

**MISSISSIPPI AUTHORITY FOR
EDUCATIONAL TELEVISION**

AUDITED FINANCIAL STATEMENTS

June 30, 2018

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	4-10
FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Fund	13-14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	15-16
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	17
Component Unit Financial Statements:	
Statement of Net Position – MPB Foundation	18
Statement of Activities – MPB Foundation	19
Notes to Financial Statements	20-43
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	44
Notes to Required Supplementary Information	45
Schedules of MPB's Share of the Net Pension Liability	46
Schedules of MPB's Contributions	47
Notes to Required Supplementary Information	48-49
Schedule of MPB's Share of the Net OPEB Liability	50
Schedule of MPB's Contributions	51
Notes to Required Supplementary Information	52
SUPPLEMENTAL INFORMATION	
Combining Schedule of Revenues and Expenses	53
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 <i>GOVERNMENT AUDITING STANDARDS</i>	54-55



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

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

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

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

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

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Mississippi Authority for Educational Television's basic 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 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.

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, 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, 2018, 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, 2018, 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 management's discussion and analysis on pages 4-10, budgetary comparison information on pages 45-46, Schedule of MPB's Share of the Net Pension Liability, Schedule of MPB's Contributions for net pension liability, notes to required supplementary information on pages 47-49, Schedule of MPB's share of net OPEB liability, Schedule of MPB's Contributions for OPEB, and notes to required supplementary information on pages 50-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mississippi Authority for Educational Television's basic financial statements. The combining schedule of revenues and expenses is required by The Corporation for Public Broadcasting, a grantor agency. It is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019, on our consideration of the Mississippi Authority for Educational Television's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Authority for Educational Television's internal control over financial reporting and compliance.



REA, SHAW, GIFFIN & STUART, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS



Mississippi Public Broadcasting

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

Introduction and Reporting Entity

The following discussion and analysis of Mississippi Authority for Educational Television d/b/a Mississippi Public Broadcasting (the Agency) and its component unit's financial performance provides an overview of the Agency and its component unit's financial activities for the year ended June 30, 2018. 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 2018 decreased by \$3,138,683 to \$5,928,092. This decrease is due to the adjustment to record net OPEB liability, and a reduced capital asset position.
- The Agency's total General Fund expenditures are reflected in the Fund Financial Statements on page 15. Expenditures totaled \$10,264,166 in 2018, a \$657,767 decrease in operating expenses from prior year.
- Appropriations and transfers from the State of Mississippi (the State) are the major source of financial support available to the Agency, followed by support from MPB Foundation. State funding was consistent from 2017 to 2018.



Overview of the Financial Statements

The Agency's financial statements present the Agency (the primary governmental public broadcasting entity) and its component unit, MPB Foundation (the Foundation) for 2018 and 2017. The Foundation raises funds for the Agency and provides grants to the Agency derived from fundraising efforts. It is legally separate from the Agency and is reported in a separate column in the government-wide financial statements. The Foundation's audited financial statements are issued under separate cover and are available upon request from the Foundation.

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

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

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) 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 13 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 13 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 end 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, and related deferred inflows and outflows of resources, is not due and payable in the current period and, therefore, is not reported in the fund financial statements.

Net OPEB liability, and related deferred inflows and outflows of resources, 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 and Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents budgetary comparison schedules, net pension liability schedules, and net OPEB liabilities schedules as required supplementary information. These schedules are provided as required by the Governmental Accounting Standards Board. Additionally, The Corporation for Public Broadcasting requires a schedule reconciling the TV and Radio operations to the operations as a whole. That schedule is included at page 53.

Financial Analysis of the Statements

The Agency's condensed financial statements represented below for fiscal year 2018 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 \$5,928,092 as of June 30, 2018.

Condensed Statement of Net Position

Current and other assets	\$ 4,986,748
Capital assets	<u>12,903,642</u>
Total assets	<u>\$ 17,890,390</u>
Deferred outflows	<u>\$ 2,027,987</u>
Current liabilities	\$ 338,913
Long-term liabilities	<u>11,639,063</u>
Total liabilities	<u>\$ 11,977,976</u>
Deferred inflows	<u>\$ 2,012,309</u>
Net position	
Net investment in capital assets	\$ 12,903,642
Restricted	214,040
Unrestricted	<u>(7,189,590)</u>
Total net position	<u>\$ 5,928,092</u>

Condensed Changes in Net Position

The Agency's total revenues for the fiscal year ended June 30, 2018 were \$10,477,481. The total cost of all programs and services was \$12,653,473 for 2018.

Revenues

Program revenues:	
Charges for services	\$ 542,254
Operating grants	2,195,495
General revenues:	
State appropriations	6,099,967
Contributed state facilities use	434,249
Grants and tower revenue	1,147,549
Other	<u>57,967</u>
Total revenues	<u>\$ 10,477,481</u>

Expenses

Programming and production	\$ 4,709,038
Educational services	807,386
Broadcasting and technical services	3,932,917
Management and general	2,148,872
Pension expense	1,034,851
OPEB expense	<u>20,409</u>
Total expenses	<u>\$ 12,653,473</u>

Change in net position	\$ (2,175,992)
Net position - beginning	8,807,187
Impacts of prior period adjustments	<u>(703,103)</u>
Net position - ending	<u>\$ 5,928,092</u>

To aid in the understanding of the Statement of Activities on page 12, some additional explanation is provided. The Programming and Production activities make up a large portion of expenses (35% in FY 2018). 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 position. 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, 2018.

