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**MISSISSIPPI PRISON
INDUSTRIES CORPORATION
(A Component Unit
of the State of Mississippi)**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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MISSISSIPPI PRISON INDUSTRIES CORPORATION
Management's Discussion and Analysis
June 30, 2014

INTRODUCTION

This section of the Mississippi Prison Industries Corporation (the Corporation) financial report presents our analysis of the Corporation's financial performance during the fiscal year ended June 30, 2014. The Corporation is a component unit of the State of Mississippi, and its financial data will be treated as a proprietary fund by the State of Mississippi's Audit Department for inclusion in the State's CAFR (Comprehensive Annual Financial Report). Please read it in conjunction with the Corporation's financial statements, which begin on page 4.

Financial Highlights

- The Corporation's assets exceeded its liabilities by \$9,741,749 (net position) at June 30, 2014. This compares to the previous year when assets exceeded liabilities by \$9,960,993.
- Total sales increased \$258,420 from prior year. The change in net position for 2014 was a decrease of \$165,244, which was \$111,683 greater than the decrease in net position of \$53,561 in the prior year. A portion of this decrease in net position for the year ended June 30, 2014 is the result of the following, which was not budgeted for and is not a part of normal operations:

Costs related to the search for and interviews of a new CEO for MPIC	\$ 20,399
Duplication of CEO salary due to the transition of the CEO	51,160
Duplication of salary of two management positions due to transition	<u>68,785</u>
	<u>\$ 140,344</u>

- Additions to property and equipment were \$669,836 for the fiscal year ended June 30, 2014. These additions are mainly composed of two items as shown below.

Replacement of roofs due to hail damage	\$ 260,900
Purchase of body scanners	226,910
Other additions	<u>182,026</u>
Total	<u>\$ 669,836</u>

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Corporation's basic financial statements. The basic financial statements include: the statements of net position, statements of revenues and expenses and changes in net position, statements of cash flows and notes to financial statements.

The accompanying notes to financial statements provide information essential to a full understanding of the statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information such as combining statements of revenues and expenses by cost center, schedule of inventories and schedule of property and equipment.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Management's Discussion and Analysis
June 30, 2014

Financial Analysis of the Corporation as a Whole

The following tables provide a summary of the Corporation's net position and changes in net position:

<u>Statements of Net Position</u>		
	2014	2013
<u>Assets</u>		
Current Assets	\$ 6,016,266	\$ 6,227,967
Property and Equipment, net	4,051,881	3,936,626
Total Assets	\$ 10,068,147	\$ 10,164,593
<u>Liabilities</u>		
Current Liabilities	\$ 326,398	\$ 257,600
<u>Net Position</u>		
Invested in Capital Assets	4,051,881	3,936,626
Unrestricted	5,689,868	5,970,367
Total Net Position	9,741,749	9,906,993
Total Liabilities and Net Position	\$ 10,068,147	\$ 10,164,593

<u>Statements of Revenues, Expenses and Changes in Net Position</u>		
	2014	2013
Sales	\$ 6,374,623	\$ 6,116,203
Operating expenses	6,538,566	6,172,757
Income (loss) before other revenue and expenses	(163,943)	(56,554)
Other revenue and (expenses), net	(1,301)	2,993
Changes in net position	(165,244)	(53,561)
Net position, beginning of year	9,906,993	9,960,554
Net position, end of year	\$ 9,741,749	\$ 9,906,993

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated service lives of the respective assets, ranging from three to forty years.

There has been a steady increase in additions to facilities and machinery and equipment, over the years. Additional facilities and equipment are required to keep up with the increased sales capabilities. Sales have been positioned to penetrate new market segments and production due to the Corporation's continued diversification into new product lines.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Management's Discussion and Analysis
June 30, 2014

Sales and Operating Expense

The Corporation has maintained a consistent gross profit margin even in a slow economy. A major customer of the Corporation's business is Mississippi Department of Corrections. The Corporation has diversified its products which has enabled the Corporation to maintain consistent sales and depend less on its major customer.

Budget Comparisons

The following is a comparison of budgeted revenue and expenses compared to actual revenue and expenses for the year ended June 30, 2014.

