



Annual Report

2018

Michigan State Industries

Building Bridges to Success

Michigan Department of Corrections



Big Sable Point Lighthouse, Ludington, Michigan

FROM *the* ADMINISTRATOR

First and foremost, let me thank you for your support of Michigan State Industries (MSI). Whether you are an employee, a customer, a partner or a supplier I want to thank you for all that you do for MSI. It is the intent of this annual report to share a little more with you about who we are and what we do. I am passionate about our people and our program, as you'll see as you make your way through our Annual Report. Yes, we have factories that make things, but those are byproducts of our real mission here.

MSI has just 48 full-time employees to support our 13 operations. Our employees are exceptional not only in what they do, but in how they strive to do it better. They have been recognized for their outstanding service at every level this year. Internally, the MSI Administrators Coin has been awarded to three staff members (Chuck Beltz, Tom Fegan, Will Rondeau). At the MDOC level, the Professional Excellence Award (Madyson Taylor) given by Director Washington, and the NCIA Honor Roll (Margret Leisinger) at the National Level. Our staff works with more than 550 Michigan offenders daily to turn out quality products while keeping our operations safe and secure. Most importantly we are preparing our prisoner workforce to be successful in real world working environments so that they can be productive, contributing members of society as soon as they are released.

MSI provides meaningful employment to prisoners. Inmates learn the soft skills needed to be successful in today's job market. Things like, coming to work every day on time, learning to work with others and being responsible for the quality and quantity of the product that they are working on, learning to work under supervision and the value of teamwork. The prisoners also learn job specific skills that can transfer to the real-world job market.

As the MSI Administrator I am extremely proud of the individuals who choose to work for this organization, and I count those blessings each day. People make the difference in any organization and in the MSI organization, people are making a difference.

Thank you for your continued support of MSI.



Christopher J. Kamrada
Administrator, Michigan State Industries



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MANAGEMENT *Discussion & Analysis*

This Annual Report provides an analysis and evaluation of the current and prospective restructuring, cost reductions, asset management and progress towards the financial stability of Michigan State Industries and being a significant partner in the mission of preparing prisoners for their return to society.

Restructuring

Michigan State Industries (MSI) is implementing an organizational restructuring plan that will streamline operations and improve efficiency allowing us to better serve MSI customers, the Department, and the Michigan taxpayer. MSI is working to assess current operations as it aligns with the core mission of prisoner success and restructures its business model and operations to become fiscally solvent. Within the last few years many operations that annually resulted in deficit spending have been discontinued. The recent insourcing of janitorial food service products along with prisoner blues will help improve sales numbers. MSI is preparing for the insourcing of other items that were previously contracted to the private sector as well. In addition, with the anticipation of future decisions by the legislature, the Department of Corrections, and State procurement agency policies, further opportunities are occurring and being developed, which will contribute to reducing operating overhead in all areas.

MSI has begun to implement the new analysis structure known as Effective Process Improvement and Communication (EPIC), which assists MSI to focus on the following:

1. Assessing MSI's current operations as it aligns with its prisoner success mission and its statutory requirements of self-sufficiency.
2. Identifying areas of improvement to introduce, enhance, reduce or eliminate components of MSI not contributing to its core mission or statutory requirements.
3. Develop and implement MSI restructuring recommendations to include, but not limit core businesses that best serve its mission, infrastructure, and statutory requirements.

Closures

In the summer of 2013, MSI was notified by the Department of Corrections that its Meat and Dairy Operations would not qualify for sales to the proposed food service contractor, therefore those operations would need to be discontinued by December of that year. In addition, the functions of the MSI Distribution Center would need to be consolidated into the Southern Region Distribution Warehouse by September of that year. This decision resulted in the direct expense of several hundred thousand dollars in assets which no longer qualified for capitalized accounting under GAAP. Although no direct operations were closed during fiscal year 2013, MSI did perform a reduction in force of 11 positions (\$1.2 million) to reduce its administrative overhead in anticipation of future closings.

Successes

MSI's management team remains committed to working with the Department of Corrections to identify and collaborate with other key stakeholders, and to help meet its mission of protecting public safety and improving parolee recidivism. New hybrid programs partnering with offender success and Education are being developed and implemented, such as the Xerox Printer Program and the WRAP forklift operator certification plan at the Detroit Re-entry Center. With the Prison Industry Enhancement Certification Program (PIECP) certification approval from the United States Department of Justice, opportunities are being investigated to partner with private industries.

Contributions

MSI is an effective management tool for reducing inmate idleness, providing structured training programs, instilling transferrable job skills, a positive work ethic, social management skills and personal responsibility. Approximately 700 prisoners per day are employed with MSI engaged in 13 factory operations to meet the needs of government and select nonprofit organizations. These prisoners are accountable daily for being on time, meeting production goals and working as a team. The results are near \$20 million in annual revenue back into our local economies, including inmate wages that serve to offset prison costs, family support, fines and restitution. MSI is one of 50 such programs in business for decades throughout the country providing services directly benefiting their correctional systems as well as assisting in their successful return to society.

Results to Date

The administrative changes that began in FY 2014 have brought continuing improvements to MSI's bottom line. In FY 2018 MSI posted its first positive cash position in over 10 years, an \$8 MILLION-dollar improvement.

Moving Forward

MSI will continue to use LEAN business processes throughout its organization. MSI staff is integrally involved in the department's EPIC efforts either as Initiative Managers or team members.

Collaboration began with Education and Prisoner Success to more fully integrate services relating to preparing prisoners for their return to society.

Many factors contributed in MSI's deficit spending over the years, however, the overall combination of ineffective business planning and asset utilization, decisions made outside the control of MSI management and poor reaction to changes in the marketplace were the driving forces related to the losses. MSI's management team is committed to working with the Department of Corrections and other key stakeholders in utilizing collaborative efforts to refine its operations and utilize assets for the maximum benefit of the State.



MICHIGAN STATE INDUSTRIES

Building Bridges to Success

MISSION

“Building Bridges To Success” by educating and empowering Michigan Offenders to become law-abiding, tax paying citizens through successful work skills training and real opportunities.

VALUES

PERSEVERANCE – to keep working to make things better for our customers, our co-workers and our staff and toward getting the job done!

ACCOUNTABILITY – Both for ourselves, our co-workers, our staff and others to ensure excellence

RESPECT – In how we treat co-workers, staff, and customers at all times

TRUST – in our co-workers and staff that we can do this together when we work together in a blame-free environment

NET INCOME – achieving the objective to provide quality goods and services to our customers at zero cost to the taxpayers of the State of Michigan and high-quality job skills for our co-workers and staff.

EXCELLENCE – In how we train our staff and co-workers, in our work, our products and services

RESOURCEFULNESS - to try something new, to do something different, to think outside the box, to seek solutions

SERVANT LEADERSHIP – ensuring management exists to support staff in accomplishing the objectives of the organization

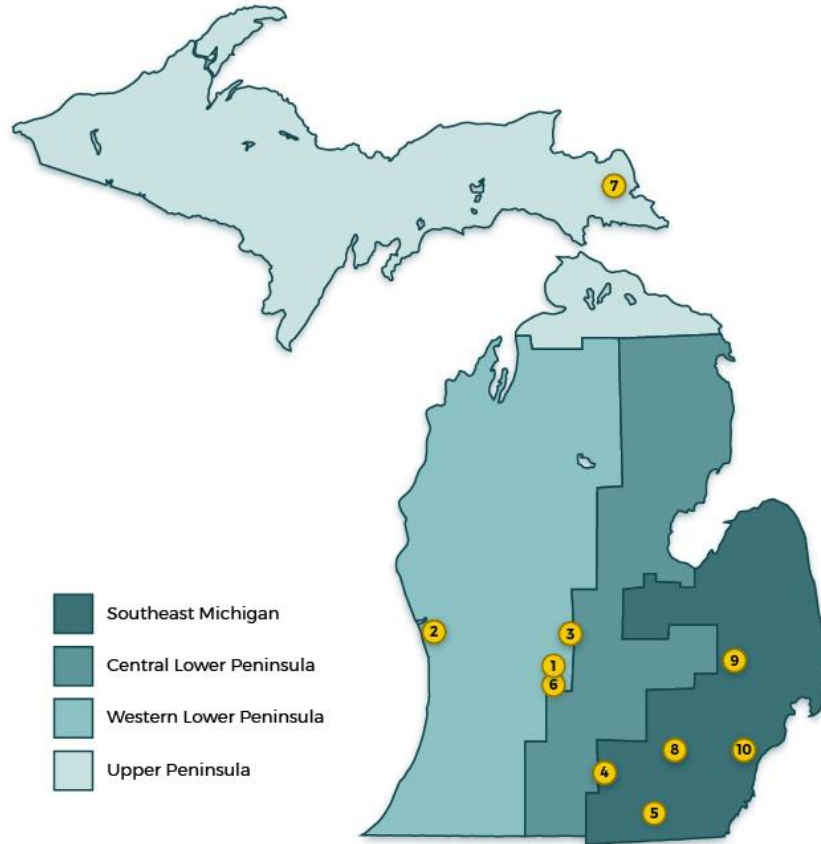
HONESTY – Being truthful in all things

INTEGRITY – Doing the right thing, not necessarily the easy thing

PROFESSIONALISM – Conducting business in advance, openly, always seeking solutions to problems, respecting others’ time and business confidentiality, communicating timely using oral or written means, utilizing appropriate language, grammar and spelling to best represent MSI and MDOC.

