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**MAGCOR INDUSTRIES
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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**MAGCOR INDUSTRIES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	9
STATEMENT OF CASH FLOWS	10
SUPPORTING SCHEDULE TO STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PERS	33
SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS TO THE PENSION PLAN	34
SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	35
SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS FOR OPEB	36
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	37
REPORT ON INTERNAL CONTROL AND COMPLIANCE	41



INDEPENDENT AUDITORS' REPORT

Board of Directors
MagCor Industries
Jackson, Mississippi

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of MagCor Industries (a nonprofit organization and non-major discretely presented component unit of the state of Mississippi), as of and for the year ended June 30, 2023, and related notes to the financial statements, which collectively comprise MagCor Industries basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of MagCor Industries due to the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Due to the timing of the execution of our contract for professional services, we were unable to observe the year-end inventory count at MagCor Industries and were unable to satisfy ourselves by alternative means concerning the inventory quantities held at June 30, 2023, which is stated in the statement of net position at \$1,335,277. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and the elements making up the statement of revenues, expenses and changes in net position and statement of cash flows.

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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of MagCor Industries' financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are required to be independent of MagCor Industries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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 GAAS and *Government 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 GAAS and *Government 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 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 MagCor Industries' ability to continue as a going concern for a reasonable period of time.

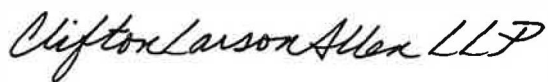
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (as listed in the table of contents), the schedule of the Corporation's proportionate share of the net pension liability, the schedule of the Corporation's pension contributions, the schedule of the Corporation's proportionate share of the net OPEB liability, and the schedule of the Corporation's OPEB contributions (as listed in the table of contents), 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of 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 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.



CliftonLarsonAllen LLP

Timonium, Maryland
June 26, 2024

MAGCOR INDUSTRIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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, 2023. The Corporation is a component unit of the state of Mississippi, and its financial data will be treated as a non-major discretely presented component unit fund by the state of Mississippi's Audit Department for inclusion in the State's ACFR (Annual Comprehensive Financial Report). Please read it in conjunction with the Corporation's financial statements, which begin on page 9.

Financial Highlights

- The Corporation's assets exceeded its liabilities by \$4,630,261 (net position) at June 30, 2023. This compares to the previous year when assets exceeded liabilities by \$1,735,032.
- Total operating income increased \$2,382,405 from prior year. The change in net position for 2023 was an increase of \$2,895,229 as compared to a decrease in net position of \$1,199,943 in the prior year.
- Additions to property and equipment totaled \$5,839,387 for the fiscal year ended June 30, 2023. There were \$290,410 of dispositions of property and equipment 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
Buildings	\$ 4,510,000	\$ -	\$ 4,510,000
Building Improvements	38,547	-	38,547
Machinery and Equipment	514,330	776,510	1,290,840
Total	<u>\$ 5,062,877</u>	<u>\$ 776,510</u>	<u>\$ 5,839,387</u>

Overview of the Financial Statements

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

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as required by the GASB Statement 68 and Statement 75.

MAGCOR INDUSTRIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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	\$ 3,597,051
Property and Equipment, Net	7,320,066
Right-of-Use Assets, Net	850,699
Total Assets	<u>11,767,816</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>1,250,532</u>
Total	<u><u>\$ 13,018,348</u></u>
LIABILITIES	
Current Liabilities	\$ 2,941,078
Net Pension Liability	4,742,676
Net Other Postemployment Benefit Liability, Noncurrent	120,110
Lease Liabilities, Net of Current Maturities	486,730
Total Liabilities	<u>8,290,594</u>
DEFERRED INFLOWS OF RESOURCES	
	97,493
NET POSITION	
Investment in Capital Assets	7,439,943
Unrestricted (Deficit)	<u>(2,809,682)</u>
Total Net Position	<u><u>4,630,261</u></u>
Total	<u><u>\$ 13,018,348</u></u>

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

OPERATING INCOME	\$ 8,450,168
OPERATING EXPENSES	<u>11,417,512</u>
OPERATING LOSS BEFORE OTHER REVENUE AND EXPENSES	(2,967,344)
OTHER REVENUE AND (EXPENSES), NET	1,352,573
CAPITAL CONTRIBUTIONS	<u>4,510,000</u>
CHANGE IN NET POSITION	2,895,229
Net Position - Beginning of Year	<u>1,735,032</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,630,261</u></u>

**MAGCOR INDUSTRIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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.