Changes in Fund Balance (in thousands)

Revenues and other financing sources (uses)

Transfers in:

State appropriations	\$	6,100
Other state agencies		434
Charges for services		542
Corporation for Public Broadcasting grants		1,844
MPB Foundation grants		700
Other revenue		873

Total revenues and other financing sources \$ 10,493

Expenditures

Current:

Programming and production	\$	4,685
Educational services		685
Broadcasting and technical services		2,663
Management and general		2,113
Capital outlay		118

Total expenditures \$ 10,264

Excess of revenues and other financing sources over expenditures

\$ 229

CAPITAL ASSETS

As of June 30, 2018, the Agency's total capital assets were \$46,724,240, including land, buildings, furniture and equipment, and infrastructure at year-end. Total accumulated depreciation as of June 30, 2018 was \$33,820,598 and total depreciation expense for the year was \$2,096,000, resulting in total net capital assets of \$12,903,642.

Capital assets at year-end are as follows (in thousands):

Land	\$	51
Building		1,707
Furniture and equipment		37,813
Infrastructure		7,154
Less accumulation depreciation		<u>(33,821)</u>
Capital assets, net	\$	<u>12,904</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 62% of the Agency's 2018 total general fund revenues and other financing sources. State funding budget will remain at the same level in 2019. The Agency continues to exercise prudent budgeting practices and seeks other alternative sources of revenue.

In FY 2018, the Agency continued to position itself to remain as the State's lifeline of communication for citizens during a disaster. In 2019, 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's focus remains on addressing the Agency's future funding from the State Legislature, seek new funding opportunities and 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, 2018

	Primary Government Governmental Activities	Component Unit MPB Foundation	Totals
ASSETS			
Cash and cash equivalents	\$ 4,299,049	\$ 565,417	\$ 4,864,466
Receivables:			
Unconditional promises to give	-	281,011	281,011
Capital campaign receivable	-	61,434	61,434
Intergovernmental	234,817	-	234,817
Other	335,523	-	335,523
Prepaid broadcast rights and other items	117,359	38,714	156,073
Interest in investments held by a community foundation	-	879,502	879,502
Interest in charitable trust	-	17,617	17,617
Capital assets:			
Land and construction in-progress	51,386	-	51,386
Other capital assets, net of depreciation	<u>12,852,256</u>	<u>13,356</u>	<u>12,865,612</u>
Total assets	<u>\$ 17,890,390</u>	<u>\$ 1,857,051</u>	<u>\$ 19,747,441</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	\$ 2,001,144	\$ -	\$ 2,001,144
Deferred outflows - OPEB	<u>26,843</u>	<u>-</u>	<u>26,843</u>
Total deferred outflows of resources	<u>\$ 2,027,987</u>	<u>\$ -</u>	<u>\$ 2,027,987</u>
LIABILITIES			
Accounts payable	\$ 272,118	\$ 197,738	\$ 469,856
Grant payable	-	10,000	10,000
Accrued expenses	-	19,541	19,541
Accrued compensated absences:			
Current	40,000	9,387	49,387
Non-current	357,839	-	357,839
Net OPEB liability:			
Current	26,795	-	26,795
Non-current	602,854	-	602,854
Net pension liability	<u>10,678,370</u>	<u>-</u>	<u>10,678,370</u>
Total liabilities	<u>\$ 11,977,976</u>	<u>\$ 236,666</u>	<u>\$ 12,214,642</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	\$ 1,918,446	\$ -	\$ 1,918,446
Deferred inflows - OPEB	<u>93,863</u>	<u>-</u>	<u>93,863</u>
Total deferred inflows of resources	<u>\$ 2,012,309</u>	<u>\$ -</u>	<u>\$ 2,012,309</u>
NET POSITION			
Net investment in capital assets	\$ 12,903,642	\$ -	\$ 12,903,642
Restricted for:			
Capital projects	\$ 214,040	\$ -	\$ 214,040
Specific activities	<u>-</u>	<u>17,617</u>	<u>17,617</u>
Total restricted	<u>\$ 214,040</u>	<u>\$ 17,617</u>	<u>\$ 231,657</u>
Unrestricted	<u>\$ (7,189,590)</u>	<u>\$ 1,602,768</u>	<u>\$ (5,586,822)</u>
Total net position	<u>\$ 5,928,092</u>	<u>\$ 1,620,385</u>	<u>\$ 7,548,477</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, 2018