LOCATIONS

Michigan State Industries operates 13 factories at 10 locations across the state. Logistics and resource availability play a significant role in the location of each factory. Each factory is supervised by a plant manager, operates either one or two shifts, and employs prisoners as required to meet customer demands.



Our Facilities

1. Bellamy Creek

Ionia, Michigan

- Shoes
- Sign Shop

2. Brooks

Muskegon, Michigan

- Laundry

3. Carson City

Carson City, Michigan

- Garment

4. Cotton

Jackson, Michigan

- Print Shop
- Mattress

5. Gus Harrison

Madison Charter Twp, Michigan

- License Plate
- Optical Lab

6. Ionia Maximum

Ionia, Michigan

- Garment

7. Chippewa

Kincheloe, Michigan

- Garment

8. Huron Valley

Pittsfield Twp, Michigan

- Dental Lab

9. Thumb

Lapeer, Michigan

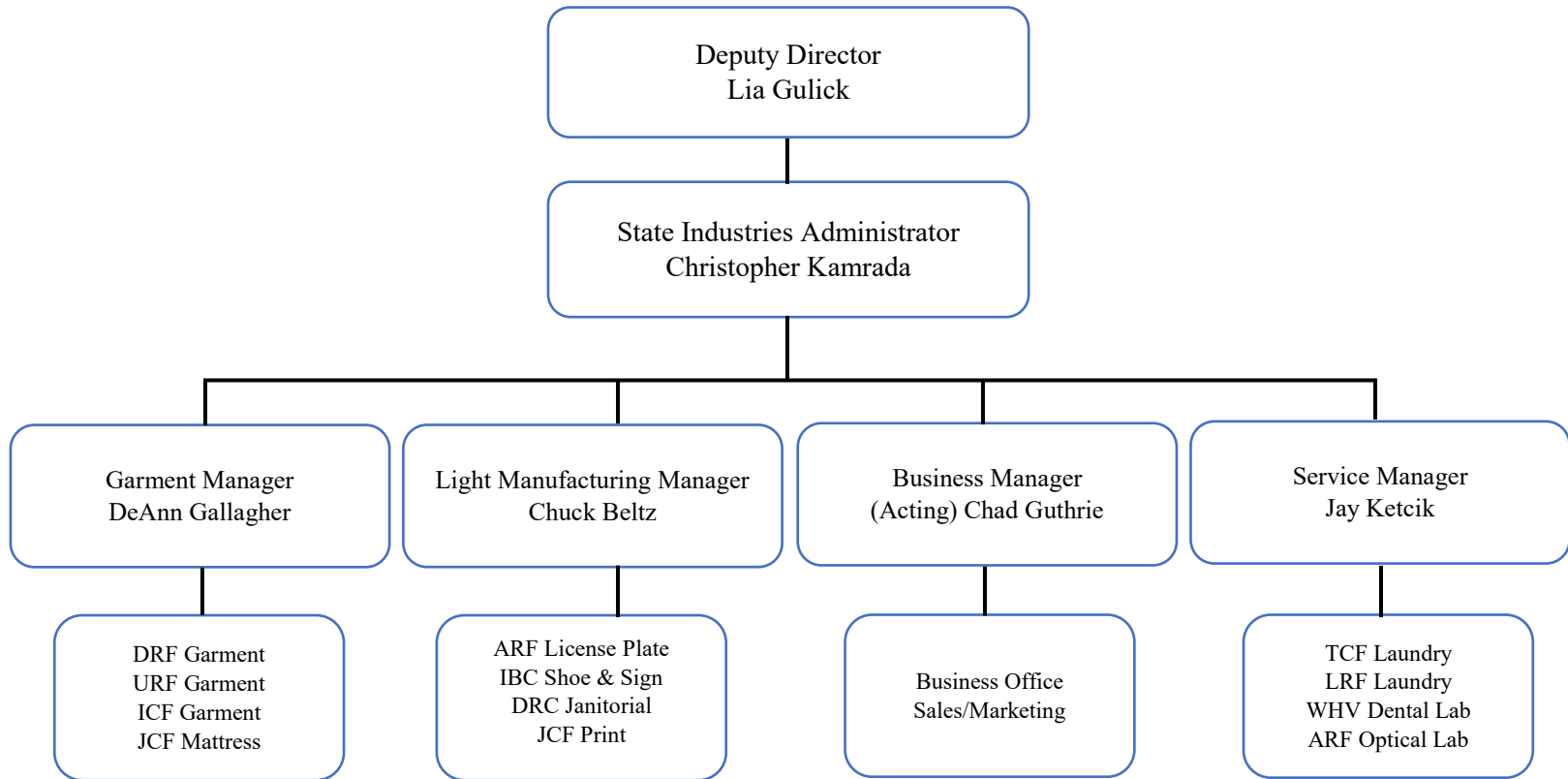
- Laundry

10. Ryan

Detroit, Michigan

- Janitorial

MICHIGAN DEPARTMENT OF CORRECTIONS
BUDGET AND OPERATIONS ADMINISTRATION
MICHIGAN STATE INDUSTRIES
ADMINISTRATION / OPERATIONS



The *Carson City Garment* Factory

Located at the Carson City Correctional Facility (DRF) 10274 Boyer Road in Carson City, Michigan 48811. DRF houses Level IV, II and I prisoners, with a net operating capacity of 2,226 beds and supervised by Warden Randy Rewerts. This factory operates 5 days per week and inmates are scheduled to work from 6:30am to 1:42pm. The Carson City Garment Factory employs Level I prisoners only and manufactures all Michigan correctional officer uniform pants, Emergency Response pants, new officer employee school PT wear, various custody belt device holders such as radio, personal protection device, handcuff cases, etc... It also manufactures prisoner purchased athletic wear (shorts, sweat shirts, sweat pants) prisoner uniform shirts and pants and prisoner pajamas.

This factory employs a total of four civilian employees and 100 prisoner workers.

Marketable Skills:

Job skills such as sewing machine operators, machine repair and maintenance, pattern-makers, cutters, physical and raw goods clerks, shipping and receiving duties, trimmers, order fulfillment, crew leaders.



The *Chippewa Garment* Factory

Located at the Chippewa Correctional Facility (URF) W. M-80 in Kincheloe, Michigan 49784 which houses Level IV, II and I prisoners, with a net operating capacity of 2,339 beds and supervised by Warden Connie Horton. This factory operates five days a week and inmates are scheduled to work from 7:00am to 2:45pm. The Chippewa Garment Factory employs Level II prisoners only and manufactures all Michigan correctional officer winter wear (coats, bib overalls, vests, caps) and officer shirts, prisoner purchased winter coats, food service chef shirts, ANSI safety wear and various other items.

This factory employs a total of three civilian employees and 67 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, crew leaders, shipping and receiving duties. Specialty skills to the garment industry includes pressers, sewing machine operator, pattern-makers, cutters, trimmers, and embroidering skills.



The *Ionia Garment* Factory

Located at the Ionia Correctional Facility (ICF) 1576 W. Bluewater Hwy. in Ionia, Michigan 48846. ICF houses Level V and II prisoners only, with a net operating capacity of 643 beds and supervised by Warden John Davids. This factory operates 5 days per week and inmates are scheduled to work from 7:15 am to 2:15 pm. The Ionia Garment Factory Incubator employs Level II prisoners only and manufactures American flags and scrub suits for MDOC staff, as well as the assembly of garments for private individuals and organizations. Currently, products being produced for specific entrepreneurs includes robotic arm covers, baby blankets, diaper bags, bibs and other infant supplies, as well as active t-shirts with smart technology.

This factory employs a total of two civilian employees and 68 prisoner workers.

Marketable Skills:

Job skills such as sewing machine operators, machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, pattern- makers, inventory control, crew leaders, quality control inspectors.



The *Mattress* Factory

Located at the G. Robert Cotton Correctional Facility (JCF) 3500 N. Elm Road in Jackson, Michigan 49201. JCF houses Level I, II and IV prisoners, with a net operating capacity of 1,811 beds and supervised by Warden Kevin Lindsey. The factory operates five days a week and inmates are scheduled to work from 6:30 am to 2:30 pm. Only level I and II prisoners are employed in the Mattress Factory. This factory produces mattresses, pillows, laundry bags, shower curtains and non-custody outerwear for the MDOC. Its customer base also includes many of the State's county jail programs, DNR campgrounds, and has begun exploring the non-profit hospital markets.

This factory employs two civilian employees and a total of 32 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, quality assurance managers, stock clerks, order fulfillment, crew leaders, sewing machine operators, stock clerks, order fillers.

The *License Plate* Factory

Located at the Gus Harrison Correctional Facility (ARF) 2727 East Beecher Street in Adrian, Michigan 49221. ARF houses Level IV, II and I prisoners, with a net operating capacity of 2,203 beds and is supervised by Warden Sherman Campbell. The License Plate Factory operates four days a week and inmates are scheduled to work from 6:05 am to 3:35 pm. The License Plate Factory employs Level I prisoners only and provides both license plate manufacturing services for the Michigan Secretary of State and custom fund-raising plates for individual groups. It also produces acrylic awards, a large array of custom vinyl products, a variety of laser cut wood products such as cutting boards, mitten clocks, Lazy Susan and of course the famous license plate birdhouses.

This factory employs a total of six civilian employees and 56 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, silk screen operators, forklift operators, mixing of inks, computer design, carpentry skills, crew leaders, press machine setters, stock handlers.