Donation of Building

On December 2, 2022, the Corporation received the donation of a building. The building is capitalized at a cost of \$4,510,000, net of current depreciation of \$65,771 as of June 30, 2023.

Leases and Right to Use Leased Assets

The total cost of Right to Use Leased Assets was \$1,153,419 and the accumulated amortization related to the Leased Assets at June 30, 2023 was \$302,720. The Lease Liabilities related to the Assets at June 30, 2023 included Current Lease Liabilities of \$244,092 and Lease Liabilities, net of Current Liabilities of \$486,730 at June 30, 2023.

Sales and Operating Expense

There was one major customer of the Corporation for the year ended June 30, 2023. Sales to the Mississippi Department of Corrections (MDOC) were \$2,682,125 or the fiscal year ended June 30, 2023.

Overall Financial Operations

The Corporation reported net income of \$2,895,229 for the year ended June 30, 2023 compared to a net loss of \$1,199,943 for the year ended June 30, 2022. The June 30, 2023 income includes the effect of a gain in operating income of \$2,382,405 from the previous year due to the Corporation administering the new work release program which incurred income of \$595,307 and administering management services for a 4,000 acre farming operation at the Parchman facility which earned the Corporation \$1,350,000 in farm management income. There was also an increase in sales of \$437,098 due to an increase sale to governmental entities during 2022. Nonoperating revenues (expenses) increased \$816,751 due to the Corporation receiving an APRA grant as of June 30, 2023. The capital contributions is due to the Corporation receiving a building donation recorded at \$4,510,000 as noted above. The Corporation is continuing to focus on ways to improve its gross profit percentage in 2024 and beyond.

Economic Factors

The Corporation will continue to concentrate on profitable operations in fiscal year 2024. The Corporation made significant strides in fiscal years 2019, 2020, and 2021 to eliminate unprofitable activities. The Corporation's sales to governmental entities increased in 2023 vs 2022, mainly due to state spending cuts in 2022. The Corporation will continue to face obstacles in its goal to sustain growth in a fragile economy faced with state government spending cuts.

Contacting Management

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

FINANCIAL STATEMENTS

MAGCOR INDUSTRIES
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 168,064
Accounts Receivable - Customers	1,158,518
Grant Revenue Receivable	881,789
Inventories	1,335,277
Prepaid Expenses	35,915
Deposits	17,488
Total Current Assets	<u>3,597,051</u>

PROPERTY AND EQUIPMENT

Land	312,266
Buildings and Improvements	9,491,102
Machinery and Equipment	5,436,634
Software	165,770
Total Property and Equipment	<u>15,405,772</u>
Less Accumulated Depreciation	<u>(8,085,706)</u>
Total Property and Equipment, Net	<u>7,320,066</u>
Right-of-Use Assets, Net of Amortization	850,699

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows	1,187,519
Deferred Other Postemployment Benefits Outflows	63,013
Total Deferred Outflows	<u>1,250,532</u>
Total Assets	<u><u>\$ 13,018,348</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Notes Payable - Line of Credit	\$ 305,000
Accounts Payable	2,089,213
Accrued Expenses	151,152
Unearned Income	31,379
Current Lease Liabilities	244,092
Other Postemployment Benefits Liability - Current Portion	7,127
Accrued Leave	113,115
Total Current Liabilities	<u>2,941,078</u>

LONG-TERM LIABILITIES

Net Pension Liability	4,742,676
Net Other Postemployment Benefits Liability, Noncurrent	120,110
Lease Liabilities, Net of Current Maturities	486,730
Total Long-Term Liabilities	<u>5,349,516</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Other Postemployment Benefits Inflows	97,493
Total Deferred Inflows	<u>97,493</u>

NET POSITION

Investment in Capital Assets	7,439,943
Unrestricted (Deficit)	<u>(2,809,682)</u>
Total Net Position	<u>4,630,261</u>
Total Liabilities and Net Position	<u><u>\$ 13,018,348</u></u>

See accompanying Notes to Financial Statements.

