MAGCOR INDUSTRIES
(A Component Unit of the State of Mississippi)

Audited Financial Statements

June 30, 2022

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Introduction

This section of the MagCor Industries (the Corporation) financial report presents our analysis of the Corporation's financial performance during the fiscal year ended June 30, 2022. 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 $1,735,032 (net position) at June 30, 2022. This compares to the previous year when assets exceeded liabilities by $3,055,076.

- Total sales decreased $1,084,338 from prior year. The change in net position for 2022 was a decrease of $1,199,943 which was $2,224,610 compares to the increase in net position of $1,024,667 in the prior year.

- Additions to property and equipment were $357,988 for the fiscal year ended June 30, 2022. There were $215,768 of dispositions of Right to Use Assets during the year ended. With the adoption of *Governmental Accounting Standards Board (GASB)87 Leases* the Investment in Capital Assets now includes Capital Assets, net of Depreciation, Right of Use Assets, net of Amortization and the related new GASB 87 Lease Liabilities.

These additions are composed of:

	Capital Assets	Right of Use Assets	Total
Building Improvements	$ 54,627	$ -	$ 54,627
Machinery and Equipment	30,603	272,758	303,361
	$ 85,230	272,758	$ 357,988

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 required supplementary information as required by the GASB Statement 68 and Statement 75.

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:

STATEMENT OF NET POSITION

Assets:		
Current Assets	$	3,392,821
Property and Equipment, Net		2,819,028
Right of Use Assets, Net		217,893
Total Assets		6,429,742
Deferred Outflows of Resources		1,393,827
	$	7,823,569
Liabilities:		
Current Liabilities	$	926,715
Net Pension Liability		3,428,174
Net Other Postemployment Benefit Liability, Non-Current		165,599
Lease Liabilities, Net of Current Maturities		145,762
Total Liabilities		4,666,250
Deferred Inflows of Resources		1,422,287
Net Position:		
Investment in Capital Assets		2,820,846
Unrestricted (Deficit)		(1,085,814)
Total Net Position		1,735,032
	$	7,823,569

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

Sales	$	6,067,763
Operating Expenses		7,809,228
Income (Loss) Before Other Revenue and Expenses		(1,741,465)
Other Revenue and (Expenses), Net		541,522
Changes in Net Position		(1,199,943)
Net Position, at Beginning of Year as Previously Reported		3,055,076
Prior Period Adjustment		(120,101)
Net Position at Beginning of Year, As Restated		2,934,975
Net Position, at End of Year	$	1,735,032

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.

Leases and Right to Use Leased Assets

With the adoption of GASB 87, the Corporation had five remaining capital leases during the year ended June 30, 2022. The total cost of Right to Use Leased Assets was $376,910 and the accumulated amortization related to the Leased Assets at June 30, 2022 was $159,017. The Lease Liabilities related to the Assets at June 30, 2022 included Current Lease Liabilities of $70,313 and Lease Liabilities, net of Current Liabilities of $145,762 at June 30, 2022.

Sales and Operating Expense

There were two major customers of the Corporation for the year ended June 30, 2022. Sales to the Mississippi Department of Corrections (MDOC) were $1,543,392, and sales to the Ethicon, Inc. were $400,917 for the fiscal year ended June 30, 2022.

Overall Financial Operations

The Corporation reported a net loss of $1,199,943 for the year ended June 30, 2022 compared to a net income of $1,024,677 for the year ended June 30, 2021. The June 30, 2022 loss includes the effect of a loss in sales of $1,084,318 from the previous year and decreased sales to governmental entities during 2022. The Corporation is focusing on ways to improve its gross profit percentage in 2023 and future years as the gross profit percentage decreased significantly during 2022.

Economic Factors

The Corporation will concentrate on profitable operations in fiscal year 2023. The Corporation made significant strides in fiscal years 2019, 2020 and 2021 to eliminate unprofitable activities. the Corporation's sales to governmental entities decreased in 2022, mainly due to state spending cuts. The Corporation will continue to face obstacles in its goal to sustain growth in a fragile economy faced with state government spending cuts. The effects of the global pandemic (COVID-19) cannot be predicted at this time and the impact on the Corporation's financial condition or results of operations are uncertain.

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 MagCor Industries administrative office at 663 North State Street, Jackson, Mississippi 39202.

INDEPENDENT AUDITORS' REPORT

Board of Directors
MagCor Industries
Jackson, Mississippi

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of MagCor Industries, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the MagCor Industries' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the MagCor Industries, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MagCor Industries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the MagCor Industries' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MagCor Industries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MagCor Industries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MagCor Industries' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated *February 3, 2022*, on our consideration of the *MagCor Industries* 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the *MagCor Industries* 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 *MagCor Industries* internal control over financial reporting and compliance.

Grantham Poole PLLC

Ridgeland, Mississippi
February 3, 2023

MAGCOR INDUSTRIES
Statement of Net Position
June 30, 2022

ASSETS

Current Assets:	
Cash	$ 270,032
Accounts Receivable- Customers	900,200
Accounts Receivable- Other	447,690
Inventories	1,718,672
Prepaid Expenses	41,739
Deposits	14,488
Total Current Assets	3,392,821
Property and Equipment:	
Land	312,266
Buildings and Improvements	5,232,965
Machinery and Equipment	4,922,304
Software	165,770
Total Property and Equipment	10,633,305
Less Accumulated Depreciation	(7,814,277)
Total Property and Equipment, Net	2,819,028
Right to Use Leased Assets, Net of Amortization	217,893
Deferred Outflows of Resources:	
Deferred Pension Outflows	1,311,691
Deferred Other Postemployment Benefits Outflows	82,136
Total Deferred Outflows	1,393,827
Total Assets	$ 7,823,569

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts Payable	$ 649,446
Accrued Expenses	46,017
Unearned Income	42,639
Current Lease Liabilities	70,313
Other Postemployment Benefits Liability - Current Portion	5,185
Accrued Leave	113,115
Total Current Liabilities	926,715
Long-Term Liabilities:	
Net Pension Liability	3,428,174
Net Other Postemployment Benefits Liability, Non-Current	165,599
Lease Liabilities, net of Current Maturities	145,762
Total Long-Term Liabilities	3,739,535
Deferred Inflows of Resources:	
Deferred Pension Inflows	1,325,557
Deferred Other Postemployment Benefits Inflows	96,730
	1,422,287
Net Position:	
Investment in Capital Assets	2,820,846
Unrestricted (Deficit)	(1,085,814)
Total Net Position	1,735,032
Total Liabilities and Net Position	$ 7,823,569

See accompanying notes to financial statements.