	2014 Actual	2014 Budget	Favorable (Unfavorable)
Sales	\$ 6,374,623	\$ 6,790,000	\$ (415,377)
Operating expenses	<u>6,538,566</u>	<u>6,675,000</u>	<u>136,434</u>
Income (loss) before other revenues and expenses	(163,943)	115,000	(278,943)
Other revenue and expenses	<u>(1,301)</u>	<u>-</u>	<u>(1,301)</u>
Increase (decrease) in net position	<u>\$ (165,244)</u>	<u>\$ 115,000</u>	<u>\$ (280,244)</u>

Economic Factors

The Corporation must rely on continued growth from private sector partnerships and product diversification during FY 2014. The Corporation will continue to face obstacles towards sustained growth in a continuing fragile economy with state government spending cuts.

Contacting Management

This financial report is designed to provide readers with a general overview of the Corporation's finances. If you have any questions about this report or need additional financial information, contact the Mississippi Prison Industries Corporation administrative office at 663 North State Street, Jackson, Mississippi 39202.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mississippi Prison Industries Corporation
Jackson, Mississippi

Report on Financial Statements

We have audited the accompanying financial statements of Mississippi Prison Industries Corporation (a not-for-profit corporation and component unit of the State of Mississippi), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenue and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Prison Industries as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of Mississippi Prison Industries Corporation'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 Mississippi Prison Industries Corporation's internal control over financial reporting and compliance.

Graham, Pool, Randall, Kertano, Arington & Cunningham PLLC

September 12, 2014

MISSISSIPPI PRISON INDUSTRIES CORPORATION

Statements of Net Position

June 30, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash	\$ 358,199	\$ 855,918
Certificates of deposit	4,001,164	4,000,000
Accounts receivable (Note 2)	469,366	330,542
Inventories	1,114,681	999,775
Prepaid expenses	58,368	27,244
Deposits	14,488	14,488
	<u>6,016,266</u>	<u>6,227,967</u>
Property and Equipment		
Land	404,193	404,193
Buildings and improvements	4,843,384	4,804,546
Machinery and equipment	3,228,039	2,900,816
Software	92,021	73,973
	<u>8,567,637</u>	<u>8,183,528</u>
Less accumulated depreciation	<u>(4,515,756)</u>	<u>(4,246,902)</u>
	<u>4,051,881</u>	<u>3,936,626</u>
	<u><u>\$ 10,068,147</u></u>	<u><u>\$ 10,164,593</u></u>
 <u>LIABILITIES AND NET POSITION</u> 		
Current Liabilities		
Accounts payable	\$ 81,089	\$ 22,591
Accrued expenses	116,807	117,235
Unearned income	20,811	12,601
Accrued leave (Note 6)	107,691	105,173
	<u>326,398</u>	<u>257,600</u>
Net Position		
Investment in capital assets	4,051,881	3,936,626
Unrestricted	5,689,868	5,970,367
	<u>9,741,749</u>	<u>9,906,993</u>
	<u><u>\$ 10,068,147</u></u>	<u><u>\$ 10,164,593</u></u>

See accompanying notes to financial statements.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Statements of Revenues and Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Sales	\$ 6,374,623	\$ 6,116,203
Operating Expenses		
Cost of sales	3,599,806	3,384,956
Salaries and benefits	1,731,646	1,488,266
Contractual services	493,920	634,161
Commodities	323,838	315,823
Depreciation	300,400	284,928
Travel	88,956	64,623
	6,538,566	6,172,757
Loss before other revenues and expenses	(163,943)	(56,554)
Other Revenues and Expenses		
Interest income	3,025	4,319
Gain on involuntary conversion/ sale of assets	29,064	39,834
Other income	-	4,303
Inmates placement program (net of expenses)	(33,390)	(45,463)
	(1,301)	2,993
Changes in Net Position	(165,244)	(53,561)
Net Position, Beginning of Year	9,906,993	9,960,554
Net Position, End of Year	\$ 9,741,749	\$ 9,906,993

