Adapt to Change
INTELLIGENCE IS THE ABILITY TO ADAPT TO CHANGE.

Stephen Hawking
We start with a clear vision and the unwavering support of civic leaders from the Governor’s office through advisors and managers at every level. ACI is fortunate to have just such a leadership team that understands how, in the ever changing landscape of our world, missions and priorities need to adapt in response to new challenges.

We gain texture and meaning by recognizing the important contributions made by the staff, customers, business partners and our peers across the country striving to fulfill our important mission. ACI clearly shows its appreciation throughout the year in many different ways.

We grow through sound financial management that insures our continued viability as an enterprise, while making sound infrastructural investments that can enhance future expansion. ACI’s balance sheet compares favorably to many of the country’s most successful businesses.

We reach for the heights by looking beyond the safe and comfortable, seeing new possibilities with existing customers and partners and exploring how ACI resources can help local entrepreneurs and startups get off the ground.

We endure by meticulously revisiting and improving processes, partner relationships, and outcomes. ACI’s strong partnerships and profitable shops constantly adapt to the evolving customer requirements; and, as a government entity, ACI’s customers include every tax payer and inmate, as well as the public and private entities with whom we work.
Downtown Phoenix trolley/Light rail train
Arizona Department of Corrections 

Vision

Safer communities through effective corrections.

Arizona Department of Corrections 

Mission

To serve and protect the people of Arizona by securely incarcerating convicted felons, by providing structured programming designed to support inmate accountability and successful community reintegration, and by providing effective supervision for those offenders conditionally released from prison.

Arizona Correctional Industries Vision

Support ADC’s vision, serve as a resource for the public sector and private businesses throughout the state and operate successful business enterprises that help inmates acquire occupational skills and work experience.

Arizona Correctional Industries Mission

Support ADC’s mission and create opportunities for offenders to develop marketable skills and good work habits through enterprises that produce quality products and services for our customers while achieving our revenue, profit, and inmate work increase objectives.
Arizona Correctional Industries (ACI) has evolved from a simple utility into one of the cornerstones in the achievement of the Arizona Department of Corrections’ mission and goals. Through vision, ingenuity, and commitment, ACI has transformed into a self-sufficient business enterprise with far reaching financial and social benefits.

By continually pursuing new and expanded operations and partnerships, ACI helps the Department of Corrections optimize inmate participation in work programs. Through their assignment to ACI, inmates gain higher-level job skills and learn positive work habits and ethics that can build up their self esteem and help them successfully change their lives. They experience, first-hand, the recognition of being a valued member of work projects and the satisfaction of producing quality goods and services.

The Department’s highest priority is maintaining effective custody and control over inmates in an environment that is safe and secure for staff and inmates. We are also committed to improving transition outcomes to reduce recidivism and, hopefully, reverse the decades-long trend of rising inmate populations. We are counting on ACI to continue expanding its important role in our new reentry programs. I look to ACI to continue its vital contribution to the achievement of the Department’s mission and goals.

I appreciate the efforts of the ACI staff and inmates who work together on this outstanding program, and I know we can count on their continued contributions to the State of Arizona.
Dear Director Ryan:

Fiscal Year 2016 proved to be pivotal for ACI as we adapted to significant changes in our customer business situation. Whether it was the unfortunate NatureSweet cutbacks or significant expansion of Arizona State Parks business, we continually adapted to the challenges. We found the right associates to fit key roles and created new ways to satisfy Phoenix-area labor contract requirements. Financially, we had another strong year with sales of $41.6 million and net income of $3,069,000; not records but among ACI’s best annual results.

Understanding the benefits of inmate employment and the positive effect it has on recidivism reduction, we are proud to report that we set a new record for inmate employment with nearly 4.2 million hours. Much of this growth arose from our commitment to further improving product quality and overall customer service, while supporting our mission to teach inmates job skills and a positive work ethic.

We created several new private business partnerships this year and were honored to celebrate our 20-year partnership with Televerde, a leading marketing company in the Phoenix area and a significant employer of inmates at our Perryville female prison. Televerde has grown significantly over the past twenty years and have trained and hired a significant number of released offenders; some now among their top management staff. Through our EF Block™ partnership, ACI is the exclusive supplier of their polystyrene building forms within the State of Arizona. To help grow this business, we obtained approval to have our sales associates sell this product along with the EF Block™ team.