MAGCOR INDUSTRIES
Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2022

Sales	$ 6,067,763
Operating Expenses:	
Cost of Sales	3,797,646
Salaries and Benefits	1,748,038
Contractual Services	1,198,062
Commodities	512,358
OPEB Expense	(8,177)
Pension Expense	26,006
Depreciation	391,311
Amortization	90,193
Travel	53,791
Total Operating Expenses	7,809,228
Loss Before Other Revenue and Expenses	(1,741,465)
Other Revenue and Expenses:	
Interest Income, Net of Credit Card Fees	3,962
Interest Expense	(10,948)
PPP Loan Forgiveness	299,957
Employee Retention Credit Income	220,107
Other Income	8,716
Offender Placement Program (Net of Expenses)	19,728
Total Other Revenues and Expenses	541,522
Change in Net Position	(1,199,943)
Net Position at Beginning of Year, As Previously Reported	3,055,076
Prior Period Adjustment	(120,101)
Net Position at Beginning of Year, As Restated	2,934,975
Net Position at End of Year	$ 1,735,032

See accompanying notes to financial statements.

MAGCOR INDUSTRIES
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows From Operating Activities:	
Cash Received from Customers	$ 5,815,589
Cash Paid to Suppliers of Goods and Services	(5,641,621)
Cash Paid to Employees for Services	(1,764,343)
Cash Paid to Retirement and OPEB Plans	(277,870)
Net Cash Used In Operating Activities	(1,868,245)
Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Revenues and Expenses	28,444
Employee Retention Credit Receipts	220,107
Other Miscellaneous	3,557
Net Cash Provided By Non-Capital Financing Activities	252,108
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(85,230)
Payments on Lease Liabilities	(106,425)
Net Cash Used In Capital and Related Financing Activities	(191,655)
Cash Flows From Investing Activities:	
Interest Received	3,952
Net Cash Provided By Investing Activities	3,952
Net Decease In Cash and Cash Equivalents	(1,803,840)
Cash and Cash Equivalents, at Beginning of Year	2,073,872
Cash and Cash Equivalents, at End of Year	$ 270,032
Supplemental Disclosure of Cash Flow Information:	
Non-Cash Investing and Financing Activities:	
Right to Use Assets Acquired from Lease Liabilities	$ 272,758

MAGCOR INDUSTRIES
Supporting Schedule to Statement of Cash Flows
Year Ended June 30, 2022

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Loss Before Other Revenue and Expenses	$ (1,741,465)
Adjustments to Reconcile Loss Before Other Revenue and Expenses to Net Cash Used In Operating Activities:	
Depreciation	391,311
Amortization	90,193
Changes in Assets and Deferred Outflows:	
(Increase) Decrease in	
Accounts Receivable	(243,034)
Inventories	(315,095)
Prepaid Expenses	2,277
Deferred Pension Outflows	(677,034)
Deferred Other Postemployment Benefit Outflows	(37,200)
Changes in Liabilities and Deferred Inflows:	
Increase (Decrease) in	
Accounts Payable	323,507
Unearned Income	(9,140)
Accrued Expenses	(106,758)
Net Pension Liability	(218,450)
Net Other Postemployment Benefits Liability	10,778
Deferred Pension Inflows	648,805
Deferred Other Post Employment Benefits Inflows	13,060
Total Adjustments	(126,780)
Net Cash Used In Operating Activities	$ (1,868,245)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Mississippi Prison Industries Act of 1990 (MPIA) 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).

The Board of Directors voted to additionally change its name to MagCor Industries in November 2021.

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

The 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 statement of cash flows, the Corporation considers highly liquid investments purchased with maturities of three months or less to be cash equivalents.

(e) Property and Equipment

Property and equipment are 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. Maintenance and repairs are charged to expense as incurred while major renewals or betterments in excess of $1,000 are capitalized as additions.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(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 direct write-off method approximate those of the allowance method.

(g) Tax-Exempt Status

MagCor Industries 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.

Accounting principles generally accepted in the United States of America (GAAP) prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the year ended June 30, 2022 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 2019 and later.

(h) Estimates

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

(i) 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, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(j) New Accounting Standards

The Government Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented in fiscal year 2022.

The Corporation used the estimated increment borrowing rate to calculate the present value of lease payments since the incremental borrowing rate implicit in the lease was not known. The estimated incremental borrowing rate was estimated by using the average rate of the State's outstanding general obligation bonds.

(k) Shipping and Handling Costs

Shipping and handling costs are included in contractual services in the statement of revenues and expenses and changes in net position in the amount of $37,287 for the year ended June 30, 2022. Freight billed to customers is considered sales revenue.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 and therefore will not be recognized as an outflow of resources (expense/ expenditure) until then. The deferred outflows included in these financial statements are deferred pension and postemployment benefit outflows, including contributions to these plans subsequent to the measurement date of the actuarial valuations related to the plans. The deferred outflows relating to postemployment benefits other than pensions results from changes in proportion and differences between the employer's contributions and the proportionate share of contributions, which is being amortized over the average remaining service lives of participants.

In addition to liabilities, the statement of net position reports 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 and therefore will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows included in these financial statements are deferred pension and postemployment benefit inflows. The Corporation has deferred pension inflows resulting from (i) changes in actuarial assumptions which are being amortized over the average expected remaining service lives of participants and (ii) the difference between estimated and actual return on pension plan investment, which is being amortized over a five year period using the straight-line method. Additionally, the Corporation has deferred inflows relating to other postemployment benefits other than pensions resulting from changes in actuarial assumptions which is being amortized over the average expected remaining service lives of participants.