See accompanying notes to financial statements.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Cash received from customers	\$ 6,298,869	\$ 6,343,216
Cash paid to suppliers of goods and services	(4,594,484)	(4,361,787)
Cash paid to employees for services	(1,729,128)	(1,487,680)
Net cash provided by (used in) operating activities	(24,743)	493,749
Cash Flows From Non-Capital Financing Activities		
Other non-operating revenues and expenses	6,959	(41,160)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(669,836)	(397,451)
Proceeds from insurance reimbursements/ sale of assets	188,040	39,834
Total cash used in capital and related financing activities	(481,796)	(357,617)
Cash Flows From Investing Activities		
Interest received	3,025	
Investment in Certificates of Deposit	(1,164)	4,319
Total cash provided by investing activities	1,861	4,319
Net increase (decrease) in cash and cash equivalents	(497,719)	99,291
Cash and Cash Equivalents, Beginning of Year	855,918	756,627
Cash and Cash Equivalents, End of Year	\$ 358,199	\$ 855,918

See accompanying notes to financial statements.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Supporting Schedule to Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Operating Loss		
to Net Cash Provided by Operating		
Activities:		
Loss before other revenues and expenses	\$ (163,943)	\$ (56,554)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	300,400	318,997
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(83,964)	233,826
(Increase) Decrease in inventories	(114,906)	2,941
(Increase) Decrease in prepaid expenses	(31,124)	2,379
Increase (Decrease) in accounts payable	58,494	1,975
Increase (Decrease) in unearned income	8,210	(6,812)
Increase (Decrease) in accrued expenses	2,090	(3,003)
Total adjustments	139,200	550,303
Net Cash Provided by (used in) Operating Activities	\$ (24,743)	\$ 493,749

See accompanying notes to financial statements.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Mississippi Prison Industries Act of 1990 (the Act) provided for the formation of a not-for-profit Corporation “to lease and manage the prison industry programs of the Mississippi Correctional Industries” and to also “create any additional programs as it deems fit.” MPIA, Inc. was formed on May 29, 1990. Although the Act authorized the corporation to be formed “within 60 days of April 4, 1990,” the lease agreement transferring the facilities, equipment, and net assets was not signed until January 4, 1991, and was not effective until January 31, 1991.

MPIA, Inc. began its operations February 1, 1991. MPIA, Inc. applied for and received tax-exempt status under Section 501(c)(3) of the Internal Revenue Code in a letter dated May 21, 1991. On July 18, 1991, the Board of Directors voted to change the corporate name to Magnolia State Enterprises, Inc.

On July 20, 1995, the Board of Directors voted to change the corporate name to Mississippi Prison Industries Corporation (the Corporation).

While the Corporation is a separate not-for-profit corporation, it is a component unit of the State of Mississippi, and its financial data will be treated as a proprietary fund by the State of Mississippi’s Audit Department for inclusion in the State’s CAFR (Comprehensive Annual Financial Report.)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income (loss) is necessary and useful for sound financial administration.

(b) Nature of Operations

Mississippi Prison Industries Corporation is engaged in a variety of production activities. The three principal divisions are the textile division, which manufactures inmate uniforms, other articles of clothing and other cloth related items; the printing division, which produces various state forms, periodicals and manuals and; the private sector service division, which provides service work for manufacturers. Credit is granted to customers in the normal course of business. Sales are made throughout the nation in accordance with Federal and State regulations.

(c) Basis of Accounting

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers and certificates of deposit purchased with maturities of three months or less to be cash equivalents.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated service lives of the respective assets, ranging from two to forty years.

(f) Bad Debts

Bad debts are accounted for using the direct write-off method. Expense is recognized only when a specific amount is determined to be uncollectible. The effects of using the method approximate those of the allowance method.

(g) Tax-Exempt Status

Mississippi Prison Industries Corporation is exempt from Federal income taxes under Section 501 (c)(3), of the Internal Revenue Code and similar provisions of the laws of the State of Mississippi.

The Corporation has adopted the provisions of FASB ASC Topic 740-10, Income Taxes. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the year ended June 30, 2014 and accordingly, there is no liability for unrecognized tax benefits.