Staff recognition remains a key element in ACI’s success. Every three months we recognize an Employee of the Quarter and present other honors at our annual, off-site staff meeting, which is highlighted in this report. We have also stepped up our participation in the National Correctional Industries Association. Several ACI-authored articles have appeared in their publications and, happily, for the second year in a row, one of our associates earned Western Region Employee of the Year honors.

Historically ACI has been many different things to different constituencies and that served us well, but our continuing rebranding effort is creating significant new opportunities. We have expanded our private business outreach through our active participation in several local business groups including the Tucson Metro Chamber. We were able to secure Tucson as the host site for the 2017 National Correctional Industries Association national training conference next April; a great opportunity to further showcase our staff; the ACI business and the truly beautiful and amazing state of Arizona.

We are proud, once again, to share the findings of the Arizona State University, WP Carey School of Business, Seidman Research Institute study. It estimates the economic impact from ACI to the State of Arizona this year at $169,426,000 million with the creation of 1,875 private sector jobs potentially generating millions more in state tax revenues.

As we conclude our 29th year, mindful of the unique challenges and responsibilities of this business, we sincerely thank you for your leadership and support. Our continued success depends on you, the ADC executive staff, the ACI Advisory Board, associates, business partners, customers and suppliers throughout the year. Together we will continue to find new ways to positively adapt, create momentum and develop new pathways for success.

Sincerely,

Brian Radecki
CEO/General Manager
Arizona Correctional Industries
The Arizona Correctional Industries Advisory Board provides non-binding strategic advice to ACI management. The informal nature of an advisory board gives it flexibility in structure and management. Unlike a Board of Directors, advisory boards do not have authority to vote on corporate matters nor bear legal fiduciary responsibilities.

The function of the ACI Advisory Board is to offer non-biased information and advice with anything from marketing to managing human resources to influencing the direction of regulators. The ACI Advisory Board is composed of accomplished experts offering innovative advice and dynamic perspectives.

Traditionally, the members of the ACI Advisory Board represent the Department of Corrections, State Government, higher education and the private sector.

Meeting biannually, the ACI Advisory Board provides strategic direction, guides quality improvement, and assesses program effectiveness. In recent years, they have helped ACI with its strategic rebranding and made valuable suggestions on ways to broaden its market reach.
An ideal combination of creativity, function and philosophy. The best people make for the best results.
ADC Announces Creation of New Division

The Arizona Department of Corrections (ADC) announced the creation of its Division of Inmate Programs and Reentry, the most significant reorganization to the agency’s management structure in over five years. The move follows months of research, collaboration and discussions.

The vast majority of inmates committed to the Department will return to the communities of Arizona upon their release. In Fiscal Year 2015 alone, ADC released 19,773 inmates, most having served less than two years in its custody.

Consequently, Director Charles Ryan believes it is incumbent on the agency to use objective classification and need assessment tools along with evidence-based programs, to better prepare these inmates for their reentry.

“Through improved coordination of these efforts, I’m convinced that we can have long-term, positive impact on reducing inmate recidivism, improving the safety of our communities, while also potentially slowing the growth of the prison system in Arizona,” said Ryan. “These objectives also reflect the goals of Governor Ducey, who has supported ADC’s efforts to create a Community Corrections Center in Maricopa County as yet another tool to work with inmates on community supervision rather than simply returning them to prison when they commit technical violations.”

The new Division incorporates all inmate programs and services (Arizona Correctional Industries, Education, Counseling and Treatment Services, Religion, and Reentry Planning) that were previously under the Support Services Division, as well as Community Corrections, which operated under Offender Operations.

Working in close collaboration with Offender Operations, the newly defined Division of Inmate Programs and Reentry will focus on ensuring that inmates are placed in evidence-based programs geared toward their individual needs, commensurate with their classification risk scores and custody level, from the time of their initial assessment at reception, through their incarceration, and upon their transition to release to community supervision.

The Division of Inmate Programs and Reentry will be led by Division Director Karen Hellman, who brings a wealth of education and experience within ADC managing addiction, drug and alcohol treatment, sex offender treatment, and reentry programming. Ms. Hellman most recently served as ADC’s Administrator for Counseling and Treatment Services.