Functions/Programs	Expenses	Program Revenues		Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Primary Government	Component Unit MPB Foundation	Totals
Primary Government						
Governmental Activities:						
Programming and production	\$ 4,709,038	\$ 542,254	\$ 2,195,495	\$ (1,971,289)	\$ -	\$ (1,971,289)
Educational services	807,386	-	-	(807,386)	-	(807,386)
Broadcasting and technical services	3,932,917	-	-	(3,932,917)	-	(3,932,917)
Management and general	2,148,872	-	-	(2,148,872)	-	(2,148,872)
Pension expense	1,034,851	-	-	(1,034,851)	-	(1,034,851)
OPEB expense	20,409	-	-	(20,409)	-	(20,409)
Total primary government	<u>\$ 12,653,473</u>	<u>\$ 542,254</u>	<u>\$ 2,195,495</u>	<u>\$ (9,915,724)</u>	<u>\$ -</u>	<u>\$ (9,915,724)</u>
Component Unit						
MPB Foundation	<u>\$ 1,771,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,771,191)</u>	<u>\$ (1,771,191)</u>
GENERAL REVENUES						
State appropriations				\$ 6,099,967	\$ -	\$ 6,099,967
Contributed facilities use from a state agency				434,249	-	434,249
Grants and contributions not restricted				700,000	1,579,547	2,279,547
Tower revenue				447,549	-	447,549
Investment and other income				73,328	67,926	141,254
Loss on sale or disposition of capital assets				(15,361)	-	(15,361)
Total general revenues				<u>\$ 7,739,732</u>	<u>\$ 1,647,473</u>	<u>\$ 9,387,205</u>
Change in Net Position				<u>\$ (2,175,992)</u>	<u>\$ (123,718)</u>	<u>\$ (2,299,710)</u>
Net Position - Beginning of year, as previously reported				\$ 8,807,187	\$ 1,744,103	\$ 10,551,290
Cumulative effect of changes from adoption of GASB 75				<u>(703,103)</u>	<u>-</u>	<u>(703,103)</u>
Net Position- Beginning of year, as restated				<u>\$ 8,104,084</u>	<u>\$ 1,744,103</u>	<u>\$ 9,848,187</u>
Net Position - End of year				<u>\$ 5,928,092</u>	<u>\$ 1,620,385</u>	<u>\$ 7,548,477</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEET – GOVERNMENTAL FUND

June 30, 2018

	<u>General Fund</u>
ASSETS	
Cash	\$ 4,299,049
Receivables:	
Intergovernmental	234,817
Other	<u>335,523</u>
Total assets	<u>\$ 4,869,389</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	<u>\$ 272,118</u>
Total liabilities	<u>\$ 272,118</u>
FUND BALANCE	
Restricted for capital projects	\$ 214,040
Unassigned	<u>4,383,231</u>
Total fund balances	<u>\$ 4,597,271</u>
Total liabilities and fund balances	<u>\$ 4,869,389</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BALANCE SHEET – GOVERNMENTAL FUND (continued)

June 30, 2018

	<u>General Fund</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION	
Fund balance - governmental fund	\$ 4,597,271
Amounts reported for governmental activities in the statement of net position are different because:	
Prepaid broadcast rights and other items are not financial resources, therefore, are not reported in the fund assets.	117,359
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the fund as assets (net of accumulated depreciation).	12,903,642
Net pension liability is not due and payable in the current period, therefore, is not reported in the funds.	(10,678,370)
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	2,001,144
Deferred inflows of resources related to pensions	(1,918,446)
Net OPEB liability is not due and payable in the current period, therefore, is not reported in the funds.	(629,649)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	26,843
Deferred inflows of resources related to OPEB	(93,863)
Accrued compensated absences are not due and payable in the current period, therefore, are not reported in the fund as liabilities.	<u>(397,839)</u>
Net position - governmental activities	<u>\$ 5,928,092</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

For the Year Ended June 30, 2018

	<u>General Fund</u>
Revenues	
Charges for services:	
Other	\$ 989,804
Interest income	28,001
Miscellaneous:	
Corporation for Public Broadcasting grants	1,844,217
MPB Foundation grants	700,000
Other revenue	<u>396,603</u>
Total revenues	<u>\$ 3,958,625</u>
Expenditures	
Current:	
Programming and production	\$ 4,685,047
Educational services	685,488
Broadcasting and technical services	2,662,552
Management and general	2,112,830
Capital outlay	<u>118,249</u>
Total expenditures	<u>\$ 10,264,166</u>
Excess of Expenditures Over Revenues	<u>\$ (6,305,541)</u>
Other Financing Sources (uses)	
Transfers from other state agencies:	
State General Fund appropriations	\$ 3,981,001
State Education Enhancement Fund appropriations	2,118,966
State Institutions of Higher Learning - contributed facilities use	<u>434,249</u>
Total other financing sources	<u>\$ 6,534,216</u>
Net Change in Fund Balance	\$ 228,675
Fund Balance, Beginning of year	<u>4,368,596</u>
Fund Balance, End of year	<u><u>\$ 4,597,271</u></u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND (continued)
For the Year Ended June 30, 2018**