(m) Pensions

The Corporation participates in the Public Employees' Retirement System of Mississippi (PERS) plan, a multiple-employer cost sharing defined benefit pension plan. For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS plan and additions to/deductions from the plan's net position have been determined on the same basis as they are reported by PERS. The financial statements of PERS are prepared using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to legal requirements; investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Other expenses are recognized when incurred. Investments are reported at fair value. Financial statements are prepared in accordance with GASB requirements. Under these requirements, PERS is considered a component unit of the State of Mississippi for financial reporting purposes and, as such, the financial statements issued by PERS are included in the State of Mississippi's Comprehensive Annual Financial Report. PERS is administered by a 10-member Board of Trustees that includes the State Treasurer, one gubernatorial appointee who is a member of PERS, two state employees, two PERS retirees, and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent. The Board of Trustees is responsible for the general administration and proper operation of PERS.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Other Postemployment Benefits

The Corporation offers retiree health and life insurance benefits through the State of Mississippi State and School Employees' Life and Health Insurance Plan. This plan provides for other postemployment benefits (OPEB) as a multi-employer defined benefit OPEB plan. The fiduciary net position of this plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources; OPEB expense; and information about assets, liabilities and additions to/deductions from this plan's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

NOTE 2 BANK DEPOSITS

Collateral for Public Entity Deposits in Treasury – Approved financial institutions are secured under a program established by the Mississippi State Legislature and governed by Section 27-105.5 Miss. Code Ann. (1972). Under this program, an 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 a 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 Depository Insurance Corporation (FDIC). All deposits with financial institutions must be collateralized in an amount to 105 percent of uninsured deposits. All Corporation funds are in public entity accounts.

NOTE 3 ACCOUNTS RECEIVABLE

As of June 30, 2022, accounts receivable consisted of the following:

Mississippi Department of Corrections	$ 134,415
Mississippi Department of Corrections/CMCF	84,877
Ethicon, Inc.	64,131
Global Polymers	50,782
MTC East Mississippi	48,545
MTC Wilkinson County	39,341
MDOC/Parchman	37,967
MS Department of Wildlife and Fisheries	28,445
John Richards Designs	21,204
Tornado Shelters of Jackson	17,089
Alcorn County Regional Correctional Facility	13,155
Other Accounts Receivable	360,249
	$ 900,200

NOTE 4 ACCOUNT RECEIVABLE OTHER

The Corporation has recognized Employee Retention Credit (ERC), a credit against payroll taxes allowed to an eligible employee for qualifying wages established by the Coronavirus Aid Relief and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Corporation recorded the ERC credit in accordance with ASC 450-30 and has $447,690 as Account Receivable-Other in the Statement of Net Position for the year ended June 30, 2022. Management believes

NOTE 4 ACCOUNT RECEIVABLE OTHER (CONTINUED)

all uncertainties have been resolved and therefore receivable will be collected. The credit for the receivable was calculated for the quarters ended March 31, 2021 and June 30, 2021. In addition, the Corporation recognized ERC credit of $220,107 in the Statement of Activities for June 30, 2022 related to credit for the quarter ended September 30, 2021.

Laws and regulations concerning government programs, including the Employee Retention Credit established are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Corporation's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Corporation.

NOTE 5 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	Total
CMCF Metal Fab	$ 5,619	$ 3,685	$ 9,304
CMCF Print Shop	-	25,587	25,587
Distribution Center	-	129,526	129,526
Mattress Factory	133,264	88,379	221,643
Metal Fabrication	91,869	85,127	176,996
SMCF Garment Shop	140,402	129,392	269,794
CMCGF Garment Shop	94,835	107,825	202,660
Textile Shop	536,750	146,412	683,162
	$ 1,002,739	$ 715,933	$ 1,718,672

NOTE 6 CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 312,266	$ -	$ -	$ 312,266
Capital Assets not Depreciated	312,266	-	-	312,266
Depreciable Capital Assets				
Buildings	489,579	-	-	489,579
Building Improvements	4,688,759	54,627	-	4,743,386
Machinery and Equipment	4,891,701	30,603	-	4,922,304
Software	165,770	-	-	165,770
Total Depreciable Assets	10,235,809	85,230	-	10,321,039
Less Accumulated Depreciation for				
Buildings	231,013	12,239	-	243,252
Building Improvements	2,655,300	160,756	-	2,816,056
Machinery and Equipment	4,378,777	215,956	-	4,594,733
Software	157,876	2,360	-	160,236
Total Accumulated Depreciation	7,422,966	391,311	-	7,814,277
Total Depreciable Assets, Net	2,812,843	(306,081)	-	2,506,762
Total Capital Assets, Net	$ 3,125,109	$ (306,081)	$ -	$ 2,819,028

NOTE 7 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, 2022, 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 8 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Net Pension Liability	$ 3,646,624	$ 705,553	$ (924,003)	$ 3,428,174	$ -
Net OPEB Liability	160,006	37,200	(26,422)	170,784	5,185
Long-Term Debt	296,400	-	(296,400)	-	-
Lease Liabilities	38,794	272,757	(95,476)	216,075	70,313
Total	$ 4,141,824	$ 1,015,510	$ (1,342,301)	3,815,033	$ 75,498
Due Within One Year				(75,498)	
Total Long-Term Liabilities				$ 3,739,535	

NOTE 9 NET POSITION

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

NOTE 10 ECONOMIC DEPENDENCY

During 2022, the Corporation had two major customer that comprised approximately 32% of its annual sales and 22.1% of its receivables. The loss of this customer could have a significant effect on the income of the Corporation.

NOTE 11 LEASE OBLIGATIONS AND RIGHT TO USE LEASED ASSETS

The Corporation is a lessee for various noncancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the Corporation recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the Corporation recognized a lease and an intangible right to use leased asset.