“The new structure reflects an increased emphasis on preparing state inmates for successful return to our communities,” said ADC Director Charles Ryan. “It improves our coordination of services to ensure we make the best use of taxpayer resources.”
University of Arizona Main / Current day aerial view of the University of Arizona located in Tucson, Arizona
Employee Enrichment & Recognition

Once a year we are able to gather together as an organization to celebrate successes. On October 8, 2015 over one hundred and ten employees and invited guests gathered at the Tuscany Falls Country Club in the Pebblecreek Community of Goodyear, Arizona for the Arizona Correctional Industries 2015 Annual meeting. Our theme, Creating Momentum, echoed the 2015 Annual Report spotlighting ACI’s achievements in both sales and net income.

The day started with CEO/General Manager Brian Radecki conducting a fiscal year review and showcasing the cooperative efforts of sales, the production shops, and Labor contracts. That was followed by a video production presented by Hickman Family Farms celebrating their 20 year relationship with Arizona Correctional Industries and the Department of Corrections.

ACI Administration then presented outstanding achievement awards to the top performing shops which included the top Platinum Awards presented to the Bakery, License Plate Plant and Farm, plus the ACI Installation Crew, and combined Labor Contract business. Outstanding performance was also recognized with awards given to individual employees who are nominated and voted on by ACI staff.

After a lunch break, Arizona Department of Corrections Director Charles Ryan spoke and talked about ACI’s 20 year relationship with Televerde and how the company started out in a small trailer based at the Arizona State Prison Complex – Phoenix.
prison yard with eight incarcerated females as employees in its call center. It has since grown to 400 employees, including incarcerated females, individuals outside of the correctional system, and former inmates who are making the transition to their new, productive lives. Approximately 250 members of Televerde’s workforce are currently or formerly incarcerated. James Hooker, Televerde CEO was then presented with a plaque commemorating over four million inmate hours worked during the past 20 years.

James Hooker then spoke about Televerde’s deep commitment to the community while training inmates to service blue-chip clients like Cisco, Microsoft, and SAP. To date Televerde’s 20 year association with ADC and ACI has generated approximately $30 million in state revenue.
At the ACI Annual Meeting in October of 2015, Erika Seborg was presented with Employee of the Year. Erika began working for the Department thirteen years ago as a buyer at the Arizona State Prison Complex Lewis where she ensured departmental and State of Arizona Procurement Codes were followed. Five years later, she transferred to ACI, moving from the purchasing side to the selling side as an Account Representative. She understands the importance of educating, communicating and following up. Over the years, these practices have helped her steadily grow her territory, increase sales, and establish herself as a valuable resource for all of her prospects.

Erika maintains steady focus on getting things done and knows that at the end of the day, customers do not care how or why, they just want their product needs met. She frequently brings shop managers with her on sales calls to ensure that customer specifications are understood and all production questions are answered right from the start of the project.

As ACI’s top Account Representative with more than two million dollars in invoiced sales for fiscal year 2015, she has also been serving in the U.S. Navy Reserve and raising her daughter.

Erika was deployed to Afganistan in January of 2016. She serves as an Executive Officer of EF1 Directorate and supports the Resource Management portion of the Essential Functions. Her divisions train, advise, and assist the Afgans within the Mol and MoD’s. Erika manages about 125 military, civilians, contractors and is the only Navy member in her division.

Recently, Erika was chosen out of about 1000 U.S. troops as part of an elect group to sit with U.S. Senators visiting the base at a closed luncheon. Arizona Senator John McCain was among those attending to address the troops and Erika had the opportunity to speak one on one with the Senator.

ACI would like to congratulate Erika on all her accomplishments and thank her and the thousands of troops for their service to our country.
New Members of ACI Central Office Staff

Tom Allen joined ACI in December 2015 as the new Vice President of Sales. A native of Arizona he has spent the last 30 years in an executive management roll with three local companies in the private sector.

In addition to the roll of executive, Tom’s experience includes Sales, Management, Operations and Manufacturing. Throughout his career, Tom has had the responsibility of hiring and training hundreds of sales representatives nationally, opening and overseeing several manufacturing and distribution centers, and launching the opening of several offices overseas. Tom has received training in Japan on Process Improvement, Lean Manufacturing and Six Sigma. Tom enjoys the challenges found in sales and is very much a hands on manager which is a valuable quality for ACI and its customers.

Michael Campos joined ACI in June of 2014 as a Fiscal Services Specialist II. He received his Bachelor of Science in Business Administration from Southern Utah University and an MBA from the University of Arizona. With experience in Accounting, Sales, Marketing, Customer Service and Tribal Land Development Michael has proved to be a positive asset for ACI.