	<u>General Fund</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES	
Net change in fund balance - governmental fund	\$ 228,675
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	118,249
Depreciation expense	(2,096,000)
Loss on sale of capital assets	(15,361)
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 costs incurred and the amount expensed.	
	(1,236)
Change in pension expense	(1,026,304)
Pension contributions subsequent to measurement date	603,705
Change in OPEB expense	(20,409)
OPEB contributions subsequent to measurement date	26,843
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>5,846</u>
Change in net position - governmental activities	<u>\$ (2,175,992)</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

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

June 30, 2018

	<u>Cafeteria Plan Agency Fund</u>
ASSETS	
Cash	\$ <u>22,485</u>
LIABILITIES	
Amounts held in custody for others	\$ <u>22,485</u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF NET POSITION – MPB FOUNDATION

June 30, 2018

ASSETS	
CURRENT ASSETS	
Cash	\$ 565,417
Unconditional promises to give, net allowance	281,011
Capital campaign receivable, net allowance	13,175
Beneficial interest in assets held by community foundation	879,502
Beneficial interest in charitable trust	17,617
Prepaid expenses	<u>38,714</u>
Total current assets	<u>\$ 1,795,436</u>
NON-CURRENT ASSETS	
Capital campaign receivable, net allowance for uncollectibles and present value discount	\$ 48,259
Property and equipment, net	<u>13,356</u>
Total non-current assets	<u>\$ 61,615</u>
Total assets	<u><u>\$ 1,857,051</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 207,738
Accrued payroll	<u>28,928</u>
Total liabilities	<u>\$ 236,666</u>
NET ASSETS	
Unrestricted	\$ 1,602,768
Temporarily restricted	<u>17,617</u>
Total net assets	<u>\$ 1,620,385</u>
Total liabilities and net assets	<u><u>\$ 1,857,051</u></u>

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

STATEMENT OF ACTIVITIES – MPB FOUNDATION

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,449,437	\$ -	\$ 1,449,437
Grant income	54,476	-	54,476
Capital campaign income	62,634	-	62,634
Underwriting income	13,000	-	13,000
Investment income	65,634	(1,674)	63,960
Miscellaneous income	3,966	-	3,966
	<u> </u>	<u> </u>	<u> </u>
Total support and revenue	\$ 1,649,147	\$ (1,674)	\$ 1,647,473
 EXPENSES			
Program services	\$ 1,063,018	\$ -	\$ 1,063,018
Support services:			
Management and general	67,943	-	67,943
Fundraising	640,230	-	640,230
	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 1,771,191	\$ -	\$ 1,771,191
 Change in net assets	\$ (122,044)	\$ (1,674)	\$ (123,718)
 Net assets, beginning	\$ 1,724,812	\$ 19,291	\$ 1,744,103
 Net assets, ending	\$ 1,602,768	\$ 17,617	\$ 1,620,385

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

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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 MPB Foundation (the Foundation). The Foundation was established to raise funds for MPB and provide 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.

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 the component unit 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.

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 non-current) associated with activities are reported. Equity is classified as net position.

Note 1. Summary of Significant Accounting Policies (continued)

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 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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Investments Held at Component Unit

Accounting Standards Codification (ASC) 820 defines fair value and establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 applies only to fair value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date. ASC 820 emphasizes fair value is a market based measurement; not an entity specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

In accordance with ASC 820, the Foundation groups its assets measured at fair value in three levels, based on the markets in which such assets are traded and the reliability of the assumptions used to determine fair value. This hierarchy requires the Foundation to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Each fair value measurement is placed into the proper level based on the lowest level of significant input. These levels are:

- Level 1 – inputs to the valuation methodology are based upon quoted prices for identical instruments traded in active markets. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Note 1. Summary of Significant Accounting Policies (continued)

- Level 2 – inputs to the valuation methodology are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – inputs to the valuation methodology are generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset.

Beneficial interest in assets held at the Community Foundation for Mississippi and interest in charitable trust are assets carried at fair value. The Foundation has no liabilities carried at fair value at June 30, 2018.

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. MPB has deferred outflows which are presented as a deferred outflow for pension and OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. MPB has deferred inflows which are presented as a deferred inflow for pension and OPEB.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further details.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Mississippi State and School Employees Life and Health Insurance Plan and additions to/deductions from OPEB's fiduciary net position have been determined on the same basis as they are reported by Mississippi State and School Employees Life and Health Insurance Plan. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for further details.

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.
- 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.

Note 1. Summary of Significant Accounting Policies (continued)

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

Income taxes for Component Unit

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a publicly supported organization and not a private foundation under the Internal Revenue Code.

The Foundation has adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes. The Foundation's status as a 501(c)(3) not-for-profit has been determined to be valid. The Foundation files Federal Form 990.

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.

Component unit

MPB Foundation (the Foundation) was incorporated as a not-for-profit corporation in the State of Mississippi on August 26, 2016. The Foundation operates solely for the benefit and support of the Mississippi Authority for Educational Television, an agency of the State of Mississippi that provides educational broadcasting in Mississippi under the name Mississippi Public Broadcasting (MPB). The Foundation operates under an affiliation agreement that governs its relationship with MPB.