The *Print* Factory

Located at the G. Robert Cotton Correctional Facility (JCF) 3500 N. Elm Road, Jackson, Michigan, 49201. JCF houses Level IV, II and I prisoners, with a net operating capacity of 1,811 beds and supervised by Warden Kevin Lindsey. The Print Shop operates 5 days per week, from 6:30 am to 2:30 pm. Level I and II prisoners are employed by the print shop which produces thousands of forms, booklets, brochures, posters, business cards and envelopes for MDOC, other state agencies, and non-profit customers throughout the state of Michigan.

This factory employs a total of two civilian employees and 9 prisoner workers.

Marketable Skills:

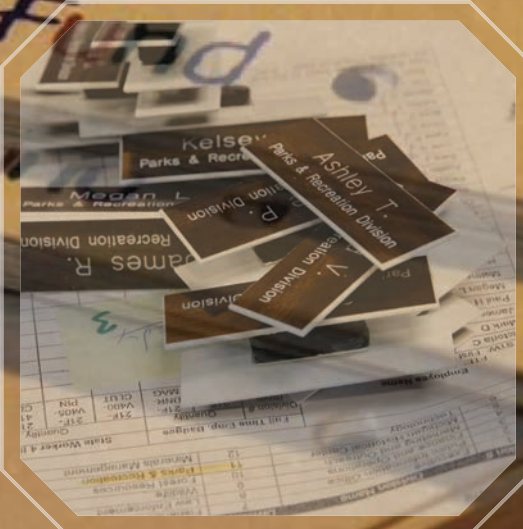
Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, digital press-operation, finishing/bindery, printing press operator, teamwork.





PLATES & MORE!!

MSI License Plate Operations at Gus Harrison CF churns out about 1.5 million plates a year, 12,000 plates per day, and 20 plates per minute. The operation partners with non-profit organizations and offers fundraising plates, laser engraved wood products, acrylic awards and so much more!!



The *Shoe* Factory

Located at the Bellamy Creek Correctional Facility (IBC) 1727 West Bluewater Hwy. in Ionia, Michigan 48846. IBC houses Level IV, II and I prisoners, with a net operating capacity of 1,835 beds and supervised by Acting Warden Matt Macauley. This factory operates five days per week and inmates are scheduled to work from 6:45 am to 1:29 pm. The Shoe Factory employs Level II prisoners only and manufactures leather oxford shoes and boots for both prisoners and MDOC custody staff. It also produces orthopedic shoes as directed from a prescription from MDOC Health Care staff and athletic shoes for prisoner purchase. Officer leather belts are also manufactured at this facility.

This factory employs a total of two civilian employees and 33 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, shoe and leather production, office clerks, shipping and receiving duties, inventory control, machine operation, safety skills, quality control, production manufacturing, stock clerk/order fulfillment, time and attendance, teamwork.



The *Sign* Factory

Located at the Bellamy Creek Correctional Facility (IBC) 1727 West Bluewater Hwy. in Ionia, Michigan 48846. IBC houses Level IV, II and I prisoners, with a net operating capacity of 1,835 beds and supervised by Acting Warden Matt Macauley. The factory operates 5 days per week and inmates are scheduled to work from 6:45am to 1:29pm. The Sign Shop Employs Level II prisoners only and provides road signs to customers across the state of Michigan, both within the MDOC and throughout state government, county road commissions and others. Additional products include Trail Signs, Labels, Decals, Banners, Recycle Signage, Wooden Signage and Apparel Screening.

This factory employs a total of two civilian employees and 26 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, CNC programmers, graphic designers, press machine setters/operators, painting, coating and decorating workers, photographic process workers/processors, office clerks, stock handlers, shipping and receiving duties.

SIGNAGE

MSI Sign Operations at Bellamy Creek CF uses state of the art equipment to offer prisoners graphic design, paint, coating, and photographic process skills to compete in the workplace. The Sign Recycling Co-op Program recycles and restores used signage to like-new condition for Michigan county road commissions along with a variety of indoor and outdoor signage for State Agencies.



The *Janitorial* Factory

Located at the Detroit Reentry Center (DRC) 17600 Ryan Road in Detroit, Michigan 48212. DRC houses paroled offenders returning to the community, as well as those who have violated the terms of their parole/probation and have been returned to MDOC custody. It also houses all MDOC male kidney dialysis patients and is supervised by Warden Ken Romanowski. The Janitorial Factory operates 5 days a week and inmates are scheduled to work from 6:30 am to 1:30 pm. The Janitorial Factory employs kidney dialysis prisoners and as many parolee workers as can be referred to the factory. Production includes the mixing and packaging of numerous cleaning supplies, as well as the skills obtained in receiving/shipping and inventory control. During regular production days, MSI Janitorial Factory staff also coordinate, train and certify the WRAP Hi-Lo program. Inmates earn the US Department of Labor Certification in basic training of fork-lift-operations and understand the concept of inventory and material control, which assist them in obtaining employment in the community upon release.

This factory employs a total of four civilian employees and 30 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, basic training of forklift operations/trainers and concept of inventory and material control, setters, compactors, mixing and packaging of numerous cleaning supplies, Hi-Lo Certification.

A FRESH START!!

The MSI Janitorial Operation at Detroit Reentry Center in partnership with the Wayne County Residential Alternative Program (WRAP) offers parolees and probationers a second chance with Hi-Lo certifications upheld by MIOSHA standards. Over 200 parolees certified to date!! The operation manufactures quality chemical products for MDOC and non-profit 501 (c) 3 customers.



Thumb Laundry

Located at the Thumb Correctional Facility (TCF) 3225 John Conley Drive, Lapeer, Michigan, 48446. TCF houses Level II prisoners, with a net operating capacity of 1,013 beds and supervised by Warden Willis Chapman. TCF also houses two complete housing units of youthful offenders who are ineligible for MSI assignments. The Thumb Laundry operates 6 days a week and inmates are scheduled for multiple shifts from 4:00 am to as late as 9:00 pm, depending on the workload. The Thumb Laundry Employs Level II prisoners only and provides laundry services for the Thumb Correctional Facility and many other state and local government units, as well as the Henry Ford Health System in Macomb.

This factory employs a total of five civilian employees and 76 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, laundry and dry-cleaning workers, stock clerks/order fulfillment, stock handlers, quality control inspectors.



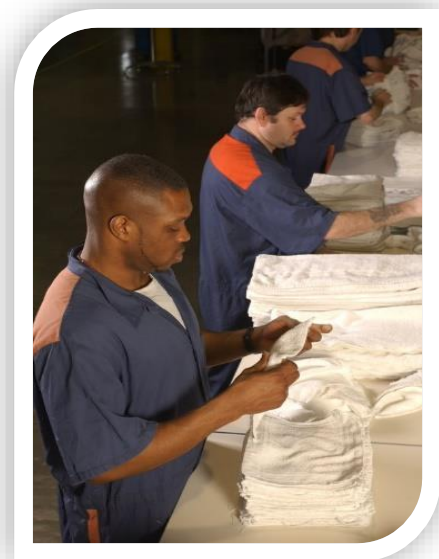
Brooks Laundry

Located at the E. C. Brooks Correctional Facility (LRF) 2500 S. Sheridan Drive in Muskegon Heights, Michigan 49444. LRF houses Level IV, II and I prisoners with a net operating capacity of 1,238 beds and supervised by Warden Shane Jackson. This factory operates 5 days a week and inmates are scheduled to work from 7:30am to 3:30pm. The Brooks Laundry Factory employs Level II prisoners only and provides laundry services for the two Muskegon area correctional facilities as well as the Grand Rapids Veterans' Facility, Walter Reuther, Hawthorn Center, Livingston County Animal Control, Livingston County EMS, Center for Forensic Psych, Kalamazoo Psychiatric Hospital, Michigan State Police.

This factory employs a total of four civilian employees and 32 prisoner workers.

Marketable Skills:

Inmates learn the soft skills needed to be successful in today's job market. Job skills such as machine operators, machine repair and maintenance, office clerks, sewing, shipping and receiving duties, crew leaders and assistant crew leaders, laundry and dry-cleaning workers, pressers, teamwork, accountability



The *Dental Laboratory*

Located at the Women's Huron Valley Correctional Facility (WHV) 3201 Bemis Road in Ypsilanti, Michigan 48197. WHV houses Level IV, II and I prisoners, with a net operating capacity of 2,367 beds. The facility is supervised by Warden Shawn Brewer. Only Level I and II prisoners are employed in the dental laboratory, which has a very long training period and a very high employment rate upon release. The factory operates 5 days a week and inmates are scheduled to work from 7:20am to 2:48pm. This factory provides all dentures, bite splints, and dental repairs for MDOC prisoners. As the MDOC prisoner population is the only customer for this service, which are under the medical jurisdiction of the MDOC Health Care Division, all costs of the program are paid directly by MDOC Health Care based on historical cost estimates. Actual cost and a reconciliation to estimates are performed at year end.

This Laboratory employs a total of two civilian employees and 10 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, dental lab technicians, removable partial and full denture product manufacturing, quality control and crew leader.

The *Optical Laboratory* is a co-operative operation between MDOC Education and MSI.

It is located at the Gus Harrison Correctional Facility (ARF) 2727 E. Beecher St., Adrian, Michigan 49221. The facility is supervised by Warden Sherman Campbell. ARF houses prisoners in Level IV, II and I and inmates are scheduled to work from 7:00 am to 3:30 pm. The Optical Lab is supervised by a Trades Instructor under agreement with MSI that MSI will provide all equipment and materials required for the manufacture and distribution of optical wear to MDOC prisoners and staff. In addition, MSI has also agreed to pay one time for the prisoners to take the test necessary to earn their American Board of Opticianry Certification.