At lease commencement, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any indirect costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight- line basis over the shorter of the lease term or the useful life of the underlying asset.

NOTE 11 LEASE OBLIGATIONS AND RIGHT TO USE ASSETS (CONTINUED)

The Corporation uses the estimated incremental borrowing rate for the leases. The rate is estimated based on the average rate of the State's outstanding general obligation bonds. Management believes these rates are reasonable in the absence of rates implicit in the leases and the Corporation not having any debt.

The lease term includes the noncancellable period of the lease plus any additional period covered by the either the Corporation or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the Corporation and the lessor have a unilateral option to terminate are excluded from the lease term.

The following are required footnote disclosures for GASB 87:

The following illustrates the lease costs associated with recording finance lease costs for the year ended June 30, 2022:

Amortization of ROU Assets	$ 90,193
Interest on Lease Liabilities	9,242
Principal payments on Lease Liabilities	94,576
	$ 194,011

The following are the lease terms of the lease liabilities and right to use assets at June 30, 2022:

Lease agreement dated August 1, 2020, to lease a copy machine and requires 48 monthly payments of $164. There are no variable components of this lease. The lease liability is measured at a discount rate of 3.81%, which is the estimated incremental borrowing rate. The lease liability at June 30, 2022 is $3,935. As a result of this lease, the Corporation has recorded a right to use asset of with a net book value of $3,656 at June 30, 2022. The right to use assets are discussed in more detail in the Intangible Asset section of this note.

Lease agreement dated October 1, 2020, to lease a copy machine and requires 48 monthly payments of $164. There are no variable components of this lease. The lease liability is measured at a discount rate of 3.81%, which is the estimated incremental borrowing rate. The lease liability at June 30, 2022 is $ 4,387. As a result of this lease, the Corporation has recorded a right to use asset of with a net book value of $3,987 at June 30, 2022. The right to use assets are discussed in more detail in the Intangible Asset section of this note.

Lease agreement dated July 29, 2021, to lease delivery equipment and requires 48 monthly payments of $1,809. There are no variable components of this lease. The lease liability is measured at a discount rate of 3.815%, which is the estimated incremental borrowing rate. The lease liability at June 30, 2022 is $68,997. As a result of this lease, the Corporation has recorded a right to use asset of with a net book value of $69,826 at June 30, 2022. The right to use assets are discussed in more detail in the Intangible Asset section of this note.

Lease agreement dated July 29, 2021, to lease delivery equipment and requires 48 monthly payments of $1,809. There are no variable components of this lease. The lease liability is measured at a discount rate of 3.815%, which is the estimated incremental borrowing rate. The lease liability at June 30, 2022 is $68,997. As a result of this lease, the Corporation has recorded a right to use asset of with a net book value of $69,826 at June 30, 2022. The right to use assets are discussed in more detail in the Intangible Asset section of this note.

NOTE 11 LEASE OBLIGATIONS AND RIGHT TO USE ASSETS (CONTINUED)

The following are the lease terms of the lease liabilities and right to use assets at June 30, 2022: (Continued)

Lease agreement dated July 29, 2021, to lease delivery equipment and requires 48 monthly payments of $1,831. There are no variable components of this lease. The lease liability is measured at a discount rate of 3.815%, which is the estimated incremental borrowing rate. The lease liability at June 30, 2022 is $69,759. As a result of this lease, the Corporation has recorded a right to use asset of with a net book value of $70,598 at June 30, 2022. The right to use assets are discussed in more detail in the Intangible Asset section of this note.

Future Minimum Lease Payments:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 70,313	$ 7,022	$ 77,335
2024	73,043	4,292	77,335
2025	72,719	1,500	74,219
	$ 216,075	$ 12,814	$ 228,889

Right to Use Leased Assets

The Corporation has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease in service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Right to Use Assets activity for the year ended for June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to Use Assets:				
Leased Vehicles	$ 215,768	$ 272,758	$ (215,768)	$ 272,758
Leased Equipment	104,152	-	-	104,152
Total Right to Use Assets	319,920	272,758	(215,768)	376,910
Less Accumulated Amortization for:				
Leased Vehicles	202,282	75,993	(215,768)	62,507
Leased Equipment	82,309	14,201	-	96,510
Total Accumulated Amortization	284,591	90,194	(215,768)	159,017
Right to Use Assets, net	$ 35,329	$ 182,564	$ -	$ 217,893

NOTE 12 BANK DEBT

The Corporation was extended a loan in the amount of $296,400, pursuant to the Paycheck Protection Program (PPP), Title 1 of the CARES Act. The loan as originally extended matures on April 2022 and bears interest at 1%, payable monthly beginning November 2020 with 18 payments of $16,680 per month. The note may be prepaid at any time prior to maturity with

NOTE 12 BANK DEBT (CONTINUED)

no prepayment penalties. Funds from the loan may be used for payroll costs, costs used to continue health care benefits, rent, utilities and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Corporation applied for forgiveness for this loan and it was subsequently forgiven on July 12, 2021. The forgiveness of the loan and interest is shown under Other Revenue and Expenses on the Statement of Revenue and Expenses and Changes in Net Position in the amount of $299,957 for the year ended June 30, 2022.

NOTE 13 INMATE PLACEMENT PROGRAM

The Corporation has received grants from the Mississippi Department of Employment Security (MDES grant) and AmeriCorps. The grants are for the Offender Placement Program and targeted for inmates and ex-offenders with the Mississippi Department of Corrections. The purpose is to provide job training, human skills development, job placement and other supportive services to the ex-inmates and their families. The contract period for the MDES grant was October 5, 2020 to December 31, 2021. The contract for the MDES grant was renewed for the period October 1, 2021 through December 31, 2022. The contract period for the AmeriCorps grant is October 1, 2020 to August 31, 2021. The Corporation is reimbursed for eligible expenses under each grant contract. For the year ended June 30, 2022, the Corporation received $258,511, under the contracts. . The total expenses for the program were $238,783 on the statement of revenues and expenses for a net of $19,728 revenues over expenses.