Note 2. Promises to Give

The Foundation's unconditional promises to give at June 30, 2018 are as follows:

	2018
Unconditional promises to give	\$ 330,601
Allowance for uncollectible amounts	(49,590)
Unconditional promises to give, net	<u>\$ 281,011</u>

Note 2. Promises to Give (continued)

During 2018, the Foundation initiated a five-year capital fundraising campaign, Focus on the Future Campaign, for the purpose of enhancing education, workforce development and the economy of the state of Mississippi. Unconditional promises to give under the fundraising campaign are reported as capital campaign receivable. Capital campaign receivable at June 30, 2018 is as follows:

Campaign promises to give	\$ 82,300
Present value discount	(4,345)
Allowance for uncollectible amounts	(16,521)
Unconditional promises to give, net	<u>\$ 61,434</u>

At June 30, 2018, unconditional promises to give and capital campaign receivable are expected to be collected as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 346,301
One to five years	66,600
	\$ 412,901
Less present value discount	(4,345)
Less allowance for uncollectible amounts	(66,111)
Unconditional promises to give, net	<u>\$ 342,445</u>

Note 3. Beneficial Interest in Assets Held by Community Foundation

MPB Foundation entered into an investment agreement with the Community Foundation for Mississippi (CFM). The Foundation's agreement with CFM designates the Foundation as the beneficiary. Any distributions from the fund must be approved by CFM. The investment fund held by CFM is designated as an agency fund. The fund is not endowed; therefore funds are available for grant distribution with approval by CFM. This asset is reflected as unrestricted net assets. The fair market value of the fund, which consists of investments in mutual funds, was \$879,502 at June 30, 2018. These funds are categorized as a Level 1 fair value measurement.

The following table represents a reconciliation of the activities of the beneficial interest in assets held by the Community Foundation of Mississippi as of June 30, 2018:

Fair market value, beginning of year	\$ 823,267
Investment income	43,998
Unrealized gain	21,041
Administrative fees	<u>(8,804)</u>
Fair market value, ending of year	<u>\$ 879,502</u>

Note 4. Beneficial Interest in Charitable Trust

MPB 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 large cap and mid cap stocks. The interest in the charitable trust is reflected as temporarily restricted net assets. The fair market value of the Foundation's 17% interest in the trust's investments was \$17,617 at June 30, 2018. These funds are categorized as a Level 1 fair value measurement.

The following table represents a reconciliation of the activities of the beneficial interest in the charitable trust as of June 30, 2018:

Fair market value, beginning of year	\$	19,291
Distributions		(6,937)
Investment income		7,484
Unrealized loss		(1,626)
Administrative fees		<u>(595)</u>
Fair market value, ending of year	\$	<u>17,617</u>

Note 5. Assets Held at Fair Value

The following is a summary of MPB's assets held at fair value at June 30, 2018:

Description	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held at the Community Foundation for Mississippi	\$ 879,502	\$ 879,502	\$ -	\$ -
Interest in charitable trust	<u>17,617</u>	<u>17,617</u>	<u>-</u>	<u>-</u>
	<u>\$ 897,119</u>	<u>\$ 897,119</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 are as follows:

Interest in charitable trust	\$ <u>17,617</u>
------------------------------	------------------

Note 7. Capital Assets

The primary government's capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Additions	Disposals and Transfers	Balance 6/30/2018
Capital assets not being being depreciated				
Land	\$ 51,386	\$ -	\$ -	\$ 51,386
Total not being depreciated	<u>\$ 51,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,386</u>
Other capital assets:				
Buildings	\$ 1,706,520	\$ -	\$ -	\$ 1,706,520
Furniture and equipment	38,290,813	118,249	(596,272)	37,812,790
Infrastructure	<u>7,153,544</u>	<u>-</u>	<u>-</u>	<u>7,153,544</u>
Total other capital assets	<u>\$ 47,150,877</u>	<u>\$ 118,249</u>	<u>\$ (596,272)</u>	<u>\$ 46,672,854</u>
Accumulated depreciation:				
Buildings	\$ (753,192)	\$ (24,418)	\$ -	\$ (777,610)
Furniture and equipment	(26,993,561)	(1,890,458)	580,911	(28,303,108)
Infrastructure	<u>(4,558,756)</u>	<u>(181,124)</u>	<u>-</u>	<u>(4,739,880)</u>
Total accumulated depreciation	<u>\$ (32,305,509)</u>	<u>\$ (2,096,000)</u>	<u>\$ 580,911</u>	<u>\$ (33,820,598)</u>
Other capital assets, net	<u>\$ 14,845,368</u>	<u>\$ (1,977,751)</u>	<u>\$ (15,361)</u>	<u>\$ 12,852,256</u>

MPB's depreciation expense for the year ended June 30, 2018, was as follows:

Programming and production	\$ 278,423
Educational services	209,150
Broadcasting and technical services	1,450,084
Management and general	<u>158,343</u>
Total depreciation expense	<u>\$ 2,096,000</u>

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.