This laboratory employs 2 civilian employees funded through Education. It has 6 board-certified prisoners and 7 currently in training for certification in the optical lab. This group, as well as students in the program, also work to sort donated glasses for redistribution to the needy in Michigan and donated glasses are used to help the needy in third world countries such as Dominica, Libera and Mozambique.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, health care support worker, stock clerk/order fulfillment, edger, quality control inspection, lens finisher, polisher and coater, ophthalmic lab technician, step 1 blocker, generator, stock handler.



MSI OPTICAL PARTNERSHIPS



SUCCESS & H.O.P.E.

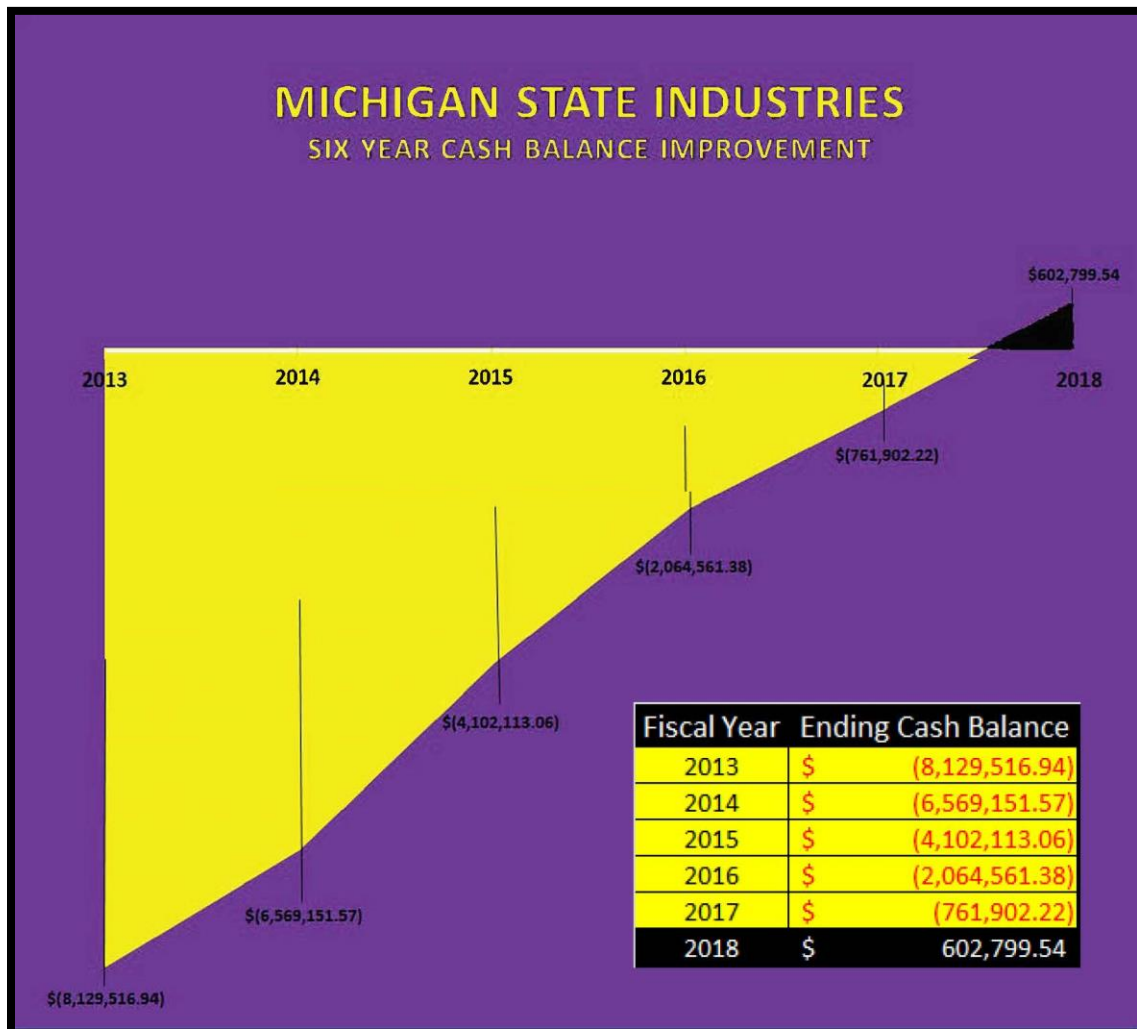
MSI and MDOC partner together to train and equip prisoners with ABO (American Board of Opticianry) certifications. Prisoners gain real work opportunities for employment or business ownership. The Humanitarian Optical Prescription Endeavor within the optical program refurbishes donated glasses, lenses, and frames for mission trips to Dominica, Honduras and Mexico. 5,000 pair taken on each Mission!!

| MICHIGAN STATE INDUSTRIES | | | | | | | | | | | | | | |
|--|-----------|------------------|---------------------|---------------|---------------|----------------|-----------|---------------|-----------|------------|------------|------------|-------------|------------|
| PRISONER STANDARD OCCUPATIONAL CLASSIFICATION (SOC) CODE | | | | | | | | | | | | | | |
| EMPLOYMENT BY FACTORY | | | | | | | | | | | | | | |
| OCTOBER 2018 | | | | | | | | | | | | | | |
| Description | Mattress | Chippewa Garment | Carson City Garment | Ionia Garment | Thumb Laundry | Brooks Laundry | Shoe | License Plate | Sign | Janitorial | Dental Lab | Print Shop | Optical Lab | Total |
| Graphic Designers | | | | | | | | | 2 | | | | | 2 |
| Fitting and dispensing Optician - Health Care Support Worker | | | | | | | | | | | | | | 0 |
| Porter | 1 | 1 | 2 | 1 | 4 | 1 | 1 | 1 | 1 | 1 | | 1 | | 15 |
| File Clerks | | | | | 2 | | | 1 | | | | | | 3 |
| Shipping, Receiving Clerk | 1 | | | | | | | | | | | 1 | 1 | 3 |
| Stock Clerk and Order Filler | 1 | | 5 | | 6 | | 1 | | | | | | | 13 |
| Office clerks, General | | 4 | | 2 | 2 | 2 | 1 | | 1 | | | 1 | 3 | 16 |
| Crew Leader & Assistant Crew Leaders | 3 | | | | | | | 6 | | | | | | 9 |
| Maintenance and Repair workers | 2 | 2 | 3 | 2 | 5 | 2 | 1 | 1 | | | | | | 18 |
| Press Operator | | | | | | | | | | | | 1 | | 1 |
| First line supervisors of production and operations | | 11 | 7 | 9 | | | | | | | | | | 27 |
| Press Machine Setters, Operators | | | | | | | | 16 | | | | | | 16 |
| Edger | | | | | | | | | | | | | 1 | 1 |
| Printing Press Operator | | | | | | | | | | | | 5 | | 5 |
| Laundry and Dry Cleaning Workers | | | | | 45 | 25 | | | | | | | | 70 |
| Presser | | 1 | | | | | | | | | | | | 1 |
| Sewing Machine Operator | 23 | 40 | 75 | 54 | | 2 | | | | | | | | 194 |
| Shoe and Leather Worker | | | | | | | 20 | | | | | | | 20 |
| Shoe Machine Operator | | | | | | | 9 | | | | | | | 9 |
| Textile Cutting Machine Setters, Operators and Tenders | | 4 | 4 | | | | | | | | | | | 8 |
| Fabric and Apparel Patternmakers | | 2 | 2 | | | | | | | | | | | 4 |
| Mixing and Blending Machine Setters, Hi-Lo Trainers | | | | | | | | | | 2 | | | | 2 |
| Mixing and Blending Machine Setters, Operators | | | | | | | | | | 5 | | | | 5 |
| Trimmers | | 2 | 2 | | | | | | | | | | | 4 |
| Extruding, forming, pressing and Compacting | | | | | | | | | | 20 | | | | 20 |
| Assembly, Final Inspection | 1 | | | | | | | | | | | | 1 | 2 |
| Dental Lab Technician | | | | | | | | | | | 10 | | | 10 |
| Lens finisher, Polisher and coater, Ophthalmic Laboratory | | | | | | | | | | | | | 1 | 1 |
| Step 1 Blocker, generator, Ophthalmic Lab Technician | | | | | | | | | | | | | 2 | 2 |
| Painting, Coating and Decorating Workers | | | | | | | | | 3 | | | | | 3 |
| Photographic Process Workers & Processors | | | | | | | | | 1 | | | | | 1 |
| Miscellaneous Production Worker | | | | | | | | | | 1 | | | | 1 |
| Laborers & Handlers, Freight and Stock | | | | | 12 | | | 31 | 18 | 1 | | | 4 | 66 |
| TOTAL | 32 | 67 | 100 | 68 | 76 | 32 | 33 | 56 | 26 | 30 | 10 | 9 | 13 | 552 |



MSI at a GLANCE:

| | |
|---|--------------|
| TOTAL NET SALES THROUGH FISCAL YEAR 2018 | \$16,608,085 |
| PERCENTAGE OF TOTAL SALES TO DEPT. OF CORRECTIONS | 53% |
| NUMBER OF INDUSTRY FACTORIES | 13 |
| NUMBER OF NEW INDUSTRIES PLANNED | 0 |
| WAGES PAID TO PRISONER WORKERS FISCAL YEAR 2018 | \$539,591 |
| NUMBER OF CIVILIAN STAFF | 49 |
| AMOUNT EXPENSED FROM RAW MATERIALS FISCAL YEAR 2018 | \$6,065,065 |
| FIRST POSITIVE CASH POSITION IN OVER 10 YEARS | \$602,780 |



