ 1,337,033</u>	<u>\$ 1,528,340</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

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

Financial Reporting

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-wide Financial Statements:

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

Fund Financial Statements:

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

The funds of MPB are described below:

- **Governmental Fund**

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

- **Fiduciary Fund**

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

Measurement Focus and Basis of Accounting

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus:

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

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

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

Basis of Accounting:

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

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

Appropriations/Allotment Balance

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

the fiscal year.” Section 7-7-23, Miss. Code Ann. (1972), provides that purchase orders covering purchases of equipment, supplies, materials or services of whatever kind or nature for any department or agency to be paid for out of funds appropriated for any fiscal year are required to be executed by June 30, of the fiscal year. These purchase orders must be filed and received by the Department of Finance and Administration within five working days after June 30, and are considered obligations against the State. Appropriated funds are disbursed for these obligations until August 31, and any appropriations that remain undisbursed at August 31, lapse to the appropriating fund of the State of Mississippi to be used for appropriations in the following fiscal year.

Cash and Investments

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

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

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

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

Receivables

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

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

Prepaid Broadcast Rights, Production Costs, and Production Revenue

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

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

Capital Assets

Government-Wide Statements:

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Fund Financial Statements:

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

Unearned Revenue

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

Accrued Compensated Absences

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

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

Equity Classifications

Government-wide Statements:

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

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

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

Fund Financial Statements:

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Prior-Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with MPB's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Estimates

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

Note 2. Investments

All of the Foundation's investments at June 30, 2016, were valued using a Level 1 fair value measurement based on quoted market prices from brokers and banks.

The Foundation's investments at June 30, 2016, consist of the following types of investments at fair market value:

Fixed income mutual fund shares	<u>\$ 85,522</u>
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MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 2. Investments (continued)

The Foundation's investments held for long-term purposes at June 30, 2016 consist of the following types of investments at fair market value:

Fixed income mutual fund shares	\$ 48,616
Equity mutual fund shares	47,491
International equity mutual fund shares	<u>7,862</u>
Held for endowment purposes (including both donor-restricted and board-designated)	<u>\$ 103,969</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, 2016:

Membership contributions	\$ 266,507
Allowance for uncollectible amounts	<u>(40,146)</u>
	<u>\$ 226,361</u>

Note 4. Interest in Charitable Trust

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 5. Capital Assets

The primary government's capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance 6/30/2016</u>
Capital assets not being depreciated:				
Land	\$ 51,386	\$ -	\$ -	\$ 51,386
Total not being depreciated	\$ 51,386	\$ -	\$ -	\$ 51,386
Other capital assets:				
Buildings	\$ 1,706,520	\$ -	\$ -	\$ 1,706,520
Furniture and equipment	39,523,793	192,703	(15,845)	39,700,651
Infrastructure	<u>7,153,544</u>	<u>-</u>	<u>-</u>	<u>7,153,544</u>
Total other capital assets	\$ <u>48,383,857</u>	\$ <u>192,703</u>	\$ <u>(15,845)</u>	\$ <u>48,560,715</u>
Accumulated depreciation:				
Buildings	\$ (704,356)	\$ (24,418)	\$ -	\$ (728,774)
Furniture and equipment	(24,413,103)	(2,093,627)	14,260	(26,492,470)
Infrastructure	<u>(4,188,595)</u>	<u>(187,361)</u>	<u>-</u>	<u>(4,375,956)</u>
Total accumulated depreciation	\$ <u>(29,306,054)</u>	\$ <u>(2,305,406)</u>	\$ <u>14,260</u>	\$ <u>(31,597,200)</u>
Other capital assets, net	\$ <u>19,077,803</u>	\$ <u>(2,112,703)</u>	\$ <u>(1,585)</u>	\$ <u>16,963,515</u>
Capital assets, net	\$ <u>19,129,189</u>	\$ <u>(2,112,703)</u>	\$ <u>(1,585)</u>	\$ <u>17,014,901</u>

MPB's depreciation expense for the year ended June 30, 2016, was as follows:

Programming and production	\$ 115,270
Broadcasting and technical services	2,167,082
Management and general	<u>23,054</u>
Total depreciation expense	\$ <u>2,305,406</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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, 2016, was as follows:

	Balance 7/1/2015	Additions	Disposals	Balance 6/30/2016
Furniture and equipment	\$ 86,356	\$ 13,408	\$ (17,110)	\$ 82,654
Accumulated depreciation	<u>(81,649)</u>	<u>(2,377)</u>	<u>17,110</u>	<u>(66,916)</u>
Capital assets, net	<u>\$ 4,707</u>	<u>\$ 11,031</u>	<u>\$ -</u>	<u>\$ 15,738</u>

The Foundation's depreciation expense for the year ended June 30, 2016, was \$2,377.