MAGCOR INDUSTRIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2023

OPERATING INCOME

Sales	\$ 6,504,861
Farm Management Income	1,350,000
Work Release Income	<u>595,307</u>
Total Operating Income	8,450,168

OPERATING EXPENSES

Cost of Sales	3,913,564
Salaries and Benefits	2,708,439
Contractual Services	1,373,940
Commodities	1,211,155
MPAE	1,172,355
Pension Expense	424,074
Depreciation	403,322
Amortization	143,704
Travel	<u>66,959</u>
Total Operating Expenses	<u>11,417,512</u>

OPERATING LOSS BEFORE OTHER REVENUE AND EXPENSES (2,967,344)

NONOPERATING REVENUE AND EXPENSES

Interest Income, Net of Credit Card Fees	40,761
Interest Expense	(7,058)
Gain on Sale of Fixed Asset	91,485
Other Income	43,017
Grant Revenue	<u>1,184,368</u>
Total NonOperating Revenues and Expenses	<u>1,352,573</u>

CAPITAL CONTRIBUTIONS 4,510,000

CHANGE IN NET POSITION 2,895,229

Net Position - Beginning of Year 1,735,032

NET POSITION - END OF YEAR \$ 4,630,261

See accompanying Notes to Financial Statements.

MAGCOR INDUSTRIES
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 8,636,540
Cash Paid to Suppliers of Goods and Services	(5,748,165)
Cash Paid to Employees for Services	(2,775,398)
Cash Paid to Retirement and OPEB Plans	<u>(334,618)</u>
Net Cash Used by Operating Activities	(221,641)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grant proceeds	<u>302,579</u>
Net Cash Provided by Noncapital Financing Activities	302,579

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Expense	(7,058)
Net Borrowings Under line of Credit	305,000
Payment on lease liabilities	(185,495)
Issuance of lease liabilities	700,242
Purchase of Property and Equipment	(1,329,387)
Proceeds from Sales of Property and Equipment	<u>250,014</u>
Net Cash Used by Capital and Related Financing Activities	(266,684)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	40,761
Net Proceeds from Other Program Income	<u>43,017</u>
Net Cash Provided by Investing Activities	<u>83,778</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(101,968)

Cash and Cash Equivalents - Beginning of Year

270,032

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 168,064

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Donated Property and Equipment	<u><u>\$ 4,510,000</u></u>
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See accompanying Notes to Financial Statements.

MAGCOR INDUSTRIES
SUPPORTING SCHEDULE TO STATEMENT OF CASH FLOWS
JUNE 30, 2023

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss Before Other Revenue and Expenses	\$ (2,967,344)
Adjustments to Reconcile Loss Before Other Revenue and Expenses to Net Cash Used by Operating Activities:	
Depreciation	403,322
Amortization	143,704
Changes in Assets and Deferred Outflows:	
(Increase) Decrease in:	
Deposits	(3,000)
Accounts Receivable	189,372
Inventories	383,395
Prepaid Expenses	5,824
Deferred Pension Outflows	19,123
Deferred Other Postemployment Benefit Outflows	124,172
Changes in Liabilities and Deferred Inflows:	
Increase (Decrease) in:	
Accounts Payable	1,439,779
Deferred Revenue	(11,260)
Accrued Expenses	105,111
Net Pension Liability	1,314,502
Net Other Postemployment Benefits Liability	(43,547)
Deferred Pension Inflows	763
Deferred Other Post Employment Benefits Inflows	(1,325,557)
Net Cash Used by Operating Activities	<u>\$ (221,641)</u>

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 nonprofit 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 nonprofit corporation, it is a component unit of the state of Mississippi, and its financial data will be treated as a non-major discretely presented component unit fund by the state of Mississippi's Audit Department of Finance and Administration for inclusion in the State's ACFR (Annual Comprehensive Financial Report.)

B. Nature of Operations

The Corporation is engaged in a variety of production activities. The three principal sales 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. In 2023 the MS Legislature piloted a Work Release program for 25 inmates, which is administered by the Corporation. The Corporation also began management of the 4,000-acre farming operation at the Parchman facility in 2023. Credit is granted to customers in the normal course of business. Sales are made throughout the nation in accordance with federal and state regulations.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

C. Basis of Accounting

All the Corporation's activities are reported as a non-major discretely presented component unit as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Financial reporting for the non-major discretely presented component unit conforms to accounting principles generally applicable to the transactions of similar commercial enterprises and utilizes the full accrual method of accounting. The Corporation prepares its financial statements using the "economic resources" measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The statement of net position presents all the Corporation's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as "net position." The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All the Corporation is required to follow all statements of the GASB.