Note 7. Capital Assets (continued)

The Foundation's capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Additions	Balance 6/30/2018
Furniture and equipment	\$ -	\$ 14,959	\$ 14,959
Accumulated depreciation	-	(1,603)	(1,603)
Capital assets, net	<u>\$ -</u>	<u>\$ 13,356</u>	<u>\$ 13,356</u>

Note 8. Accrued Compensated Absences

The following is a summary of changes in the accrued compensated absences liability for the year ended June 30, 2018:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
Primary government	<u>\$ 403,685</u>	<u>\$ 170,823</u>	<u>\$ (176,669)</u>	<u>\$ 397,839</u>	<u>\$ 40,000</u>
Component unit	<u>\$ -</u>	<u>\$ 9,387</u>	<u>\$ -</u>	<u>\$ 9,387</u>	<u>\$ 9,387</u>

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

Note 9. Lease Revenues

MPB leases unneeded space on its transmitter towers to various governmental and commercial entities. Tower lease revenue totaled \$447,549 during the year ended June 30, 2018.

Future minimum lease revenues are as follows:

Fiscal years ending June 30,	
2019	\$ 420,633
2020	103,059
2021	103,059
2022	103,059
2023	103,059
2024-2028	<u>166,958</u>
	<u>\$ 999,827</u>

Note 10. 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. It is also available at www.pers.ms.gov.

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 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 percent of their annual covered salary, and MPB is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018, was 15.75 percent 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, 2018,

Note 10. Pension Plan (continued)

2017, 2016, and 2015 were \$599,485, \$648,750, \$700,026 and \$661,185, 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, 2018, MPB reported a liability of \$10,678,370 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, MPB's proportion was 0.0642 percent.

For the year ended June 30, 2018, MPB recognized pension expense of \$1,034,851. At June 30, 2018, MPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,386,533	\$ 440,664
Net difference between projected and actual earnings on pension plan investments	-	825,069
Changes of assumptions	10,906	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	-	652,713
District contributions subsequent to the measurement date	603,705	-
Total	<u>\$ 2,001,144</u>	<u>\$ 1,918,446</u>

\$603,705 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, 2018. 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:	
2019	\$ (193,984)
2020	(193,984)
2021	(193,984)
2022	(20,478)
Thereafter	81,423
	<u>\$ (521,007)</u>

Note 10. Pension Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 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 2022 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	<u>100.00%</u>	

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, 9.00 percent, and that Employer contributions will be made at the current employer contribution rate, 15.75 percent. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future

Note 10. Pension Plan (continued)

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
MPB's proportionate share of the net pension liability	<u>\$ 14,005,395</u>	<u>\$ 10,678,370</u>	<u>\$ 7,916,216</u>

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 11. Other Postemployment Benefits (OPEB)

Plan description- State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided- The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit

Note 11. Other Postemployment Benefits (OPEB) (continued)

rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions- The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from MPB were \$26,843 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, MPB reported a liability of \$629,649 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for MPB's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, MPB's proportion was 0.08025003 percent. This was a decrease of 0.00889729 percent from the proportionate share as of the measurement date of June 30, 2016.

Note 11. Other Postemployment Benefits (OPEB) (continued)

For the year ended June 30, 2018, MPB recognized OPEB expense of \$20,409. At June 30, 2018, MPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	32,061
Changes in proportion and differences between ER contributions and proportionate share of contributions	-	61,802
ER contributions subsequent to the measurement date	<u>26,843</u>	<u>-</u>
Total	<u>\$ 26,843</u>	<u>\$ 93,863</u>

\$26,843 reported as deferred outflows of resources related to OPEB resulting from MPB's contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (16,467)
2020	(16,467)
2021	(16,467)
2022	(16,467)
2023	(16,467)
Thereafter	<u>(11,528)</u>
	<u>\$ (93,863)</u>

Note 11. Other Postemployment Benefits (OPEB) (continued)

Actuarial assumptions- The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.25-18.50%, including wage inflation
Long-term investment rate of return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement date	3.56%
Prior measurement date	3.01%
Year FNP is projected to be depleted	
Measurement Date	2017
Prior measurement date	2016
Single equivalent interest rate, net of OPEB plan investment expense, including inflation	
Measurement date	3.56%
Prior measurement date	3.01%
Health care cost trends	
Medicare supplement claims	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Pre-Medicare	

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 77, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate- The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56%. Since the prior measurement date, the discount rate has changed from 3.01% to 3.56%.

Note 11. Other Postemployment Benefits (OPEB) (continued)

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of MPB's proportionate share of the net OPEB liability to changes in the discount rate

The following presents MPB's proportionate share of the net OPEB liability, as well as what MPB's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	<u>1% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
MPB's net OPEB liability	<u>\$ 646,278</u>	<u>\$ 629,649</u>	<u>\$ 617,266</u>

Sensitivity of MPB's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents MPB's proportionate share of the net OPEB liability, as well as what MPB's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare cost trend current rates</u>	<u>1% Increase</u>
MPB's net OPEB liability	<u>\$ 581,523</u>	<u>\$ 629,649</u>	<u>\$ 684,590</u>

OPEB plan fiduciary net position-The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018, and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 12. Related Party Transactions

Transactions with Component Unit

The primary government recognized grant revenue totaling \$700,000 from its component unit during the year ended June 30, 2018.