Note 6. Accrued Compensated Absences

The following is a summary of changes in the accrued compensated absences liability for the year ended June 30, 2016:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
Primary government	<u>\$ 471,975</u>	<u>\$ 194,598</u>	<u>\$ (212,167)</u>	<u>\$ 454,406</u>	<u>\$ 40,000</u>
Component unit	<u>\$ 33,545</u>	<u>\$ -</u>	<u>\$ (6,587)</u>	<u>\$ 26,958</u>	<u>\$ -</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 7. Lease Revenues

MPB leases unneeded space on its transmitter towers to various governmental and commercial entities. Tower lease revenue totaled \$418,770 and \$494,241 during the years ended June 30, 2016 and June 30, 2015, respectively.

Future minimum lease revenues are as follows:

Fiscal years ending June 30,

2017	\$ 433,031
2018	36,086
2019	-
2020	-
2021	-
	<hr/>
	\$ 469,117

Note 8. Defined Benefit Pension Plan

Plan Description. MPB contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201, or by calling (601) 359-3589 or 1-800-444-PERS.

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 8. Defined Benefit Pension Plan (continued)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and MPB is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. MPB's contributions to PERS for the fiscal years ending June 30, 2016, 2015, and 2014 were \$700,026, \$661,185 and \$672,847, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, MPB reported a liability of \$10,511,459 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MPB's proportion of the net pension liability was based on a projection of MPB's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, MPB's proportion was 0.068 percent.

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 8. Defined Benefit Pension Plan (continued)

For the year ended June 30, 2016, MPB recognized pension expense of \$1,183,111. At June 30, 2016 MPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 246,633	\$ -
Net difference between projected and actual earnings on pension plan investments	615,033	923,747
Changes of assumptions	905,526	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	(189,510)	-
District contributions subsequent to the measurement date	<u>700,026</u>	<u>-</u>
Total	<u>\$ 2,277,708</u>	<u>\$ 923,747</u>

\$700,026 reported as deferred outflows of resources related to pensions resulting from MPB contributions subsequent to the measurement date, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 476,472
2017	476,472
2018	386,112
2019	153,758
2020	-
Thereafter	-

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 8. Defined Benefit Pension Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Combined Mortality Table Projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 8. Defined Benefit Pension Plan (continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MPB's proportionate share of the net pension liability to changes in the discount rate. The following presents MPB's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what MPB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
MPB's proportionate share of the net pension liability	\$ 13,855,066	\$ 10,511,459	\$ 7,736,890

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

Note 9. Defined Contribution Retirement Plans

The Foundation has a defined contribution retirement plan covering substantially all of its employees. The Foundation contributes 6% of covered employees' salaries. The Foundation's retirement plan expense for the year ended June 30, 2016, was \$21,564.

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 10. Commitments

MPB leases certain land, storage space, and equipment under operating leases. Total rental expense under operating leases (with initial terms in excess of one year) for the years ended June 30, 2016 and June 30, 2015, were \$34,386 and \$37,558, respectively.

The Foundation has several noncancelable operating leases for office equipment and storage space. The Foundation's rental expense was \$34,134 for the year ended June 30, 2016.

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

Fiscal years ending June 30,	Primary	
	<u>Government</u>	<u>Foundation</u>
2017	\$ 23,046	\$ 33,805
2018	7,423	31,200
2019	6,230	7,800
2020	6,230	-
2021	6,230	-
2022-2026	31,150	-
2027-2031	31,150	-
2032-2036	28,030	-
2037-2041	<u>16,350</u>	<u>-</u>
Total minimum lease payments	<u>\$ 155,839</u>	<u>\$ 72,805</u>

Note 11. Risk Management

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

Note 12. Contingent Liabilities

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 13. Related Party Transactions

Transactions with Component Unit

During the year ended June 30, 2016, the primary government recognized grant revenue totaling \$584,719 from its component unit.

Contributed Facilities Use

MPB and its component unit occupy buildings owned by the Institutions of Higher Learning (a State agency). The value of the facilities used in excess of the \$124,800 rent charged to MPB, is estimated at \$501,595 for the year ended June 30, 2016, and is reflected in these financial statements as revenue, and also as expense for the same amount.

Appropriations

During the year ended June 30, 2016, MPB received appropriation transfers from the State's General Fund and Education Enhancement Fund totaling \$7,926,798.