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. Contributed assets are stated at acquisition value at the time of contribution.

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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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, 2023 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. Leases

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.

J. 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 \$66,157 for the year ended June 30, 2023. Freight billed to customers is considered sales revenue.

K. 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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

K. Deferred Outflows/Inflows of Resources (continued)

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.

L. Pensions

The Corporation participates in the Public Employees' Retirement System of Mississippi (PERS) plan, a multiemployer 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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

M. 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 multiemployer 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.

N. Revenues and Expenses

Operating revenues and expenses result from inventory, operation of a farm and the work release program. Operating revenues consist primarily of sales of inventory, farm management income and income from the work release program. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues and expenses include revenues and expenses from capital and related financing activities and investing activities.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted net position consists of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements. When both unrestricted and restricted funds are available for use, restricted funds are used first.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

P. Newly Adopted Statement Issued by Governmental Accounting Standards Board

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Corporation adopted the requirements of the guidance July 1, 2022; however, the standard had no insignificant impact on the financials.

NOTE 2 CASH AND CASH EQUIVALENTS

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% of uninsured deposits. All Corporation funds are in public entity accounts.

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The Corporation had no investments exposed to custodial credit risk at June 30, 2023.

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. The Corporation does not presently have a formal investment policy that addresses interest rate risk.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Corporation does not presently have a formal investment policy that addresses credit risk.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Concentration of credit risk is defined by GASB Statement No. 40, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Corporation does not presently have a formal policy that addresses concentration of credit risk.

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Corporation does not presently have a formal policy that addresses foreign currency risk.

NOTE 3 ACCOUNTS RECEIVABLE

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

Ethicon, Inc.	\$ 126,518
MTC East Mississippi	117,706
MTC Wilkinson County	103,864
Mississippi Department of Connections/CMCF	82,387
Mississippi Department of Corrections/SMCI	60,735
City of Pearl Work Release Program	51,668
Global Polymers	43,185
MS Department of Wildlife and Fisheries	35,200
MDOC/Parchman	35,108
Boom Recycling, LLC	32,241
City of Brandon Work Release	26,421
Cite Armored, Inc.	22,500
City of Flowood Work Release	20,064
Other Accounts Receivable	400,921
Total	<u>\$ 1,158,518</u>

NOTE 4 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	\$ 8,342	\$ -	\$ 8,342
CMCF Print Shop	1,225	-	1,225
Distribution Center	87,609	-	87,609
Mattress Factory	236,908	102,460	339,368
Metal Fabrication	71,641	44,434	116,075
SMCF Garment Shop	94,517	110,879	205,396
CMCGF Garment Shop	3,908	-	3,908
Textile Shop	399,293	135,481	534,774
Other	38,580	-	38,580
Total	<u>\$ 942,023</u>	<u>\$ 393,254</u>	<u>\$ 1,335,277</u>

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2023 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	4,510,000	(290,410)	4,709,169
Building Improvements	4,743,386	38,547	-	4,781,933
Machinery and Equipment	5,299,214	1,290,840	-	6,590,054
Software	165,770	-	-	165,770
Total Depreciable Assets	10,697,949	5,839,387	(290,410)	16,246,926
Less: Accumulated Depreciation and Amortization for Buildings	243,252	75,590	(131,893)	186,949
Building Improvements	2,816,056	176,028	-	2,992,084
Machinery and Equipment	4,753,750	293,944	-	5,047,694
Software	160,236	1,464	-	161,700
Total Accumulated Depreciation and Amortization	7,973,294	547,026	(131,893)	8,388,427
Total Depreciable Assets, Net	2,724,655	5,292,361	(158,517)	7,858,499
Total Capital Assets, Net	<u>\$ 3,036,921</u>	<u>\$ 5,292,361</u>	<u>\$ (158,517)</u>	<u>\$ 8,170,765</u>

On December 2, 2022, the Corporation received the donation of a building. The building is capitalized at a cost of \$4,510,000, net of current depreciation of \$65,771 as of June 30, 2023.

NOTE 6 ACCRUED LEAVE

An accrual for the amount of leave earned but not taken since the Corporation's inception has been made as of June 30, 2023, 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.