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 \$434,249 for the year ended June 30, 2018.

Appropriations

MPB recognized appropriation transfers from the State's General Fund and Education Enhancement Fund totaling \$6,099,967 during the year ended June 30, 2018.

Expenses

MPB was charged fees by other agencies of the State of Mississippi for various services for the years ended June 30, 2018:

	<u>2018</u>	<u>2017</u>
Institutions of Higher Learning (facility costs)	\$ 124,800	\$ 124,800
Finance and administration	24,754	41,314
Other agencies	1	9,424
Total support	<u>\$ 149,555</u>	<u>\$ 175,538</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 Mississippi in order to establish an endowment for the benefit of MPB. The Community Foundation of Mississippi 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.

Note 13. 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, 2018 was \$37,922.

Fiscal years ending June 30,	Primary Government	Component Unit
2019	\$ 29,202	\$ -
2020	28,214	-
2021	28,214	-
2022	14,329	-
2023	8,170	-
2024-2028	31,150	-
2029-2033	29,590	-
2034-2038	27,250	-
2039-2043	5,450	-
Total minimum lease payments	<u>\$ 201,569</u>	<u>\$ -</u>

Note 14. 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 15. Contingent Liabilities

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

Note 16. Concentrations

MPB Foundation maintains deposits in a financial institution and at times has deposits in excess of federal insurance limits. The Foundation does not believe it is subject to any unusual credit risk beyond the customary credit risk related to conducting its nonprofit activities.

Note 17. Subsequent Events

MPB's management has evaluated subsequent events through January 4, 2019, which is the date that the financial statements were available to be issued.

Note 18. Net Position Restatement

As of July 1, 2017, net position as previous reported was restated as follows:

Net Position- as previously reported	\$ 8,807,187
Restatement	
Record MPB's net OPEB liability and related deferred outflows and inflows of resources per GASB 75 requirement	<u>(703,103)</u>
Net Position- as restated	<u>\$ 8,104,084</u>

REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
FUNDING SOURCES				
State General Fund	\$ 3,981,001	\$ 3,981,001	\$ 3,981,001	\$ -
State Education Enhancement Fund	2,118,966	2,118,966	2,118,966	-
Special Funds	<u>9,549,782</u>	<u>9,549,782</u>	<u>3,958,626</u>	<u>(5,591,156)</u>
Total funding sources	<u>\$ 15,649,749</u>	<u>\$ 15,649,749</u>	<u>\$ 10,058,593</u>	<u>\$ (5,591,156)</u>
EXPENDITURES				
Current				
Personal services:				
Salaries, wages and fringe benefits	\$ 5,510,990	\$ 5,510,990	\$ 5,099,589	\$ (411,401)
Travel and subsistence	200,000	200,000	76,355	(123,645)
Contractual services	7,938,759	7,938,759	4,151,863	(3,786,896)
Commodities	1,000,000	1,000,000	91,096	(908,904)
Capital outlay	<u>1,000,000</u>	<u>1,000,000</u>	<u>170,674</u>	<u>(829,326)</u>
Total expenditures	<u>\$ 15,649,749</u>	<u>\$ 15,649,749</u>	<u>\$ 9,589,577</u>	<u>\$ (6,060,172)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,016</u>	<u>\$ 469,016</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, 2018

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	\$ 10,058,593
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.	(1)
Non-cash contributions are not reflected as budgetary basis funding sources.	<u>434,249</u>
Revenues and Other Financing Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 10,492,841</u>
Expenditures - Budgetary Comparison Schedule	\$ 9,589,577
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	240,340
Non-cash contributions are not reflected as budgetary basis expenditures.	<u>434,249</u>
Expenditures and Other Financing Uses - Statement of Revenues, Expenses and Changes in Fund Balance	<u>\$ 10,264,166</u>

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULES OF MPB'S SHARE OF THE NET PENSION LIABILITY

For the Years Ended June 30, 2018, 2017, 2016, and 2015

	2018	2017	2016	2015
MPB's proportion of the net pension liability	0.064%	0.069%	0.068%	0.068%
MPB's proportion of the total net pension liability	\$ 27,728,859	\$ 29,104,102	\$ 27,447,917	\$ 25,910,702
MPB's proportion of the plan net position	<u>17,050,489</u>	<u>16,701,456</u>	<u>16,936,458</u>	<u>17,413,984</u>
MPB's proportionate share of the net pension liability	<u>\$ 10,678,370</u>	<u>\$ 12,402,646</u>	<u>\$ 10,511,459</u>	<u>\$ 8,496,718</u>
MPB's covered-employee payroll	<u>\$ 3,833,048</u>	<u>\$ 4,119,048</u>	<u>\$ 4,444,610</u>	<u>\$ 4,198,000</u>
MPB's proportionate share of the net pension liability (asset) as a % of its covered-employee payroll	279%	301%	236%	202%
Plan fiduciary net position as a % of the total pension liability	61.49%	57.39%	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