Expenses

During the year ended June 30, 2016, MPB was charged fees by other agencies of the State of Mississippi for various services as follows:

Institutions of Higher Learning (facility costs)	\$ 124,800
Information Technology Services	71,872
Finance and administration	26,502
Personnel board	19,007
Other agencies	<u>56,021</u>
	<u>\$ 298,202</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Note 13. Related Party Transactions (continued)

The Foundation paid \$6,555 for printing services during the year ended June 30, 2016, to a printing company that is owned by a member of the Foundation's board of directors.

Mississippi Ednet Institute, Inc.

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

Friends of ETV and PRM

Friends of ETV and PRM (Friends) was dissolved during the year ended June 30, 2007, and Friends' remaining funds were transferred to the Community Foundation of Greater Jackson in order to establish an endowment for the benefit of MPB. The Community Foundation of Greater Jackson owns and controls the endowment assets, determines the purpose and amount of endowment distributions, and can change the endowment's overall purpose or beneficiary. Therefore, the endowment is not reflected in these financial statements. As of June 30, 2016, the endowment assets were valued at \$43,170.

Note 14. Subsequent Events

MPB's management has evaluated subsequent events through December 5, 2016, which is the date that the financial statements were available to be issued.

On September 21, 2016, the Foundation adopted a dissolution plan effective November 1, 2016, which calls for the orderly transfer of the Foundation's remaining assets to MPB or the MPB Foundation after provision for the Foundation's debts and liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis, See Note A)	Variance with Final Budget Over (Under)
	Original	Final		
FUNDING SOURCES				
State General Fund	\$ 5,807,832	\$ 5,807,832	\$ 5,654,711	\$ (153,121)
State Education Enhancement Fund	2,118,966	2,118,966	2,099,948	(19,018)
Special Funds	9,107,074	9,107,074	3,243,928	(5,863,146)
Total funding sources	<u>\$ 17,033,872</u>	<u>\$ 17,033,872</u>	<u>\$ 10,998,587</u>	<u>\$ (6,035,285)</u>
EXPENDITURES				
Current:				
Personal services:				
Salaries, wages and fringe benefits	\$ 6,400,000	\$ 6,400,000	\$ 5,930,493	\$ (469,507)
Travel and subsistence	200,000	200,000	69,841	(130,159)
Contractual services	6,433,872	6,433,872	4,320,941	(2,112,931)
Commodities	2,000,000	2,000,000	537,245	(1,462,755)
Capital outlay:				
Equipment	2,000,000	2,000,000	192,703	(1,807,297)
Total expenditures	<u>\$ 17,033,872</u>	<u>\$ 17,033,872</u>	<u>\$ 11,051,223</u>	<u>\$ (5,982,649)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (52,636)	\$ (52,636)
FUND BALANCE, Beginning of year	-	-	3,855,881	3,368,854
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,803,245</u>	<u>\$ 3,316,218</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF MPB'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2016

	2016	2015
MPB's proportion of the total net pension liability	\$ 27,447,917	\$ 25,910,702
MPB's proportion of the plan net position	<u>16,936,458</u>	<u>17,413,984</u>
MPB's proportionate share of the net pension liability	<u>\$ 10,511,459</u>	<u>\$ 8,496,718</u>
MPB's covered-employee payroll	<u>\$ 4,465,747</u>	<u>\$ 4,220,179</u>
MPB's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	235%	201%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF MPB'S CONTRIBUTIONS

For the Year Ended June 30, 2016

	2016	2015
Contractually required contribution	\$ 700,026	\$ 661,185
Contributions in relation to the contractually required contribution	<u>700,026</u>	<u>661,185</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
MPB's covered-employee payroll	<u>\$ 4,465,747</u>	<u>\$ 4,220,179</u>
Contributions as a percentage of covered-employee payroll	15.68%	15.67%
Proportionate share percentage	0.068%	0.070%

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

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

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

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	\$ 10,998,587
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.	635,048
Non-cash contributions are not reflected as budgetary basis funding sources.	<u>501,595</u>
Revenues and Other Financing Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 12,135,230</u>
Expenditures - Budgetary Comparison Schedule	\$ 11,051,223
Differences:	
Budgetary basis expenditures include encumbrances at fiscal year end that were paid during two subsequent months, regardless of whether the goods or services were received prior to fiscal year end.	545,713
Non-cash contributions are not reflected as budgetary basis expenditures.	<u>501,595</u>
Expenditures and Other Financing Uses - Statement of Revenues, Expenses and Changes in Fund Balance	<u>\$ 12,098,531</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

Note B. Pension Schedules

(1) Changes in assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

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



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

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television (MPB) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Mississippi Authority for Educational Television's basic financial statements, and have issued our report thereon dated December 5, 2016. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as item 2016-1 to be a material weakness.

- 2016-1 Material Weakness — Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

MPB's Response to Findings

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

Purpose of this Report

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

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

REA, SHAW, GIFFIN & STUART, LLP