Michigan Department of Corrections
Michigan State Industries

Monthly Financial Summary

Year to Date as of September 30, 2018

| | Month Ended: 9/30/2018 | | | Month Ended: 9/30/2017 | | |
|---|------------------------|------------------|-----------------|------------------------|------------------|-----------------|
| | Sales & Transfers | Cost of Sales | Gross Margin | Sales & Transfers | Cost of Sales | Gross Margin |
| Shoe | \$ 1,611,188 | \$ 1,261,375 | \$ 349,813 | \$ 1,525,519 | \$ 1,250,506 | \$ 275,013 |
| License Plate | \$ 4,345,235 | \$ 2,982,268 | \$ 1,362,966 | \$ 3,930,417 | \$ 2,671,241 | \$ 1,259,176 |
| Sign Shop | \$ 824,334 | \$ 705,521 | \$ 118,814 | \$ 913,937 | \$ 741,649 | \$ 172,288 |
| Mattress | \$ 1,047,718 | \$ 924,163 | \$ 123,555 | \$ 1,050,479 | \$ 890,531 | \$ 159,948 |
| Janitorial Products | \$ 1,367,919 | \$ 1,195,836 | \$ 172,083 | \$ 1,635,041 | \$ 1,257,999 | \$ 377,041 |
| Thumb Laundry | \$ 1,720,277 | \$ 1,526,966 | \$ 193,310 | \$ 2,223,787 | \$ 1,490,848 | \$ 732,939 |
| Chippewa Garment | \$ 1,486,154 | \$ 1,043,049 | \$ 443,105 | \$ 1,712,377 | \$ 1,187,097 | \$ 525,280 |
| Carson City Garment | \$ 1,646,577 | \$ 1,467,391 | \$ 179,186 | \$ 1,604,367 | \$ 1,401,037 | \$ 203,331 |
| Brooks Laundry | \$ 868,210 | \$ 663,029 | \$ 205,181 | \$ 928,662 | \$ 619,463 | \$ 309,200 |
| Dental Lab | \$ 333,415 | \$ 283,404 | \$ 50,011 | \$ 273,622 | \$ 240,558 | \$ 33,064 |
| Print Shop | \$ 711,839 | \$ 600,103 | \$ 111,735 | \$ 602,870 | \$ 541,719 | \$ 61,151 |
| Optical Lab | \$ 237,079 | \$ 119,459 | \$ 117,620 | \$ 245,296 | \$ 109,194 | \$ 136,102 |
| I-Max Garment | \$ 408,140 | \$ 438,637 | \$ (30,497) | \$ 377,157 | \$ 547,781 | \$ (170,623) |
| TOTAL ALL FACTORIES | \$ 16,608,085 | \$ 13,211,203 | \$ 3,396,882 | \$ 17,023,533 | \$ 12,949,623 | \$ 4,073,909 |
| Business Office | | | | | | |
| Selling & Admin Expenses | | | \$ 9,354,935 | | | \$ 339,943 |
| Loss on Discontinued Operations | | | \$ - | | | \$ - |
| Miscellaneous Revenue | | | \$ 28,887 | | | \$ 403,744 |
| MSI NET MARGIN | | | \$ (5,929,166) | | | \$ 4,137,710 |
| NPL Balance Adjustment included in Selling & Admin Expenses | | | \$ 6,916,429 | | | \$ (1,698,453) |
| Adjusted Fiscal Year MSI Net Margin | | | \$ 987,263 | | | \$ 2,439,257 |

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2018

Consolidated: *Garment Operations*

| | Mattress | Chippewa | Carson City | Ionia |
|--|---------------------|---------------------|---------------------|---------------------|
| General Sales | \$ 1,036,785 | \$ 1,481,812 | \$ 1,612,414 | \$ 404,470 |
| Transfers | \$ 10,932 | \$ 4,342 | \$ 34,164 | \$ 3,877 |
| Sales Returns & Allowances | \$ - | \$ - | \$ - | \$ (206) |
| Net Sales and Transfers | \$ 1,047,718 | \$ 1,486,154 | \$ 1,646,577 | \$ 408,140 |
| Prime Expenses: | | | | |
| Direct Materials | \$ 559,721 | \$ 474,614 | \$ 743,984 | \$ 15,988 |
| Direct Prisoner Labor | \$ 26,473 | \$ 56,539 | \$ 63,431 | \$ 41,710 |
| Total Prime Expenses | \$ 586,194 | \$ 531,153 | \$ 807,415 | \$ 57,698 |
| Overhead Expenses: | | | | |
| Indirect Prisoner Labor | \$ 9,142 | \$ 20,289 | \$ 16,515 | \$ 24,527 |
| Heat, Light & Power | \$ - | \$ - | \$ 87,743 | \$ 36,255 |
| Maintenance of Assets | \$ 9,167 | \$ 5,331 | \$ 28,597 | \$ 2,756 |
| Equipment Less than \$1000 | \$ - | \$ - | \$ - | \$ 1,184 |
| Inventory Adjustments | \$ (13,972) | \$ (34,848) | \$ 26,565 | \$ 37,744 |
| Building Depreciation | \$ 2,576 | \$ 236 | \$ 20,973 | \$ 26,879 |
| Equipment Depreciation | \$ 6,808 | \$ 14,976 | \$ 13,274 | \$ 10,609 |
| Other Manufacturing Expenses | \$ 76,859 | \$ 49,675 | \$ 51,826 | \$ 20,446 |
| Factory Supervision | \$ 247,388 | \$ 456,237 | \$ 414,482 | \$ 220,540 |
| Total Manufacturing Expenses | \$ 337,969 | \$ 511,896 | \$ 659,976 | \$ 380,939 |
| Total Cost of Goods Sold | \$ 924,163 | \$ 1,043,049 | \$ 1,467,391 | \$ 438,637 |
| Gross Margin | \$ 123,555 | \$ 443,105 | \$ 179,186 | \$ (30,497) |
| Selling & Administrative Expenses: | | | | |
| Selling Expenses | \$ 52,943 | \$ 60,574 | \$ 68,403 | \$ 41,339 |
| Miscellaneous Expenses | \$ - | \$ - | \$ - | \$ - |
| Administration Expenses | \$ 420,727 | \$ 777,634 | \$ 985,655 | \$ 513,324 |
| Total Selling & Admin. Expenses | \$ 473,669 | \$ 838,208 | \$ 1,054,057 | \$ 554,663 |
| Miscellaneous Revenues | \$ - | \$ - | \$ 44 | \$ 1 |
| Gain (loss) From Discontinued Operations | \$ - | \$ - | \$ - | \$ - |
| Net Margin | \$ (350,115) | \$ (395,103) | \$ (874,827) | \$ (585,159) |

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2018

Consolidated: *Laundry Operations*

| | Thumb | Brooks |
|--|------------------------------|----------------------------|
| General Sales | \$ 1,720,277 | \$ 860,224 |
| Transfers | \$ - | \$ 7,986 |
| Sales Returns & Allowances | <u>\$ -</u> | <u>\$ -</u> |
| Net Sales and Transfers | \$ 1,720,277 | \$ 868,210 |
| Prime Expenses: | | |
| Direct Materials | \$ 40,000 | \$ 29,790 |
| Direct Prisoner Labor | <u>\$ 82,600</u> | <u>\$ 32,009</u> |
| Total Prime Expenses | \$ 122,600 | \$ 61,799 |
| Overhead Expenses: | | |
| Indirect Prisoner Labor | \$ 5,275 | \$ 6,241 |
| Heat, Light & Power | \$ 270,262 | \$ 113,734 |
| Maintenance of Assets | \$ 58,991 | \$ 7,706 |
| Equipment Less than \$1000 | \$ - | \$ 869 |
| Inventory Adjustments | \$ 5,982 | \$ 3,267 |
| Building Depreciation | \$ 29,831 | \$ 21,948 |
| Equipment Depreciation | \$ 23,988 | \$ 505 |
| Other Manufacturing Expenses | \$ 189,510 | \$ 107,918 |
| Factory Supervision | <u>\$ 820,526</u> | <u>\$ 339,043</u> |
| Total Manufacturing Expenses | \$ 1,404,367 | \$ 601,231 |
| Total Cost of Goods Sold | <u>\$ 1,526,966</u> | <u>\$ 663,029</u> |
| Gross Margin | \$ 193,310 | \$ 205,181 |
| Selling & Administrative Expenses: | | |
| Selling Expenses | \$ 133,356 | \$ 46,003 |
| Miscellaneous Expenses | \$ - | \$ - |
| Administration Expenses | <u>\$ 1,266,258</u> | <u>\$ 963,120</u> |
| Total Selling & Admin. Expenses | \$ 1,399,614 | \$ 1,009,123 |
| Miscellaneous Revenues | \$ 10,451 | \$ 359 |
| Gain (loss) From Discontinued Operations | \$ - | \$ - |
| Net Margin | <u>\$ (1,195,853)</u> | <u>\$ (803,582)</u> |