NOTE 14 PENSION PLAN

Plan Description

The Public Employees Retirement System of Mississippi (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 at www.pers.ms.gov or 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 the Corporation is required to contribute at an actuarially determined rate. The actuarially determined rate during fiscal year 2022 was 17.01% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Corporation's contributions to PERS for the year ended June 30, 2022 was $275,197 which is equal to the required contribution for fiscal year 2022.

Employer contribution rates consist of an amount for service cost (the amount estimated for benefits earned by the current members during the year) and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20 percent of a year’s excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0 percent cost-of-living increase calculated according to terms of the plan.

NOTE 14 PENSION PLAN (CONTINUED)

Benefits Provided

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.

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

For the year ended June 30, 2022, the Corporation recognized $28,518 of pension expense. At June 30, 2022, the Corporation reported a liability of $3,428,174 for its proportionate share of the net collective pension liability. The collective net pension liability was measured at June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's share of contributions to the pension plan relative to the projected contributions of all participating state employers. At June 30, 2022, the Corporation's proportion was 0.023194%, which was based on the measurement date at June 30, 2021.

At June 30, 2022, the Corporation recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 50,382	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,076,632
The Corporation's Contributions Subsequent to The Measurement Date	275,197	-
Change in Assumptions	260,949	-
Changes in Proportionate Share and Differences Between Corporation Contributions and Proportionate Share of Contributions - Net of Amortization	725,163	248,925
Total	$ 1,311,691	$ 1,325,557

The amount of $275,197 reported as deferred outflows of resources related to pensions resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 14 PENSION PLAN (CONTINUED)

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

Year Ending June 30	Amount
2023	$ (110,018)
2024	118,915
2025	9,696
2026	(307,656)
Total	$ (289,063)

Actuarial Assumptions

The total pension liability at June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65 to 17.90% including inflation
Investment rate of return	7.75%, net of pension investment expense, including Inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments; for males 90% of male rates from up to age 60, 110% for ages above 77. For females 84% of the female up to age 76 and 100% for ages above 76. Mortality rates will be provided generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

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 weighing the expected future 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 classes are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00%	4.60%
International Equity	22.00%	4.50%
Global Equity	12.00%	4.80%
Fixed Income	20.00%	(0.25)%
Real Estate	10.00%	3.75%
Private Equity	8.00%	6.00%
Cash	1.00%	(1.00)%
	100.00%	

NOTE 14 PENSON PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate (9%) and the Employer contributions will be made at the current employer contribution rate (17.5%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. 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 Analysis – June 30, 2022

Sensitivity of the Corporation's proportionate share of the net pension liability to changes in the discount rate is presented below. The following presents the Corporation's proportionate share of the net pension liability calculated using a discount rate of 7.55%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.55%) or 1% higher (8.55%) than the current rate.

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Corporation's Proportionate Share of the Net Pension Liability	$ 5,124,310	$ 3,428,174	$ 2,252,275

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 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Corporation offers health and life benefits through the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Insurance Plan). The Insurance 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 Insurance Plan. The Insurance Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Insurance Plan is maintained solely for the benefit of eligible employees, dependents and retirees. A trust was created June 28, 2018 for the OPEB plan and, the plan is considered a cost-sharing multiple-employer defined benefit OPEB plan (the OPEB Plan). Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between claims cost and premiums received for retirees.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits Provided

Retiree health benefits offered through the Insurance Plan are available to most State of Mississippi retirees and their eligible dependents. Participants must have participated in the Insurance Plan for at least 4 years, participate in the PERS retirement plan, and must be participating in the Insurance Plan on the day before the effective date of the participant's retirement. The OPEB Plan provides self-funded group health (medical and prescription drug) benefits for eligible retirees and their dependents.

For non-Medicare eligible retirees and their dependents, the OPEB Plan offers two coverage choices as the primary health coverage. For Medicare eligible retirees and their dependents, Medicare is considered the primary coverage and the OPEB Plan becomes secondary coverage. In addition, the OPEB Plan offers fully insured group term life insurance policy for eligible retirees.

Contributions

No contributions towards postemployment benefits are made while in active service. At retirement, contributions vary based on plan election, dependent coverage, Medicare eligibility and date of hire. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Corporation subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The implicit subsidy for the period subsequent to the measurement date as of June 30, 2022 was $5,185 and has been presented as a deferred outflow.

The Board has the sole authority for setting life and health insurance premiums for the Insurance Plan. Per Section 25-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from the retiree's state retirement plan check or be direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Insurance 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 were initially employed before January 1, 2006.

For participating retired employees who are under the age for Medicare eligibility and who were 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.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year. Participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Insurance Plan. If the assets of the Insurance Plan were to be exhausted, participants would not be responsible for the Insurance Plan's liabilities.

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022 the Corporation reported an OPEB liability of $170,784 for its proportionate share of the collective net OPEB liability measured and determined by actuarial valuation at June 30, 2021. The Corporation's proportion of the collective net OPEB liability was determined by comparing the Corporation's average monthly employees participating in the Insurance Plan with the total average employees participating in the plan in the fiscal year for all employers. As of June 30, 2021, the Insurance Plan provided health coverage to 29 employer units. This 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 an employee. If the employer had no employees participating during the fiscal year, their proportionate share will be set to zero and the employer will not be allocated a proportionate share of OPEB amounts.

At June 30, 2021 the Corporation's proportion was 0.020653% (used to determine its collective share of the net OPEB liability as of June 30, 2021) as compared to its proportion measured at June 30, 2020 of 0.020561% or an increase of 0.04808%.