In May of 2016, Michael was promoted to the position of Fiscal Services Specialist III, where he supervises the Accounts Payable and Inmate Payroll Department. Michael appreciates all the opportunities that ACI has provided him and looks forward to continuing the mission of ACI as well as learning and growing in his new position.

Kevin Hobbs joined ACI in May 2015 as the Arizona Department of Corrections, Sales Account Representative. An Arkansas native whose background was rooted in a correctional environment, his father was formerly the Deputy Director of the Arkansas Department of Corrections, which exposed him to a correctional setting in his early years.

With a Bachelor’s Degree in International business from the University of Arkansas and an A+ certification in computer repair from the Computing Technology Industry Association, Kevin has experience in Sales and Customer service, which are valuable assets to ACI. His experience has allowed him to easily integrate into the Sales Department with immediate focus on an ever demanding customer base.
Richard Selapack, ACI Vice President for Labor Contracts, accepted the NCIA Western Region 2016 Staff Award in April at the NCIA National Convention and Training Conference in Pittsburgh, Pennsylvania. The Staff Award recognizes the superior performance and supervisory excellence of a correctional industries staff member who has made a significant and sustained contribution to a correctional industries program.

ACI is very grateful to Richard for his dedication to this program that he has been a part of since 2001. After a 27-year US military career, Richard came to ACI uniquely qualified to work on these complex labor partnerships and the myriad federal, state and local regulations governing them. He negotiates all new labor partnership contracts and renewals for ACI. This involves coordination with the Arizona Department of Corrections (ADC) Complex Wardens and support staff, the ADC Contracts Department, the AZ Department of Administration Risk Management Unit, the AZ Department of Labor and the private industry partners themselves. Inmate Work Contracts are official agreements between a Labor Contract Partner and the ADC Director, for and on behalf of ACI. Like all legal contracts, each party agrees to perform certain tasks or services for the other under clearly defined terms and conditions. A typical Inmate Work Contract will run 30 or 40 pages and include attachments and revisions over time, as scope of work or requirements change.

He possesses a thorough knowledge of the industry, the complexes, security considerations, the state political winds, and our partners’ labor requirements. He has a good relationship with the key personnel within the various agencies and facilities and a meticulous attention to detail. These attributes helped him create some remarkable partnerships that have saved Arizona taxpayers millions of dollars (through inmate payroll deductions for room and board and restitution) and helped many small businesses grow into national industries, while creating thousands of new jobs. Another innovation he has introduced to the labor contract program is tapping into the closed circuit TV systems at our private business partners locations so that Richard and the rest of the labor contract team can monitor inmates across the state, from their desktops. He has brought in new partners, like Swift Trucking (Common Market Equipment) while helping us retain and grow other partnerships, including the ones begun in 1995: Hickman’s Family Farms and Televerde.

Richard was the driving force behind ACI’s first Prison Industry Enhancement Certification Program (PIECP) partnership. Though this program has been available to correctional industries in one form or another since 1979, few could navigate its many rules and regulations. Administered by the US Office of Justice Programs, Bureau of Justice Assistance, PIECP certification accepts participating agencies from certain Federal restraints placed on the marketability of prison-made goods by permitting the transport of such goods in interstate commerce and the sale of such goods to the Federal government.

PIECP is designed to benefit participating departments of correction by providing both a cost-effective prison work program that would offset some of the costs of incarceration, and a prison management tool that reduces institutional violence. Taxpayers benefit as inmates became tax producers, able to provide financial support to victims of crime and their own families. Victims and the families of participating prisoners benefit through direct financial contributions from inmate workers. Private sector companies gain a stable and readily available workforce, and possibly industrial space and training assistance.

Richard is tenacious. He is always willing to step in where needed and will take on complex projects that involve lots of negotiation, endless patience and very lengthy time frames before they are successfully executed.

Glen Davis, ACI Operations Bureau Administrator
Richard is much more than a contract writer. He directly supervises six partnerships at seven sites, employing 23 security staff. This includes day-to-day operations that interface between the labor partner and the prison complex staff, such as security issues, staffing issues, transportation coordination, facility problems and helping to improve the partner’s operation. Richard conducts annual compliance surveys with each partnership.

He also indirectly supervises 24 partnerships at 34 different sites with another 33 security personnel and helps manage the hiring and management process of the security staff. These Industry Program Specialists (IPS) provide security, and in some cases transportation to work sites as ADC Operations do not provide security staffing at any ACI Program. The combined programs employ nearly 1,290 inmates daily.