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2018

Consolidated: *All Other Operations*

| | Shoe | License Plate | Sign Shop | Janitorial | Dental Lab | Print Shop | Optical Lab |
|--|---------------------|---------------------|---------------------|---------------------|-----------------|---------------------|-------------------|
| General Sales | \$ 1,592,196 | \$ 4,338,053 | \$ 773,821 | \$ 1,277,898 | \$ 333,415 | \$ 698,068 | \$ 234,926 |
| Transfers | \$ 18,992 | \$ 7,351 | \$ 50,514 | \$ 90,021 | \$ - | \$ 13,771 | \$ 2,153 |
| Sales Returns & Allowances | \$ - | \$ (169) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Sales and Transfers | \$ 1,611,188 | \$ 4,345,235 | \$ 824,334 | \$ 1,367,919 | \$ 333,415 | \$ 711,839 | \$ 237,079 |
| Prime Expenses: | | | | | | | |
| Direct Materials | \$ 716,567 | \$ 1,975,757 | \$ 318,555 | \$ 668,177 | \$ - | \$ 347,997 | \$ 46,893 |
| Direct Prisoner Labor | \$ 25,884 | \$ 36,627 | \$ 10,402 | \$ 12,022 | \$ 13,468 | \$ 9,755 | \$ 13,465 |
| Total Prime Expenses | \$ 742,452 | \$ 2,012,384 | \$ 328,957 | \$ 680,199 | \$ 13,468 | \$ 357,752 | \$ 60,358 |
| Overhead Expenses: | | | | | | | |
| Indirect Prisoner Labor | \$ 14,152 | \$ 6,842 | \$ 7,758 | \$ 3,157 | \$ 2,467 | \$ 2,863 | \$ 4,587 |
| Heat, Light & Power | \$ 77,528 | \$ 52,812 | \$ 41,639 | \$ 1,911 | \$ - | \$ - | \$ - |
| Maintenance of Assets | \$ 6,137 | \$ 26,763 | \$ 6,338 | \$ 7,172 | \$ - | \$ 8,309 | \$ 1,894 |
| Equipment Less than \$1000 | \$ 130 | \$ - | \$ 1,674 | \$ 1,339 | \$ - | \$ - | \$ - |
| Inventory Adjustments | \$ (22,251) | \$ 61,370 | \$ 17,460 | \$ 46,271 | \$ - | \$ 1,825 | \$ (2,394) |
| Building Depreciation | \$ 61,082 | \$ 34,666 | \$ 32,475 | \$ 105,385 | \$ - | \$ 295 | \$ 1,442 |
| Equipment Depreciation | \$ 14,671 | \$ 6,725 | \$ 40,206 | \$ 4,531 | \$ - | \$ 9,986 | \$ 7,084 |
| Other Manufacturing Expenses | \$ 72,395 | \$ 133,156 | \$ 80,382 | \$ 47,619 | \$ 34,802 | \$ 28,330 | \$ 46,488 |
| Factory Supervision | \$ 295,079 | \$ 647,550 | \$ 148,632 | \$ 298,252 | \$ 232,668 | \$ 190,743 | \$ - |
| Total Manufacturing Expenses | \$ 518,924 | \$ 969,884 | \$ 376,564 | \$ 515,636 | \$ 269,936 | \$ 242,351 | \$ 59,101 |
| Total Cost of Goods Sold | \$ 1,261,375 | \$ 2,982,268 | \$ 705,521 | \$ 1,195,836 | \$ 283,404 | \$ 600,103 | \$ 119,459 |
| Gross Margin | \$ 349,813 | \$ 1,362,966 | \$ 118,814 | \$ 172,083 | \$ 50,011 | \$ 111,735 | \$ 117,620 |
| Selling & Administrative Expenses: | | | | | | | |
| Selling Expenses | \$ 67,371 | \$ 131,335 | \$ 48,553 | \$ 57,437 | \$ - | \$ 69,458 | \$ 2,374 |
| Miscellaneous Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Administration Expenses | \$ 678,640 | \$ 1,453,564 | \$ 348,009 | \$ 725,873 | \$ 45,011 | \$ 395,242 | \$ - |
| Total Selling & Admin. Expenses | \$ 746,011 | \$ 1,584,899 | \$ 396,562 | \$ 783,310 | \$ 45,011 | \$ 464,700 | \$ 2,374 |
| Miscellaneous Revenues | \$ 26 | \$ 11,765 | \$ 6,242 | \$ - | \$ - | \$ - | \$ - |
| Gain (loss) From Discontinued Operations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Margin | \$ (396,173) | \$ (210,167) | \$ (271,507) | \$ (611,227) | \$ 5,000 | \$ (352,964) | \$ 115,245 |

NOTES *to the* FINANCIAL STATEMENTS FISCAL YEAR 2018

Note #1

FINANCIAL REPORTING ENTITY:

Created by P.A. 210 of 1935 and continued by P.A. 15 of 1968, the Correctional Industries Revolving Fund accounts for the financial transactions of a manufacturing and processing industry, employing prisoners incarcerated in Michigan's correctional facilities. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax-exempt organizations. Public Act 102 of 2007 further expanded the fund's sales market to include the authority to sell cut and sewn textiles to private companies and individuals.

Note #2

BASIS OF PRESENTATION:

Proprietary Fund Financial Statements – The Correctional Industries Revolving Fund is a governmental agency engaged in business-type activities. The financial statements present comparative information for years ended September 30, 2017 and 2018. The statements include all financial activity of Correctional Industries. The activities are financed primarily by fees charged for goods provided to customers. Such fees are classified as General Sales. Transfers represent internal sales of products within factories and are sold at factory cost. Miscellaneous revenues consist of revenues primarily for the sale of recyclable materials to vendors who purchase such items as scrap metal and cardboard or the proceeds received from the sale of assets or vehicle auctions.

Note #3

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Proprietary Funds, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting*, are required to apply applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with, or contradict, GASB pronouncements: *Statements and Interpretations of Financial Accounting Standards Board (FASB)*; *Accounting Principles Board Opinions*; and *Accounting Research Bulletins of the Committee on Accounting Procedure*.

In addition, an enterprise activity may apply all FASB statements and interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented in the Statement of Net Assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Note #4

INVENTORIES:

Inventories consist of raw materials, work-in-process, and finished goods inventory. Inventories are recorded as assets when purchased and expensed when consumed.

MSI total inventories consisted of the following values:

| | <u>2016-17</u> | <u>2017-18</u> |
|-----------------|---------------------|---------------------|
| Raw Materials | \$ 3,828,500 | \$ 3,718,901 |
| Work-in-Process | \$ 273,559 | \$ 300,513 |
| Finished Goods | <u>\$ 1,950,200</u> | <u>\$ 2,085,377</u> |
| | \$ 6,052,259 | \$ 6,104,791 |

Note #5

CASH AND INVESTMENTS:

Cash on deposit is pooled with the State Treasurer and invested in pooled funds of all State Agencies. Interest earned from investments purchased with such pooled monies is deducted from the interest charges on the Correctional Industries Revolving Fund long term debt. See Note 7.

Note #6

CAPITAL ASSETS:

Capital assets are reported at cost. The capitalization threshold is \$1000 for Buildings & Building Improvements and Machinery & Equipment unless otherwise approved by the Business Office. Depreciation of such assets is charged as an expense against operations. These assets are depreciated over their useful lives using the straight-line method.

The estimated useful lives are as follows:

| | |
|-------------------------------------|----------------|
| Buildings and Building Improvements | 15 to 50 years |
| Equipment | 2 to 25 years |

Property and equipment balances consist of the following:

| | <u>2016-17</u> | <u>2017-18</u> |
|------------------------------------|------------------------|------------------------|
| Buildings & Building Improvements: | \$ 14,657,785 | \$ 14,657,785 |
| Construction in Progress: | \$ * | \$ * |
| Machinery & Equipment: | \$ 9,205,982 | \$ 9,168,562 |
| Less Accumulated Depreciation: | <u>\$ (14,406,522)</u> | <u>\$ (14,781,317)</u> |
| Net Value: | \$ 9,457,245 | \$ 9,045,030 |

Depreciation expense was \$493,402 and \$519,157 for the fiscal years ended September 30, 2018 and 2017 respectively.

Note #7

ADVANCES FROM THE GENERAL FUND:

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively.

Total Advances from the General Fund as of September 30, 2018 and 2017 consisted of the following balances:

| | <u>2016-2017</u> | <u>2017-2018</u> |
|------------------|---------------------|---------------------|
| Buildings | \$ 1,613,241 | \$ 1,925,972 |
| Equipment | \$ * | \$ * |
| Accrued Interest | <u>\$ 2,150,273</u> | <u>\$ 2,150,273</u> |
| | \$ 3,763,514 | \$ 4,076,245 |

The building and equipment notes payable are components of the Boilerplate language of the Capital Outlay Bill. Interest is calculated by applying the prevailing rates of interest for Commercial Paper exchanged on major markets by the Department of Treasury. Interest expense during the fiscal years ended September 30, 2018 and 2017 were \$15,245 and \$33,374 respectively.

A statutorily required principal payment of \$312,732 was paid during fiscal year 2018. A minimum principal payment must be paid by MSI on the advance each fiscal year until the advance has been paid in full in fiscal year 2022.

*To properly reflect the Legislative amortization schedule of the funds authorized by the advance, the Equipment balance was reallocated to the Buildings balance in 2014.

Note #8

ACCOUNTS RECEIVABLE:

At September 30, 2018, MSI's non-state agency accounts receivable balance totaled \$264,590. MSI uses the direct write off method for bad debt from uncollectible customer sales accounts. This method is used over the allowance method because bad debt accounts and subsequent write offs have been nominal for the previous five fiscal years. During the fiscal years ended September 30, 2018 and 2017 account receivable write offs were \$0 and \$151 respectively.