For the year ended June 30, 2022, the Corporation recognized OPEB expense of $(8,177). At June 30, 2022 the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outlaws of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	$ 186	$ 53,402
Changes in Assumptions and Inputs	27,660	5,776
Changes in Proportion and Differences Between Employer OPEB Benefit Payments and Proportionate Share of OPEB Benefit Payments	49,097	37,552
Net Difference Between Projected and Actual Investment Earnings on OPEB Investments	8	-
Employer Implicit Subsidy Subsequent to Measurement Date	5,185	-
Total	$ 82,136	$ 96,730

Deferred outflows of resources related to OPEB resulting from the Corporation's implicit rate subsidy contribution or cost subsequent to June 30, 2022 was $5,185 and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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 Ending June 30	Amount
2023	$ (6,241)
2024	(7,131)
2025	(7,065)
2026	(2,752)
2027	3,410
Total	$ (19,779)

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The net OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	**Entry Age Normal**
Inflation Rate	2.40%
Salary Increases, Including Wage Inflation	3.65% - 17.90%
Long-Term Expected Rate of Return	4.50%
Discount Rate	2.13%
Healthcare Cost Trend Rates	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated January 19, 2022. 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was based on an 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.

Long-term Expected Rate of Return -The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Mortality – Mortality rates were based on the PubS.H-2010(b) Retiree Table with the following adjustments; For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% fir ages above 76. For females, 84% of the female up to 72, and 100% for ages above 76. Mortality rates for disabled retirees were based on the PubG.H.-2010 Disabled Table Adjusted for 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted for 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

Sensitivity of the Corporation's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rate

The following table presents the Corporation's proportionate share of the net OPEB liability calculated using the discount rate of 2.13%, as well as what the Corporation's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.13%) or 1-percentage-point higher (3.13%) than the current rate:

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Corporation's Proportionate Share of the Net OPEB Liability	$ 189,034	$ 170,784	$ 185,036

The following table presents the Corporation's proportionate share of the net OPEB liability calculated using the current assumed health care trend rates (6.50% decreasing to 4.50 by 2030), as well as what the Corporation's proportionate share of the net OPEB liability would be if it were calculated using a 1% change in the current assumed health care trend rates:

	1% Decrease	Current Rate	1% Increase
Corporation's Proportionate Share of the Net OPEB Liability	$ 158,190	$ 170,784	$ 185,036

Collective Deferred Inflows of Resources Related to OPEB and Changes in Assumptions.

Annual changes to the net OPEB liability resulting from changes in assumptions, other inputs, changes in proportion and differences between employer OPEB benefit payments and its proportionate share of OPEB benefit payments are deferred and amortized over the average expected remaining service life of active and inactive members which approximates 5.9 years for the current measurement period.

OPEB Plan Fiduciary Net Position

The fiduciary net position for the OPEB Plan was ($1,044,000) as of June 30, 2021, the measurement date. Detailed information about the OPEB Plan's fiduciary net position for June 30, 2021 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration website.

NOTE 16 EMPLOYEE RETENTION CREDIT

The Corporation has recognized Employee Retention Credit (ERC), a credit against payroll taxes allowed to an eligible employee for qualifying wages established by the Coronavirus Aid Relief and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Corporation recorded the ERC credit in accordance with ASC 450-30 and recorded $220,107 in Other Revenue and Expenses the Statement of Revenues and Expenses and Changes in Net Position for the year ended June 30, 2022. Management believes all uncertainties have been resolved and therefore the income is realized in the current year.

Laws and regulations concerning government programs, including the Employee Retention Credit established are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Corporation's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Corporation.

NOTE 17 PRIOR PERIOD ADJUSTMENT

The Corporation implemented GASB 87 which requires the Corporation to record non-cancellable lease agreements as Lease Liabilities and a corresponding Right to Use Asset on the Statement of Financial Position. The Prior Period Adjustment related to GASB 87 is as follows for June 30, 2021:

Right to Use Assets, net of Accumulated Amortization	$ 35,329
Total Current and Non Current Lease Liabilities	(22,083)
Machinery and Equipment	(215,769)
Accumulated Depreciation	82,422
Total Prior Period Adjustment related to GASB 87	$ (120,101)

NOTE 18 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2023, the date the financial statements were available to be issued.

Required Supplementary Information

MAGCOR INDUSTRIES
Schedules of the Corporation's Proportionate Share
of the Net Pension Liability - PERS
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Corporation's Proportion Percentage of the Net Pension Liability	0.023194%	0.018834%	0.017106%	0.024451%	0.027322%	0.023524%	0.020638%	0.022696%
Corporation's Proportionate Share of the Net Pension Liability	$ 3,428,174	$ 3,646,624	$ 3,009,282	$ 4,066,927	$ 4,541,844	$ 4,201,973	$ 3,190,227	$ 2,754,878
Corporation's Covered Employee Payroll	$ 1,617,861	$ 1,254,930	$ 1,125,983	$ 1,561,394	$ 1,753,775	$ 1,545,101	$ 1,434,744	$ 1,380,482
Corporation's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	211.90%	290.58%	267.26%	260.47%	258.98%	271.95%	222.36%	199.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

The amounts represented 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 disclose information for the last ten year period. However, until a full ten-year trend is compiled, the Corporation has only presented information for the years in which the information is available as required by GASB.

MAGCOR INDUSTRIES
Schedules of the Corporation's Contributions to the Pension Plan
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 275,196	$ 268,032	$ 218,363	$ 176,429	$ 245,924	$ 276,057	$ 236,908	$ 218,423
Contributions in Relation to the Contractually Required Contribution	(275,196)	(268,032)	(218,363)	(176,429)	(245,924)	(276,057)	(236,908)	(218,423)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporation's Covered Payroll	$ 1,617,861	$ 1,528,090	$ 1,254,930	$ 1,125,983	$ 1,561,394	$ 1,753,775	$ 1,545,011	$ 1,434,744
Contribution's as a Percentage of Covered Payroll	17.01%	17.54%	17.40%	15.67%	15.75%	15.74%	15.33%	15.22%

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, until a full ten-year trend is compiled, the Corporation has only presented information for the years in which the information is available as required by GASB.