The Corporation files IRS form 990 annually with the Federal Government and is still open to examination by taxing authorities for fiscal year 2010 and later.

(h) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(i) Investments

The Corporation has investments in certificates of deposit which are short-term in nature and the fair market value approximates cost. The fair value for all of the Corporation's investments in marketable securities are based upon quoted prices for these securities in active markets (Level 1 measurements). Gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Accounting Standards Codification 820 requires companies to group its assets and liabilities that are carried at fair value in its financial statements into three levels based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. These levels are as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.

Level 3 - Valuation is based on significant valuation assumptions that are not readily observable in the market.

(j) Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Corporation's significant financial instruments are cash, accounts receivable, marketable securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(k) Shipping and Handling Costs

Shipping and handling costs are included in contractual services in the statements of revenues and expenses and changes in net assets in the amount of \$17,550 and \$22,691 for the years ended June 30, 2014 and 2013, respectively. Freight billed to customers is considered sales revenue.

(l) Subsequent Events

Management has evaluated subsequent events through September 12, 2014, the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

As of June 30, 2014 and 2013, accounts receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
Alcorn County Sheriff	\$ 12,541	\$ 1,142
Washington County Hospital	2,190	7,380
MS Department of Rehabilitation	4,789	7,000
MS Department of Corrections	111,170	37,831
MS Dept. of Human Services	2,612	8,949
Harrell Contracting	3,972	-
S & N Airflow	21,338	8,253
Opposing Flow Technology	109,220	47,700
Hudspeth Regional Center	-	7,299
City of Picayune	-	7,955
MS Department of Finance and Administration	911	700
Chickasaw County Jail	14,220	-
MS Department of Wildlife	8,565	-
Parsons Earth Work	8,748	-
FCCI Insurance Group - Hail damage insurance	54,860	-
Other Accounts Receivable	114,200	196,333
	<u>\$ 469,336</u>	<u>\$ 330,542</u>

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 3 INVENTORIES

Inventories of raw materials, work in process and finished goods are valued at the lower of cost or market using the first-in, first-out method, and consist of the following:

	Raw Materials	In Process/ Finished Goods	2014 Total	2013 Total
Textile Shop	\$ 272,763	\$247,535	\$ 520,298	\$ 479,481
Office Furniture	5,184	180,222	185,406	186,320
Metal Fabrication	50,239	31,873	82,112	83,526
SMCF Garment Shop	168,862	117,897	286,759	143,593
CMCF Print Shop	20,647	17,389	38,036	35,565
Administrative Building	-	2,070	2,070	71,290
	<u>\$ 517,695</u>	<u>\$596,986</u>	<u>\$ 1,114,681</u>	<u>\$ 999,775</u>

NOTE 4 PENSION PLAN

Plan Description

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

Funding policy

PERS members are required to contribute 9.00% of their annual covered salary and Mississippi Prison Industries Corporation is required to contribute at an actuarially determined rate. The rate during fiscal years 2014 and 2013 was 15.75% and 14.26% of annual covered payroll, respectively. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. Mississippi Prison Industries Corporation's contributions to PERS for the years ended June 30, 2014 and 2013, were \$214,209 and \$174,341, respectively, equal to the required contributions for 2014 and 2013 each year.

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 5 NET POSITION

In accordance with the provisions of the Mississippi Prison Industries Act of 1990, the Mississippi Department of Corrections contributed assets of \$1,097,530 of Mississippi Correctional Industries to the nonprofit corporation MPIA, Inc., on the effective date of the transfer.

NOTE 6 ACCRUED LEAVE

An accrual for the amount of leave earned but not taken since the Corporation's inception has been made as of June 30, 2014 and 2013, in accordance with the policy and procedures manual adopted by the board.

State law requires up to 30 days of each employee's accrued leave be recognized as a liability by the various State entities. Accruing leave-time beyond that point is not required.