Note #9**SELLING, ADMINISTRATIVE, AND MISCELLANEOUS EXPENSES:**

Prior to fiscal year 2017, MSI did not allocate all selling and administrative expenses among the various factories (administrative burden). Effective fiscal year 2017, MSI began to allocate administrative expenses to the appropriate factories.

Note #10**USE OF ESTIMATES:**

Preparation of financials statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions which affect the financial statements. The financials statements presented fiscal years 2017 and 2018 contain no material or significant estimates or assumptions.

SALES *by* CUSTOMER

FY 2018

NET OPERATING REVENUES

| <u>NON-STATE AGENCIES</u> | <u>NET SALES</u> | <u>% OF TOTAL SALES</u> |
|---|------------------------------|-----------------------------|
| Hospitals | \$1,234,336.08 | 7.4415% |
| Private Industry Per Enabling Legislation | \$367,869.38 | 2.2178% |
| Counties | \$268,206.91 | 1.6170% |
| Associations | \$44,141.73 | 0.2661% |
| Cities | \$28,493.05 | 0.1718% |
| Out of State | \$16,153.62 | 0.0974% |
| Public & Private Schools K-12 | \$7,199.01 | 0.0434% |
| Townships | \$4,902.20 | 0.0296% |
| Churches | \$9,709.50 | 0.0585% |
| SUBTOTAL | <u>\$1,981,011.48</u> | <u>11.9431%</u> |

| <u>STATE AGENCIES</u> | <u>NET SALES</u> | <u>% OF TOTAL SALES</u> |
|-------------------------|-------------------------------|-----------------------------|
| Corrections | \$8,845,123.85 | 53.3253% |
| Department of State | \$4,327,278.99 | 26.0882% |
| Transportation | \$427,765.00 | 2.5789% |
| Military & Veterans | \$282,217.73 | 1.7014% |
| Community Health | \$342,608.74 | 2.0655% |
| Natural Resources | \$316,758.31 | 1.9097% |
| Agriculture | \$1,010.00 | 0.0061% |
| DTMB | \$16,566.14 | 0.0999% |
| State Police | \$38,908.54 | 0.2346% |
| Environmental Quality | \$239.75 | 0.0014% |
| LARA | \$1,539.90 | 0.0093% |
| Education | \$3,239.76 | 0.0195% |
| Treasury | \$0.00 | 0.0000% |
| Universities & Colleges | \$2,692.53 | 0.0162% |
| Michigan Lottery | \$158.20 | 0.0010% |
| DIT | \$0.00 | 0.0000% |
| SUBTOTAL | <u>\$14,606,107.44</u> | <u>88.0569%</u> |

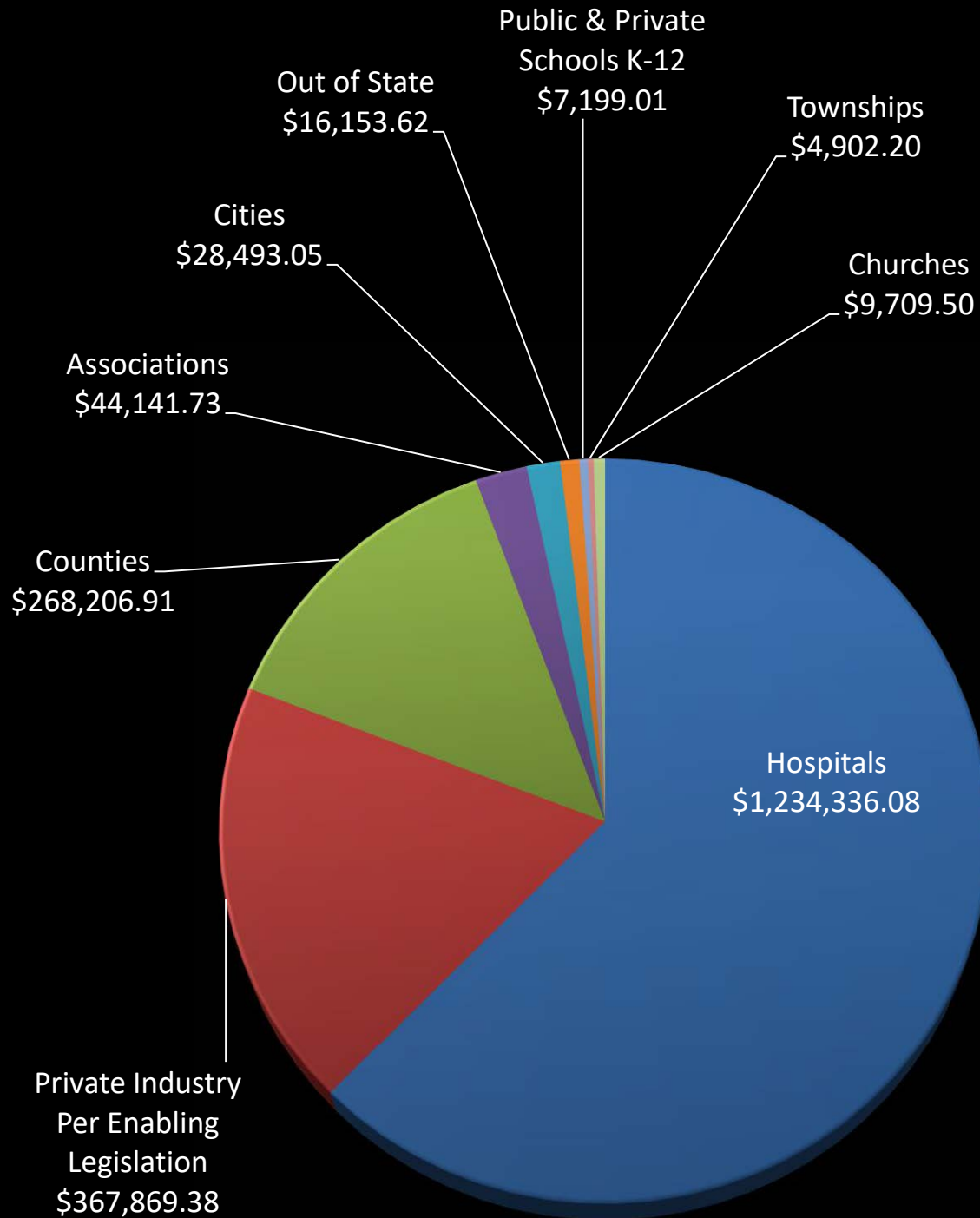
| | | |
|---------------------------------|-------------------------------|-------------------------|
| TOTAL OPERATING REVENUES | <u>\$16,587,118.92</u> | <u>100.0000%</u> |
|---------------------------------|-------------------------------|-------------------------|

OPERATING REVENUES PER MI-GA-0052 Core Query for Revenues

MI-GA-0037 TIMESTAMPED 01/17/19 8:34:51 AM

\$16,587,118.92

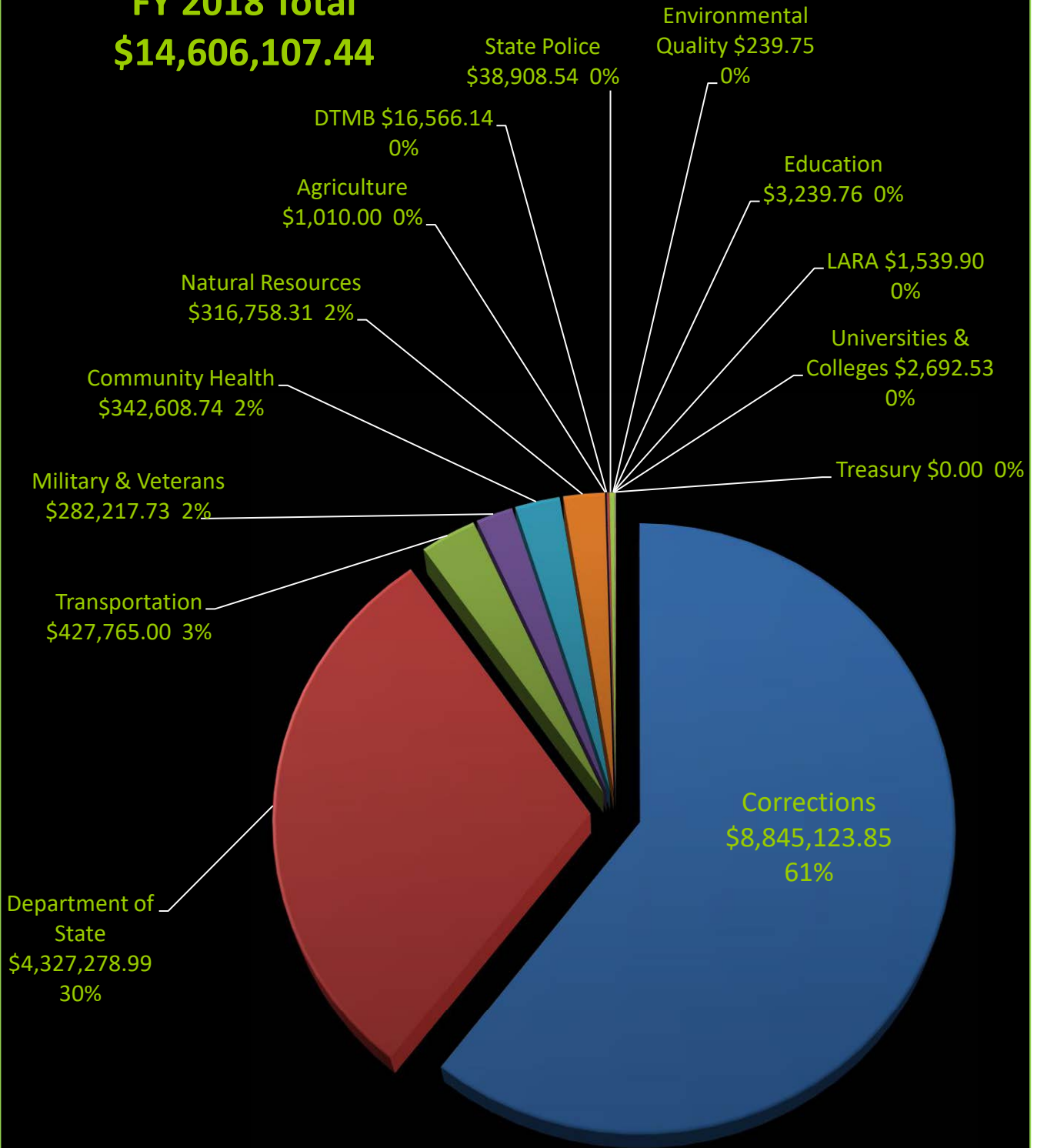
MSI Non-State Agency Revenues FY 2018 Total \$1,981,011.48