MAGCOR INDUSTRIES
Schedule of the Corporation's Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017
Corporation's Proportion Percentage of the Net OPEB Liability	0.000217%	0.020561%	0.021724%	0.027389%	0.027322%	0.025418%
Corporation's Proportionate Share of the Net OPEB Liability	$ 170,784	$ 160,006	$ 184,340	$ 211,865	$ 230,486	$ 207,538
Corporation's Covered Employee Payroll	$ 1,528,090	$ 1,254,930	$ 1,125,983	$ 1,561,394	$ 1,753,775	$ 1,545,101
Corporation's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	11.18%	12.75%	16.37%	13.57%	13.14%	13.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.16%	0.13%	0.12%	0.13%	0.00%	0.00%

The amounts represented 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 disclose information for the last ten year period. However, until a full ten-year trend is compiled, the Corporation has only presented information for the years in which the information is available as required by GASB.

MAGCOR INDUSTRIES
Schedule of the Corporation's Contributions for OPEB
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 5,185	$ 6,864	$ 6,381	$ 7,389	$ 9,826	$ 9,069	$ 8,203
Contributions in Relation to the Contractually Required Contribution	(5,185)	(6,864)	(6,381)	(7,389)	(9,826)	(9,069)	(8,203)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporation's Covered Payroll	$ 1,617,861	$ 1,528,090	$ 1,254,930	$ 1,125,983	$ 1,561,394	$ 1,753,775	$ 1,545,101
Contribution's as a Percentage of Covered Payroll	0.32%	0.45%	0.51%	0.66%	0.63%	0.52%	0.53%

This schedule is presented to illustrate the requirement to disclose information for the last ten year period. However, until a full ten-year trend is compiled, the Corporation has only presented information for the years in which the information is available as required by GASB.

PENSION SCHEDULES

Basis of Presentation

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

These schedules are required to provide information for ten years. However, GASB 68 was implemented in fiscal year June 30, 2015, and until a full ten year trend is compiled, the Corporation has only presented information for the years in which it is available.

Changes in Assumptions

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

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.5% to 2.0%.

In 2017 the expectation of retired 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 Mortality Table for disabled lives. The wage inflation 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 line of duty was increased from 6% to 7%.

In 2019 The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

o The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

PENSION SCHEDULES (CONTINUED)

Changes in Assumptions (Continued)

- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality 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 7% to 9%.
- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101 % for ages above 77.
  - For females, 84% of female rates up to age 72, 100% for ages above 76.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
  - For males, 134% of male rates at all ages.
  - For females, 121 % of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
  - For males, 97% of male rates at all ages.
  - For females, 110% of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

PENSION SCHEDULES (CONTINUED)

Changes in Assumptions (Continued)

- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

Changes in Benefit Provisions

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.

OPEB SCHEDULES

Schedule Of The Corporation's Proportionate Share Of The Net OPEB Liability And Related Ratios

The Corporation's proportionate share of the net OPEB liability reported at June 30, 2022 was determined based on the Corporation's allocation percentage of average monthly employees participating in the Insurance Plan with the total average employees participating in the Insurance Plan for all employers as of June 30, 2021.

This allocation methodology was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. If an employer had no employees participating during the fiscal year, their proportionate share was set to zero and the employer was not allocated a proportionate share of OPEB amounts.

The total OPEB liabilities used in the development of the ratio of the plan fiduciary net position to total OPEB liabilities presented in the schedule was provided by the Insurance Plan's actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position for the Insurance Plan as of June 30, 2021.

Changes In Assumptions

The OPEB inflation rate was changed from 2.70% as of June 30, 2021 (using the prior measurement date of June 30, 2020) to 2.40% for reporting as of June 30, 2022 (using the current measurement date of June 30, 2021). The health cost trend rates changed form 7.00% decreasing to 4.50% by 2030 as of June 30, 2021(using the prior measurement date of June 30, 2020) to 6.50 decreasing to 4.50% by 2030 for reporting as of June 30, 2022 (using the current measurement date of June 30, 2021).

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

Board of Directors
MagCor Industries
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 MagCor Industries (a not-for-profit corporation and component unit of the State of Mississippi), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MagCor Industries' basic financial statements and have issued our report thereon dated February 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MagCor Industries' internal control over financial reporting (internal control) as a basis for designing 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 MagCor Industries' internal control. Accordingly, we do not express an opinion on the effectiveness of MagCor Industries' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, 2022-004 and 2022-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MagCor Industries' 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 financial statements. 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*..

MagCor Industries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the MagCor Industries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MagCor Industries' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

As of the date of issuance of these financial statements, MagCor Industries' management has not completed their evaluation of and response to the findings identified in our audit as described above.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grantham Poole PLLC

Ridgeland, Mississippi
February 3, 2023

MATERIAL WEAKNESS

Finding Number	Finding and Recommendation
2022-001	Material Weakness in Maintenance of Source Documents
Repeat Finding	Yes, 2021-001
Criteria	*The Internal Control-Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Governmental Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specifies that a satisfactory control environment is only effective when there are adequate control activities are in place. Effective control activities dictate that proper support of information be available.
Condition	There were instances during our audit whereby source documentation requested was not readily available. Many of the inventory cost invoices could not be located timely. Additionally, certain travel documentation tested did not include attached receipts, description of the expense or other documentation to substantiate business purpose.
Cause	The company does not have adequate processes to ensure source documents are retained and filed in a readily accessible location.
Effect	Inadequate controls over review and maintenance of source documentation could result in inaccurate accounting information.
Recommendation	We recommend policies be strengthened so that review functions and business purposes are documented and source documentation is better maintained.
2022-002	Material Weakness over Inventory Controls
Repeat Finding	Yes, 2021-002
Criteria	*The Internal Control-Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Governmental Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specifies that a satisfactory control environment is only effective when there are adequate control activities are in place. This includes a review performed to verify the accuracy and completeness of the financial information reported.
Condition	During our inventory cost testing, differences were noted whereby certain costs used to extend the inventory did not agree with recent inventory prices. It was also noted that some inventory source documents are located at remote locations rather than the administrative central office.
Cause	The Corporation has a small staff and lacks entity level control structure that is needed to ensure that inventory is accounted for accurately.