NOTE 7 ECONOMIC DEPENDENCY

The Corporation has two major customers that comprise approximately 54.4% of total gross sales for 2014. The loss of either of these customers could have a significant effect on the income of this corporation. The sales to each are as follows:

	2014	% of Sales	2013	% of Sales
Customer #1	\$ 3,219,286	50.5%	\$ 2,939,656	48.1%
Customer #2	245,730	3.9%	105,114	1.7%
	\$ 3,465,016	54.4%	\$ 3,044,770	49.8%

NOTE 8 OPERATING LEASE AGREEMENT

The Corporation has leased certain property and equipment, except for those items purchased or constructed since February 1, 1991, from the Mississippi Department of Corrections under the terms outlined in the lease agreement. Based on an amendment dated January 3, 2009, the lease was extended six years to January 3, 2015. If the lease expires or is terminated all of the assets of the Corporation covered by the subject lease are transferred by statute to the Mississippi Department of Corrections.

The Company maintains equipment under operating leases. Future minimum rental payments required under the leases as of June 30, 2014 are:

Years Ending June 30	Amount
2015	\$ 25,368
2016	24,378
2017	10,671
2018	3,312
Total	\$ 63,729

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 8 OPERATING LEASE AGREEMENT (CONTINUED)

Total rental expense was \$72,376 and \$69,058 for the years ended June 30, 2014 and 2013, respectively.

NOTE 9 INMATE PLACEMENT PROGRAM

The Corporation received a grant from the Mississippi Department of Employment Security (MDES) which expired in December 2012. The grant was for the Offender Placement Program and Transition Placement Training Center targeted for inmates and ex-offenders with the Mississippi Department of Corrections (MDOC). The purpose was to provide job training, human skills development, job placement and other supportive services to the ex-inmates and their families. An application for funding was required for each contract year. The Corporation was reimbursed for eligible expenses under the contract. For the year ended June 30, 2013, the Corporation received \$94,125 under the contract. The contract was not renewed after December 31, 2012. After this date the program was fully funded by MDOC.

Transaction for the Programs for years ended June 30, 2014 and 2013 were as follows:

	2014	2013
MDES Reimbursements	\$ -	\$ 94,125
MDOC Reimbursements	405,153	264,030
Total Reimbursements	405,153	358,155
Program Expenses	438,543	403,618
Net Expenses Over Revenue as Reflected on the Statements of Revenues and Expenses and Changes in Net Position	\$ (33,390)	\$ (45,463)

Beginning in the second quarter of 2011, MPIC took on the responsibility of handling restitution offenders.

NOTE 10 SUBSEQUENT EVENT

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will become effective in fiscal year June 30, 2015. The statement will require government entities to either record a pension fund liability or pension fund asset depending upon whether the pension fund assets are less than or greater than the pension fund liabilities.



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Mississippi Prison Industries Corporation
Jackson, Mississippi

We have audited the financial statements of Mississippi Prison Industries Corporation as of and for the years ended June 30, 2014 and 2013, and our report thereon dated September 12, 2014, which expressed an unmodified opinion on those financial statements, appears on page 4. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information on pages 17 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Grantham, Poole, Randall, Reitano, Arrington & Cunningham PLLC

September 12, 2014

**MISSISSIPPI PRISON INDUSTRIES CORPORATION
COMBINING STATEMENTS OF
REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013**

MISSISSIPPI PRISON INDUSTRIES CORPORATION
Combining Statements of Revenues and Expenses
Years Ended June 30, 2014 and 2013

	Combined		Textile Shop	
	2014	2013	2014	2013
Sales	<u>\$ 6,374,623</u>	<u>\$ 6,116,203</u>	<u>\$ 1,933,954</u>	<u>\$ 1,699,851</u>
Direct Costs				
Materials	3,407,242	3,124,031	1,077,006	979,577
Inmate labor	192,564	260,925	44,143	38,852
Salaries and benefits	636,627	593,972	143,107	112,486
Contractual services	155,909	195,506	17,327	23,645
Commodities	202,953	173,973	16,202	19,923
Depreciation	189,693	182,184	27,436	26,460
Travel	2,050	1,007	-	141
	<u>4,787,038</u>	<u>4,531,598</u>	<u>1,325,221</u>	<u>1,201,084</u>
Profit before Overhead	1,587,585	1,584,605	608,733	498,767
Allocated Overhead (1)	<u>1,751,528</u>	<u>1,641,159</u>	<u>531,385</u>	<u>454,542</u>
Income (Loss) before Other Revenue (Expense)	<u>(163,943)</u>	<u>(56,554)</u>	<u>\$ 77,348</u>	<u>\$ 44,225</u>
Other Revenue (Expense)				
Interest Income	3,025	4,319		
Other income	-	4,303		
Gain on Sale of Assets	29,064	39,834		
Inmate Placement Program	<u>(33,390)</u>	<u>(45,463)</u>		
	<u>(1,301)</u>	<u>2,993</u>		
Net Income (loss)	<u>\$ (165,244)</u>	<u>\$ (53,561)</u>		