Accrued leave as of June 30, 2023 is as follows:

	June 30, 2022		June 30, 2023
Accrued Leave	<u>\$ 113,115</u>	<u>\$ -</u>	<u>\$ 113,115</u>

NOTE 7 LINE OF CREDIT

On December 18, 2020, the Corporation established a line of credit with Renasant Bank for \$351,050 at an interest rate of 9.3% which matures January 15, 2025. The outstanding balance at June 30, 2023 was \$305,000. The line of credit is collateralized with a building of the Corporation.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 OPEB liability	\$ 170,784	\$ -	\$ (43,547)	\$ 127,237	\$ 7,127
Net Pension Liability	3,428,174	1,314,502	-	4,742,676	-
Lease Liabilities	216,075	700,242	(185,495)	730,822	244,092
Total	<u>\$ 3,815,033</u>	<u>\$ 2,014,744</u>	<u>\$ (229,042)</u>	<u>5,600,735</u>	<u>\$ 251,219</u>
Due Within One Year				<u>251,219</u>	
Total Long-Term Liabilities				<u>\$ 5,349,516</u>	

NOTE 9 ECONOMIC DEPENDENCY

During 2023, the Corporation had five major customers that comprised approximately 44% of its annual sales. The 5 customers also account for 35% of its receivables. The loss of these customers could have a significant effect on the income of the Corporation.

NOTE 10 LEASE OBLIGATIONS AND RIGHT TO USE LEASED ASSETS

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.

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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 LEASE OBLIGATIONS AND RIGHT TO USE LEASED ASSETS (CONTINUED)

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

Amortization of ROU Assets	\$ 143,704
Interest on Lease Liabilities	17,415
Principal Payments on Lease Liabilities	199,448
Total	<u>\$ 360,567</u>

The following is a summary of the Authority's future debt service requirements for long-term debt as of June 30:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 244,092	\$ 32,478	\$ 276,570
2025	253,480	20,029	273,509
2026	146,143	8,627	154,770
2027	59,255	3,396	62,651
2028	27,852	806	28,658
Total	<u>\$ 730,822</u>	<u>\$ 65,336</u>	<u>\$ 796,158</u>

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 Leased Assets (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Right to Use Assets:				
Leased Vehicles	\$ 272,758	\$ -	\$ -	\$ 272,758
Leased Equipment	104,152	776,510	-	880,662
Total Right to Use Assets	376,910	776,510	-	1,153,420
Less: Accumulated Amortization for:				
Leased Vehicles	62,507	66,696	-	129,203
Leased Equipment	96,510	77,008	-	173,518
Total Accumulated Amortization	159,017	143,704	-	302,721
Right to Use Assets, Net	<u>\$ 217,893</u>	<u>\$ 632,806</u>	<u>\$ -</u>	<u>\$ 850,699</u>

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 INMATE PLACEMENT PROGRAM

The Corporation has received grants from the Mississippi Department of Employment Security (MDES grant), The Appalachian Regions Commission (ARC) and Central Mississippi Planning and Development District (WIOA). The grants are for the Offender Placement Program and targeted for inmates and ex-offenders with the Mississippi Department of Corrections and various county and regional facilities. The purpose is to provide job training, human skills development, job placement and other supportive services to the inmates who are preparing for or have recently returned to society. 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. A no cost extension was granted through June 30, 2023. The contract period for the ARC grant is October 1, 2021, to August 31, 2022. The Corporation is reimbursed for eligible expenses under each grant contract. For the year ended June 30, 2023, the Corporation received \$324,039, under the contracts. The total expenses for the program were \$299,964 on the statement of revenues and expenses for a net of \$24,075 expenses over revenues.

NOTE 12 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 17.40% 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, 2023 was \$312,560 which is equal to the required contribution for fiscal year 2023.

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% 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% cost-of-living increase calculated according to terms of the plan.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 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% 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% 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, 2023, the Corporation recognized \$113,117 of pension expense. At June 30, 2023, the Corporation reported a liability of \$4,742,676 for its proportionate share of the net collective pension liability. The collective net pension liability was measured at June 30, 2022 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, 2023, the Corporation's proportion was 0.023041%, which was based on the measurement date at June 30, 2022. This is a change from .023194%, which was based on the measurement date of June 30, 2021, or a decrease of .000153%.