MSI State Agency Revenues

FY 2018 Total

\$14,606,107.44



Comparative Statement *of* Net Assets

Michigan State Industries

For Fiscal Year FY 2017 and FY 2018

| | <u>2018</u> | <u>2017</u> |
|---|---------------------------------|--------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Equity in state common cash | \$ 602,799.54 | \$ 5,122.46 |
| Accounts receivable | \$ 264,590.41 | \$ 351,766.43 |
| Inventories | \$ 6,104,790.51 | \$ 6,009,469.83 |
| Subtotal | <u>\$ 6,972,180.46</u> | <u>\$ 6,366,358.72</u> |
| Capital Assets: | | |
| Buildings & equipment | \$ 23,826,437.51 | \$ 23,863,767.15 |
| Allowance for depreciation | \$ (14,781,316.76) | \$ (14,406,521.95) |
| Construction in Progress | \$ - | \$ - |
| Subtotal | <u>\$ 9,045,120.75</u> | <u>\$ 9,457,245.20</u> |
| TOTAL ASSETS | <u><u>\$ 16,017,301.21</u></u> | <u><u>\$ 15,823,603.92</u></u> |
| Deferred Outflow of Resources (Pension Related) | <u>\$ 1,479,417.00</u> | <u>\$ 898,896.00</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Warrants outstanding | \$ 3,865.03 | \$ 38,827.62 |
| Disbursement Payable | \$ - | \$ - |
| Accounts payable | \$ 677,165.12 | \$ 680,538.31 |
| Amounts due to other funds | \$ - | \$ 848,105.17 |
| Interest Payable | \$ 2,150,273.52 | \$ 2,150,273.52 |
| Current portion of long-term obligations | \$ 322,620.74 | \$ 374,943.18 |
| Total Current Liabilities | <u>\$ 3,153,924.41</u> | <u>\$ 4,092,687.80</u> |
| Long-Term Liabilities | | |
| Advance from the general fund | \$ - | \$ - |
| Advances from other funds | \$ 1,300,509.06 | \$ 1,613,240.59 |
| Amounts due to other funds | \$ - | \$ - |
| Compensated absences- long term | \$ 82,979.25 | \$ 50,130.64 |
| Noncurrent portion of long-term obligations | \$ 15,454,432.00 | \$ 8,440,355.00 |
| Total Non-Current Liabilities | <u>\$ 16,837,920.31</u> | <u>\$ 10,103,726.23</u> |
| TOTAL LIABILITIES | <u><u>\$ 19,991,844.72</u></u> | <u><u>\$ 14,196,414.03</u></u> |
| Deferred Inflow of Resources (Pension Related) | <u>\$ 619,651.00</u> | <u>\$ 136,778.00</u> |
| NET ASSETS | | |
| Investments in capital assets | \$ 9,045,120.75 | \$ 9,457,245.20 |
| Retained earnings | <u>\$ 12,159,898.26</u> | <u>\$ 7,067,937.31</u> |
| TOTAL NET ASSETS | <u><u>\$ (3,114,777.51)</u></u> | <u><u>\$ 2,389,307.89</u></u> |

Former inmate turns *life around as optician*, starts Detroit business

A bad decision at 22 cost Roby Davis his freedom.

"I was involved in a robbery," he said. "I have to say I knew better, wound up going to prison." But Davis was sentenced beyond the guidelines, up to 75 years behind bars.

"I could do better, I knew I could do better," Davis said. "Normally I don't take from people and act like a men-ace to society. It really bothered me." Davis spent the next two decades in an MDOC state prison-but he didn't waste a moment.

"When I was in prison, I took every class I could have, I went to college," he said. "Whatever program they offered, I did it and graduated."

After meeting certain criteria, Roby Davis entered the optical program at the Gus Harrison Correctional Facility in Adrian. Prisoners take classes there and learn highly technical skills and are trained in the optical lab. That is where they work and make eye glasses for every prisoner statewide.

"It provides a great trade for the inmates who get out," said Matt Yeager, MSI Optical Technology Trades Instructor.

"He was a go-getter, he wanted it - you could just tell," Yeager said. "He told me from the beginning when he got out he wanted to start his own business, start a non-profit to help kids get glasses. He said I am going to look you up - I said I will be waiting."



Roby Davis

Through appeals, Davis was released from prison in 2011. He did not let his instructors down.

In 2017, Davis opened his own business - Rosedale Vision in Detroit.

"I am excited to come to work every day," he said. "New clients get a new smile - our motto here is 'Rosedale Vision seeing better.' We like to say that to everybody get their glasses."

Although many inmates have got out of prison and entered the work force as an optician, Davis is the first to run his own business using the skills he gained at the Michigan Department of Corrections Optical Lab.

"I am really happy for him, really proud of him," said Jerry Johnston, MSI Optical Theory Instructor. "It is good to see that he is taking knowledge he gained while he was incarcerated and applied it in a real world setting and has the drive to do really well."

Davis is doing so well - he has brought his 28-year-old son on board and trained him to do the same.

"I can't even really say in words how proud I am - where he went, where he has been," Roby Davis Jr. said. "He was gone 20 years. To me, I want to be successful too, I want to do the right thing. It is really important to me. I look up to my dad."



Roby Davis Jr. & Roby Davis

"Students tell me frequently that because I have this felony I can't get a job, I am not employable," Johnston said. "No matter what I say, it falls on deaf ears a lot of times. But he is a success story I can take back and say see you can do this if you want this."

Davis, now 49 is living his dream, back home, in the city he loves and now inspiring others - with his second chance.

"When you have your freedom taken you have a totally different perspective," Davis said. "I value it now and before I didn't. In retrospect I didn't really know the value of life. Now I get an opportunity, I take every moment and I take it all in."

The MSI Optical Lab and Theory program currently has a 100% offender pass rate with many offenders now ABOC (American Board of Opticianry) certified.



Christopher Kamrada (MSI Administrator), Jerry Johnston, Roby Davis & Matt Yeager

MSI Staff *Builds Bridges to Success...*

Rocky Burris, MSI Dental Lab Manager, supervises female offenders at the Huron Valley Women's Correctional Facility located in Ypsilanti, MI. He runs a very tight ship and is responsible for the reentry success of numerous former dental lab graduates and parolees who have moved on to successful careers in the dental industry.



Martha Calbert & Rocky Burris

DENTAL SERVICES OFFERED:

Full Dentures, Partial Dentures, Framework, Denture Repairs, Denture Rebase, Denture Relines, Soft Denture Relines, Custom Tray, Soft Bite, U of M Bite Splint

HISTORY

The MSI Dental Laboratory located at Women's Huron Valley CF began in 1966 within at that time the men's facility. In 1994 the facility underwent renovation and reorganization. The new Women's Huron Valley Correctional Facility was formerly instituted in 1996.

MSI Dental assists MDOC in it's goal to reduce crime, prison management and prisoner self-sufficiency by providing an opportunity for prisoners to learn marketable skills and acquire sound work experience.

The MSI Dental Lab provides dental prosthetics to all MDOC correctional facilities throughout the state.

WORK SKILLS TRAINING

The Dental Lab training program is an intense process of various techniques and systems used in superbly fitting dentures. All offenders are trained in the production process from beginning to completion of the prosthetic. Skills required are dexterity, mathematics, focus to detail, communication and commitment. It takes at least 5 years to be proficient in the entire process.

Training Skills Learned:

Base plate & articulation, duplication, tooth arraignment, finish waxing, processing, finishing and repair. Soft skills such as leadership, listening, responsibility and the ability to train others is paramount. Continued training is key and new procedures are taught regularly to keep offenders' job ready. The hire rate for MSI trained Dental Lab Technicians is 100%.

OFFENDER SUCCESS

- Kay: Released in 2008, employed in a supervisory position
- Sharon: Released in 2009, gainfully employed in a section leader position
- Martha: Released in 2011, employed in a supervisory position
- Corinna: Released in 2016, gainfully employed in a section leader position
- Lanise: Released in 2018, gainfully employed in a supervisory position

We instill and promote
positive work ethics.

We provide
opportunity for prisoners
to learn marketable skills and experience.

We contribute to the
economic self-sufficiency
of working prisoners and their families.

We actively explore joint ventures
with private vendors and manufactures.

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View from overlook, Tahquamenon Falls State Park, Michigan