SCHEDULES OF MPB'S CONTRIBUTIONS

For the Years Ended June 30, 2018, 2017, 2016, and 2015

	2018	2017	2016	2015
Contractually required contribution	\$ 603,705	\$ 648,750	\$ 700,026	\$ 661,185
Contributions in relation to the contractually required contribution	<u>603,705</u>	<u>648,750</u>	<u>700,026</u>	<u>661,185</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MPB's covered-employee payroll	<u>\$ 3,833,048</u>	<u>\$ 4,119,048</u>	<u>\$ 4,444,610</u>	<u>\$ 4,198,000</u>
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%
Proportionate share percentage	0.064%	0.069%	0.068%	0.068%

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, 2018

Pension Schedules

Changes in assumptions

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015

- 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.
- 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.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

2016

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Methods and assumptions used in calculations of actuarially determined contributions

- The actuarially determined contributions rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level % of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increases, including wage inflation	3.75% to 19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

SCHEDULE OF MPB'S SHARE OF THE NET OPEB LIABILITY

For the Year Ended June 30, 2018

MPB's % proportion of the total net OPEB liability	0.08025003%
MPB's proportionate share of the total net OPEB liability	<u>\$ 629,649</u>
MPB's covered-employee payroll	<u>\$ 3,833,048</u>
MPB's proportionate share of the net OPEB liability (asset) as a % of its covered-employee payroll	16.43%
Plan fiduciary net position as a percentage of the total pension liability	0%

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 75 was implemented in fiscal year end June 30, 2018, 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, 2018

	2018
Contractually required contribution	\$ 26,843
Contributions in relation to the contractually required contribution	<u>26,843</u>
Contributions deficiency (excess)	<u>\$ -</u>
MPB's covered-employee payroll	<u>\$ 3,833,048</u>
Contributions as a percentage of covered-employee payroll	0.70%

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 75 was implemented in fiscal year end June 30, 2018, 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, 2018

OPEB Schedules

Changes in assumptions

2017

- The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

Changes in benefit provisions

2017

- None

Methods and assumptions used in calculations of actuarially determined contributions

- The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market value of assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare supplement claims:	
Pre-Medicare	7.75%
Ultimate health care cost trend rates:	
medicare supplement claims	
Pre-Medicare	5.00%
Year of ultimate trend rates, medicare supplement claims, pre-medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
SUPPLEMENTAL INFORMATION

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended June 30, 2018

MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended June 30, 2018

	<u>TV</u>	<u>AM/FM</u>	<u>Total</u>
Revenues			
Charges for services:			
Other	\$ 841,333	\$ 148,471	\$ 989,804
Interest income	23,801	4,200	28,001
Miscellaneous:			
Corporation for Public Broadcasting grants	1,650,507	193,710	1,844,217
MPB Foundation grants	595,000	105,000	700,000
Other revenue	<u>337,113</u>	<u>59,490</u>	<u>396,603</u>
Total revenues	<u>\$ 3,447,754</u>	<u>\$ 510,871</u>	<u>\$ 3,958,625</u>
Expenditures			
Current:			
Programming and production	\$ 3,982,290	\$ 702,757	\$ 4,685,047
Educational services	582,665	102,823	685,488
Broadcasting and technical services	2,263,169	399,383	2,662,552
Management and general	1,795,905	316,925	2,112,830
Capital outlay	<u>100,512</u>	<u>17,737</u>	<u>118,249</u>
Total expenditures	<u>\$ 8,724,541</u>	<u>\$ 1,539,625</u>	<u>\$ 10,264,166</u>
Excess of Expenditures over revenues	<u>\$ (5,276,787)</u>	<u>\$ (1,028,754)</u>	<u>\$ (6,305,541)</u>
Other Financing Sources (uses)			
Transfers from other state agencies:			
State General Fund appropriations	\$ 3,383,851	\$ 597,150	\$ 3,981,001
State Education Enhancement Fund appropriations	1,801,121	317,845	2,118,966
State Institutions of Higher Learning - contributed facilities use	<u>369,112</u>	<u>65,137</u>	<u>434,249</u>
Total other financing sources	<u>\$ 5,554,084</u>	<u>\$ 980,132</u>	<u>\$ 6,534,216</u>
Net Change in Fund Balance	\$ 194,374	\$ 34,301	\$ 228,675
Fund Balance, Beginning of year	<u>3,713,306</u>	<u>655,290</u>	<u>4,368,596</u>
Fund Balance, End of year	<u>\$ 3,907,680</u>	<u>\$ 689,591</u>	<u>\$ 4,597,271</u>

**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***



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

MEMBER
AMERICAN INSTITUTE
OF
CERTIFIED PUBLIC
ACCOUNTANTS

POST OFFICE BOX 2080
MERIDIAN MS 39302
TELEPHONE 601-693-2841
FAX 601-693-2861

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

POST OFFICE BOX 606
PHILADELPHIA MS 39350
TELEPHONE 601-658-2742
FAX 601-658-2760

MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

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

Board of Directors
Mississippi Authority for Educational Television
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mississippi Authority for Educational Television (MPB) as of and for the year ended June 30, 2018, 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 January 4, 2019.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.



REA, SHAW, GIFFIN & STUART, LLP