At June 30, 2023, 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	\$ 65,586	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	216,709	-
The Corporation's Contributions Subsequent to the Measurement Date	312,560	-
Change in Assumptions	165,120	-
Changes in Proportionate Share and Differences: Between Corporation Contributions and Proportionate Share of Contributions - Net of Amortization	427,544	-
Total	<u>\$ 1,187,519</u>	<u>\$ -</u>

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 PENSION PLAN (CONTINUED)

The amount of \$312,560 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 390,034
2025	280,816
2026	(40,254)
2027	244,363
Total	<u>\$ 874,959</u>

Actuarial Assumptions

The total pension liability at June 30, 2023 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	7.55%, Net of Pension Investment Expense, Including Inflation

Mortality rates for service retirees 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% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 PENSION PLAN (CONTINUED)

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	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
Total	100.00 %	

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 (17.4%). 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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 PENSION PLAN (CONTINUED)

Sensitivity Analysis - June 30, 2023

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	<u>\$ 6,189,677</u>	<u>\$ 4,742,676</u>	<u>\$ 3,549,698</u>

Pension Plan Fiduciary Net Position

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

NOTE 13 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.

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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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, 2023 was \$7,127 and has been presented as a deferred outflow.

Contributions (Continued)

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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 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, 2023 the Corporation reported an OPEB liability of \$127,237 for its proportionate share of the collective net OPEB liability measured and determined by actuarial valuation at June 30, 2022. 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, 2022, the Insurance Plan provided health coverage to 28 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, 2023, the Corporation's proportion was 0.025825%, which was based on the measurement date at June 30, 2022. This is a change from .020653%, which was based on the measurement date of June 30, 2021, or an increase of .005205%.

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

For the year ended June 30, 2023, the Corporation recognized OPEB revenue of \$23,661. At June 30, 2023 the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	\$ 105	\$ 55,124
Changes in Assumptions and Inputs	19,845	11,780
Changes in Proportion and Differences Between Employer OPEB Benefit Payments and Proportionate Share of OPEB Benefit Payments	35,927	30,589
Net Difference Between Projected and Actual Investment Earnings on OPEB Investments	9	-
Employer Implicit Subsidy Subsequent to Measurement Date	7,127	-
Total	<u>\$ 63,013</u>	<u>\$ 97,493</u>

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Deferred outflows of resources related to OPEB resulting from the Corporation's implicit rate subsidy contribution or cost subsequent to June 30, 2023 was \$7,127 and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ (12,249)
2025	(12,234)
2026	(7,891)
2027	(1,797)
2028	(5,314)
Thereafter	(2,122)
Total	<u>\$ (41,607)</u>

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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actual Cost Method</u>	<u>Entry Age Normal</u>
Inflation Rate	2.40%
Salary Increases, Including Wage Inflation	2.65% to 17.90%
Long-Term Expected Rate of Return	4.50%
Discount Rate	3.37%
Healthcare Cost Trend Rates	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2029 FYE

The demographic actuarial assumptions used in the June 30, 2022, valuation were based on the results of the last actuarial experience study, dated April 20, 2021. 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, 2022, valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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.

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

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% for ages above 77. 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 3.37%, 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 (2.37%) or 1-percentage-point higher (4.37%) than the current rate:

	<u>1% Decrease (2.37)%</u>	<u>Current Discount Rate (3.37)%</u>	<u>1% Increase (4.37)%</u>
Corporation's Proportionate Share of the Net OPEB Liability	<u>\$ 140,167</u>	<u>\$ 127,237</u>	<u>\$ 116,130</u>

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 4.75 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:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Corporation's Proportionate Share of the Net OPEB Liability	<u>\$ 118,385</u>	<u>\$ 127,237</u>	<u>\$ 137,199</u>

MAGCOR INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 6.4 years for the current measurement period.

OPEB Plan Fiduciary Net Position

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

NOTE 14 RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2023, the Corporation contracted with FCI-Primary Policies (commercial package, umbrella and commercial auto) Philadelphia Indemnity Insurance Company (covers directors and officers) and Scottsdale Insurance Company (the commercial package) .

NOTE 15 COMMITMENTS AND CONTINGENCIES

Management believes there are no pending legal matters which would materially affect the component units' financial statements.