(1) "Allocated overhead" is allocated to each division based on the percentage of each division's sales to total sales of those divisions.

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MISSISSIPPI PRISON INDUSTRIES CORPORATION
Combining Statements of Revenues and Expenses
Years Ended June 30, 2014 and 2013

	SMCF Garment		CMCF - Printing	
	2014	2013	2014	2013
Sales	\$ 943,214	\$ 897,488	\$ 626,745	\$ 657,569
Direct Costs				
Materials	362,859	347,891	211,149	210,465
Inmate labor	31,852	21,669	16,350	8,128
Salaries and benefits	92,785	103,788	114,986	119,025
Contractual services	3,504	6,000	81,741	87,087
Commodities	13,065	8,718	44,512	53,637
Depreciation	10,162	9,022	30,661	30,002
Travel	257	302	173	236
	<u>514,484</u>	<u>497,390</u>	<u>499,572</u>	<u>508,580</u>
Profit before Overhead	428,730	400,098	127,173	148,989
Allocated Overhead (1)	<u>259,163</u>	<u>239,990</u>	<u>172,208</u>	<u>175,835</u>
Income (Loss) before Other Revenue (Expense)	<u>\$ 169,567</u>	<u>\$ 160,108</u>	<u>\$ (45,035)</u>	<u>\$ (26,846)</u>

(1) "Allocated overhead" is allocated to each division based on the percentage of each division's sales to total sales of those divisions.

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MISSISSIPPI PRISON INDUSTRIES CORPORATION
Combining Statements of Revenues and Expenses
Years Ended June 30, 2014 and 2013

	Metal Fabrication		Administrative Bldg. Retail	
	2014	2013	2014	2013
Sales	\$ 891,855	\$ 1,032,706	\$ 467,803	\$ 706,510
Direct Costs				
Materials	296,676	211,455	339,067	549,138
Inmate labor	93,474	182,354	-	-
Salaries and benefits	143,357	135,345	-	-
Contractual services	37,477	46,579	-	-
Commodities	114,176	80,216	335	1,183
Depreciation	46,336	46,412	-	-
Travel	1,620	50	-	-
	<u>733,116</u>	<u>702,411</u>	<u>339,402</u>	<u>550,321</u>
Profit before Overhead	158,739	330,295	128,401	156,189
Allocated Overhead (1)	<u>245,051</u>	<u>276,147</u>	<u>128,536</u>	<u>188,922</u>
Income (Loss) before Other Revenue (Expense)	<u>\$ (86,312)</u>	<u>\$ 54,148</u>	<u>\$ (135)</u>	<u>\$ (32,733)</u>

(1) "Allocated overhead" is allocated to each division based on the percentage of each division's sales to total sales of those divisions.

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MISSISSIPPI PRISON INDUSTRIES CORPORATION
Combining Statements of Revenues and Expenses
Years Ended June 30, 2014 and 2013

	CMCF	
	Office Furniture/Services 2014	2013
Sales	\$ 1,511,052	\$ 1,122,079
Direct Costs		
Materials	1,120,485	825,505
Inmate labor	6,745	9,922
Salaries and benefits	142,392	123,328
Contractual services	15,860	32,195
Commodities	14,663	10,296
Depreciation	75,098	70,288
Travel	-	278
	1,375,243	1,071,812
Profit before Overhead	135,809	50,267
Allocated Overhead (1)	415,185	305,723
Income (Loss) before Other Revenue (Expense)	\$ (279,376)	\$ (255,456)