MATERIAL WEAKNESS (CONTINUED)

Finding Number	**Finding and Recommendation**
2022-002	Material Weakness over Inventory Controls (Continued)
Effect	Inadequate controls over the inventory control process could result in material misstatements.
Recommendation	We recommend policies be strengthened so that deficiencies noted above do not reoccur. The Corporation should implement policies, procedures and a review process to ensure inventory is accurately calculated and reported.
2022-003	Material Weakness in Pension and Postemployment Benefit Liability Controls
Repeat Finding	Yes, 2021-003
Criteria	*The Mississippi Agency Accounting Policies and Procedures (MAAP) manual Section 27.10.30* requires that a GAAP packet along with required supplementary schedules be prepared by agencies that are included in the State CAFR.
Condition	To a large extent, the Corporation relies on its external auditors to calculate the Corporation's allocation of pension and postemployment benefit liabilities. However, the external auditor cannot be considered part of an entity's system of control. Therefore, the adjustments calculated and proposed to the Corporation by the external auditor represent deficiencies in internal control.
Cause	The Corporation has a small staff and lacks the experience needed to ensure that these calculations are accounted for accurately.
Effect	Inadequate controls over pension and postemployment benefit liabilities could result in material misstatements.
Recommendation	We recommend the Corporation staff prepare the pension and postretirement calculations in the future and post the adjustments to these accounts prior to the audit.
2022-004	Material Weakness in Property Control System
Repeat Finding	Yes, 2021-004

MATERIAL WEAKNESS (CONTINUED)

Finding Number	**Finding and Recommendation**
2022-004	Material Weakness in Property Control System (Continued)
Criteria	*The Mississippi Agency Accounting Policies and Procedures (MAAP) manual Section 27.30.05* requires supporting schedules provide support the details which support the adjusted GAAP Trial Balance.
Condition	The Corporation's subsidiary fixed asset schedules were never reconciled back to the adjusted depreciation schedules as of the June 30, 2022 audit, resulting in discrepancies between the two.
Cause	This was an oversight by the accounting staff due to the lack of controls because of the size of the staff.
Effect	This caused delays in the current audit due to beginning balances per the fixed asset subsidiary having to be reconciled. Inadequate controls over property could result in material misstatements.
Recommendation	We recommend policies be implemented to reconcile back the fixed asset subsidiary records back to the general ledger for agreement.

Finding Number	**Finding and Recommendation**
2022-005	Material Weakness in Inventory Control System
Repeat Finding	No
Criteria	*The Mississippi Agency Accounting Policies and Procedures (MAAP) manual Section 27.30.05* requires supporting schedules provide support the details which support the adjusted GAAP Trial Balance.
Condition	The Corporation's subsidiary Inventory schedules were never reconciled back to the adjusted subsidiary inventory schedules as of the June 30, 2022 audit, resulting in discrepancies between the two.
Cause	This was an oversight by the accounting staff due to the lack of controls because of the size of the staff.
Effect	This caused delays in the current audit due to beginning balances per the Inventory subsidiary having to be reconciled. Inadequate controls over property could result in material misstatements.
Recommendation	We recommend policies be implemented to reconcile back the Inventory subsidiary records back to the general ledger for agreement.

MAGCOR

FINANCIAL AUDIT FINDINGS

February 10, 2023

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. White,

Below is a summary of MAGCOR responses to the 6/30/22 FY audit findings.

AUDIT FINDINGS:

2022-001 Material Weakness in Maintenance or Source Documents

Response: MAGCOR concurs with the finding. A financial reporting system requires and appropriate review function to ensure that all relevant information is processed correctly and appropriately assimilated into the financial reporting process.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation – We are enlisting the help of our supervisors in assisting with acquiring documentation on a weekly basis. They will also help ensure that all documentation is provided with each submission. We are also adding a digital copy of all invoices and documentation to our server to allow quick access to all items.
B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller and Bradley Lum, CEO.
C. Anticipated completion date for corrective action: 3/31/2023 **IN PROCESS**

2022-002 Material Weakness over Inventory Controls

Response: MAGCOR concurs with the finding and is working to strengthen inventory controls procedures to ensure no material misstatements are made, and that inventory is accurately stated.

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Corrective Action Plan:

A. Specific Steps to be taken to correct the situation – We are still working on the implementation of our Fishbowl Inventory software. We have experienced some delays due to the connectivity at some of our locations and we are working closely with MDOC to improve these issues. We are also going to increase on-site reviews as well.
B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller and Bradley Lum, CEO.
C. Anticipated completion date for corrective action: 6/30/2023 **IN PROCESS**

2022-003 Material Weakness in Pension and Postemployment Benefit Liability Controls

Response: MAGCOR concurs with the finding. MAGCOR is aware that the internal accounting department is tasked with preparing the Pension and Postemployment benefits calculation. Going forward the department will work closely with the auditors to learn the calculation processes.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation – The accounting department will work closely with the auditing firm to learn the process of preparing these calculations. Hopefully this will allow the calculations to be made internally with minimal adjustment required by the auditors.
B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller and Bradley Lum, CEO.
C. Anticipated completion date for corrective action: 6/30/2023

2022-004 Material Weakness in Property Control System

Response: MAGCOR concurs with the finding and is aware that the fixed asset schedules of the Corporation should be reconciled to the general ledger. This finding is a direct result of updated lease reporting requirements.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation – The accounting department will work to learn how to account for the updates required to ensure that the property control system is correct and free of material misstatements.
B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller and Bradley Lum, CEO.
C. Anticipated completion date for corrective action: 6/30/2023

MAGCOR

2022-005 **Material Weakness in Inventory Control System**

Response: MAGCOR concurs with this finding and understands the importance of maintaining strong internal controls with regards to inventory. The accounting department will ensure reconciliation of inventory schedules.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation – The accounting staff will ensure that all inventory schedules are reconciled to ensure that there are not misstatements or errors.

B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller and Bradley Lum, CEO.

C. Anticipated completion date for corrective action: 6/30/2023

Bradley Lum, CEO

Aaron Johnson, Controller

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