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 26, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MAGCOR INDUSTRIES
SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PERS
LAST NINE FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Corporation's Proportion Percentage of the Net Pension Liability	0.023041 %	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	\$ 4,742,676	\$ 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	\$ 1,796,323	\$ 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	264.02%	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	60%	70%	59%	62%	63%	61%	57%	62%	67%

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.

See accompanying Notes to Required Supplementary Information.

MAGCOR INDUSTRIES
SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS TO THE PENSION PLAN
LAST NINE FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 312,560	\$ 275,196	\$ 268,032	\$ 218,363	\$ 176,429	\$ 245,924	\$ 276,057	\$ 236,908	\$ 218,423
Contributions in Relation to the									
Contractually Required Contribution	<u>(312,560)</u>	<u>(275,196)</u>	<u>(268,032)</u>	<u>(218,363)</u>	<u>(176,429)</u>	<u>(245,924)</u>	<u>(276,057)</u>	<u>(236,908)</u>	<u>(218,423)</u>
Contribution Deficiency									
(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's Covered Payroll	\$ 1,796,323	\$ 1,617,861	\$ 1,528,090	\$ 1,254,930	\$ 1,125,983	\$ 1,561,394	\$ 1,753,775	\$ 1,545,011	\$ 1,434,744
Contributions as a Percentage									
of Covered Payroll	17.40%	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.

See accompanying Notes to Required Supplementary Information.

MAGCOR INDUSTRIES
SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST SEVEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017
Corporation's Proportion Percentage of the Net OPEB Liability	0.029371 %	0.000217 %	0.020561 %	0.021724 %	0.027389 %	0.027322 %	0.025418 %
Corporation's Proportionate Share of the Net OPEB Liability	\$ 127,237	\$ 170,784	\$ 160,006	\$ 184,340	\$ 211,865	\$ 230,486	\$ 207,538
Corporation's Covered Employee Payroll	\$ 1,617,861	\$ 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	8%	11.18 %	12.75 %	16.37 %	13.57 %	13.14 %	13.43 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.21%	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.

See accompanying Notes to Required Supplementary Information.

MAGCOR INDUSTRIES
SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS FOR OPEB
LAST EIGHT FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 7,127	\$ 5,185	\$ 6,864	\$ 6,381	\$ 7,389	\$ 9,826	\$ 9,069	\$ 8,203
Contributions in Relation to the Contractually Required Contribution	(7,127)	(5,185)	(6,864)	(6,381)	(7,389)	(9,826)	(9,069)	(8,203)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporation's Covered Payroll	\$ 1,796,323	\$ 1,617,861	\$ 1,528,090	\$ 1,254,930	\$ 1,125,983	\$ 1,561,394	\$ 1,753,775	\$ 1,545,101
Contributions as a Percentage of Covered Payroll	0.004 %	0.003 %	0.004 %	0.005 %	0.007 %	0.006 %	0.005 %	0.005 %

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.

See accompanying Notes to Required Supplementary Information.

MAGCOR INDUSTRIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2023

NOTE 1 NET PENSION LIABILITY

(a) Schedule of Proportionate Share of the Net Pension Liability

This schedule presents historical trend information about the IHL System's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Contributions to the PERS Defined Benefit Plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(c) Changes of Assumptions and in Benefit Provisions (Pension Plan)

Changes of Assumptions:

2023

- There were no changes of assumptions.

2022

- 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 the female rates up to age 72, 100% for ages above 76; and
 - 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; and
 - 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;

MAGCOR INDUSTRIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2023

(c) Changes of Assumptions and in Benefit Provisions (Pension Plan) (Continued)

Changes of Assumptions (Continued):

2022 (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%; and
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2020

- 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; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- 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; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- 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; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2018

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

2017

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

2016

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2016;
- 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 2016;

MAGCOR INDUSTRIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2023

(c) Changes of Assumptions and in Benefit Provisions (pension plan) (Continued)

Changes of Assumptions (Continued):

2016 (Continued)

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

Change in Benefit Provisions:

2018 - 2023

- There were no changes in benefit provisions.

2017

- 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 1% and a maximum rate of 5%.

NOTE 2 NET OPEB LIABILITY

(a) Schedule of Proportionate Share of the Net OPEB Liability

This schedule presents historical trend information about the IHL System's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Employer Contributions to the State and School Employees' Life and Health Insurance Plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(c) Changes of Assumptions and to Benefit Terms (OPEB Plan)

Changes of Assumptions:

2023

- The SEIR was changed from 2.13% for the prior measurement date to 3.37% to the current measurement date.

2022

- The SEIR was changed from 2.19% for the prior measurement date to 2.13% to the current measurement date.

MAGCOR INDUSTRIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2023

(c) Changes of Assumptions and to Benefit Terms (OPEB Plan) (Continued)

Changes of Assumptions (Continued):

2021

- The SEIR was changed from 3.50% for the prior measurement date to 2.19% to the current measurement date.

2020

- The SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

2019

- The SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date.

Changes to Benefit Terms:

2023

- The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

2022

- The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2021

- The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for Select coverage, and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

REPORT ON INTERNAL CONTROL AND COMPLIANCE



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

Board of Directors
MagCor Industries
Jackson Mississippi

We were engaged to audit, 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 nonprofit organization and a component unit of the State of Mississippi), which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report dated June 26, 2024, we do not express an opinion on these financial statements.

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 opinion 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 as items 2023-001 and 2023-002 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 *Governmental 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. 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.

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.



CliftonLarsonAllen LLP

Baltimore, Maryland
June 26, 2024



FINANCIAL AUDIT FINDINGS

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

June 26, 2024

Dear Mr. White,

Below is a summary of MAGCOR responses to the 6/30/23 FY audit findings.

AUDIT FINDINGS:

2023 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our review of the reconciliation process, we noted that select reconciliations and journal entries were being completed, however, there is no formal review process being performed.

Criteria or specific requirement: Accurate and timely reconciliations safeguard against error or theft and are key components of internal controls.

Effect: As there is no control in place, this increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected. The following items were not properly reviewed.

- There was no formal review of bank reconciliations.
- There was no formal review of accounts receivable.
- There was no formal review of fixed assets.

- There was no formal review of accounts payable.
- There was no formal review of accrued liabilities.
- There was no formal review of journal entries.

Cause: The reconciliations are not being reviewed due to staffing limitations within the Corporation.

Recommendation: We recommend that the reconciliations are performed, that all differences are investigated and cleared in a timely manner and that they are properly signed and dated noting that they were completed in a timely fashion. We also recommend that management perform a review and that they sign and date the related reconciliation once completed.

Views of responsible officials and planned corrective actions:

Response: MAGCOR concurs with the finding. MAGCOR is aware that there should be more personnel involved in the reconciliation process; however, with the size of the staff we have, we struggle to have enough to provide a better segregation of duties at this time.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The current plan is to include the use of other members of the staff of Agent Consulting to assist in the reconciliation process and issuance of financial statements. This will bring in extra steps in the review process to help avoid any possible misstatements or oversights. This will also be an added layer of assurance in the controls process. We are also working to develop new reports to present to the board monthly that include registers and reconciliation documents.
- B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller.
- C. Anticipated completion date for corrective action: 6/30/2024

2023 – 002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The external auditors provide assistance with the preparation of the financial statements and select GASB calculations. While the State of Mississippi reviews the financial statements for accuracy as the Corporation is a discretely presented component unit, the Corporation does not possess the knowledge to properly review the financial statements and related calculations.

Criteria or specific requirement: 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 ACFR.

Effect: As there is no formal control in place for proper review of financial statements and GASB calculations by Corporation management, this increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: Due to the experience and size of the staff, the Corporation does not possess the skills to properly review and approve the financial statements and related calculations.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2022-003.

Recommendation: We recommend that the Corporation add a treasurer to the board of directors with the knowledge to aide in proper review of financial statements and GASB adoption. We also recommend that current management obtain proper training to better understand the overall GASB calculations and review of the Corporation's audited financial statements.

Views of responsible officials and planned corrective actions:

Response: MAGCOR concurs with the finding. Due to the staff size and software availability, the current staff has relied solely on the assistance and direction of the audit team to help with preparation of the GASB calculations.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – This finding has been discussed with the current auditors and the Corporation is going to work toward software purchase or will look at outsourcing these calculations to ensure that they are done in a timely and accurately for financial reporting
- B. Names of the contacts responsible for corrective action – Aaron Johnson, Controller.
- C. Anticipated completion date for corrective action: 12/31/2024

Aaron Johnson

Aaron Johnson, Controller



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