The conference will focus on training tracks covering: Incorporating Skill-Based Training, Preparing for Reentry and Post-Release Success, Maximizing Internal and Stakeholder Engagement, and Increasing the Impact of Correctional Industries.

On Monday, April 24, 2017 Arizona Correctional Industries will host a tour at the Arizona State Prison Complex (ASPC) Florence, in Florence, Arizona. Located halfway between Phoenix and Tucson, ASPC Florence is the oldest prison facility in the Arizona system dating back to 1908. Guests of the tour will see the ACI Industrial Yard which houses Metal Fabrication and Wood Manufacturing, the Wild Horse and Burro Program, and the main warehouse and transportation center for ACI goods.
Customers, vendors, suppliers and invited guests all had a chance to see the new surroundings at an Open House of the new Corporate Headquarters of Arizona Correctional Industries on January 22, 2016. A buffet lunch was served as guests were able to tour the new facility and experience the expanded office, meeting, and showroom spaces.

ACI took possession of the building at 3279 East Harbour Drive in Phoenix, Arizona in the spring of 2015, and moved in June 2015. The building is centrally located to downtown Phoenix, Sky Harbor International Airport and is a closer drive to ACI’s main warehouse located at the Arizona State Prison complex in Florence, Arizona.
The office houses ACI Administration, Human Resources, Business Development, Marketing and Sales, Customer Service, Finance and Accounting, Inmate Payroll, Purchasing and Inventory Control. The Sublimation shop, a division of the Sign Shop in Tucson is also housed in the warehouse along with one of ACI’s Private Sector Partners Aqua Chill Drinking Water Systems which runs a small call center.

The over seventy staff and inmates who occupy the new space are enjoying the new surroundings and expanded capabilities that the new facility offers.
Hoover Dam located on Arizona/Nevada border
ACI had a strong financial year despite making significant changes to its overall operations. Showing an increase in inmate hours for the last two years, ACI is poised for growth with the addition of new business partnerships and increases in the numbers of inmates employed by current labor contracts for the upcoming year.

**Inmate Employment by Fiscal Year**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Inmates Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>1,904</td>
</tr>
<tr>
<td>FY 2013</td>
<td>2,001</td>
</tr>
<tr>
<td>FY 2014</td>
<td>1,840</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1,900</td>
</tr>
<tr>
<td>FY 2016</td>
<td>1,904</td>
</tr>
</tbody>
</table>
Inmate Hours by Fiscal Year
(Labor Contracts and Owned & Operated)

Inmate hours consist of ACI Owned & Operated Industries and Labor Contract Partnerships. The Owned & Operated inmate hours worked within these shops represent 39% of the inmate hours worked for fiscal year 2016. Private sector jobs represent 59% of the total inmate hours worked for the fiscal year 2016. Included in the partnerships are one Prison Industry Enhancement Certification Program (PIECP) and one Inter-Government Agreement (IGA) which makes up the remaining 2%.

ACI and their Labor Contract partners have fully-equipped shops and facilities where real-world training provides inmates with an opportunity to learn marketable job skills. These skills give inmates a greater sense of self worth, confidence and legitimate work experience they can take with them when they are released.

With an increase of inmate wages for fiscal year 2016, Owned & Operated wages represent 11% and Labor Contracts represent 89% of the total wages earned in fiscal year 2016.

Inmate earnings deductions go toward their room and board, as well as Court Ordered Restitution and Victim’s Compensation Funds. The wages earned millions in sales to cover staffing and operational costs for ACI, making it completely self-funded. ACI essentially returns money to the general fund each year, instead of depending on money from the state budget.

Inmate Wages by Fiscal Year
(in Millions)
ACI Owned & Operated industries are comprised of twenty-six shops at eight Arizona State Prison Complexes. The top five ACI enterprises that exceeded one million dollars in fiscal year 2016 include the Bakery, Tag Plant, Metal Fabrication, Print Shop and Sewing at Douglas.

ACI Labor Contract Partners utilize inmate labor within their facilities. ACI currently has twenty-six partnerships throughout the Arizona State Prison Complexes.
Arizona Correctional Industries creates its top ten sales listing from across the diverse categories of businesses that make up its customer base. The names of the top ten do not vary that much from year to year although the ranking order does.

Labor contracts continued to dominate the top ten listing this year with Hickman Family Farms landing in the number one position. Five other labor contracts rounded out the top ten: Televerde, NatureSweet, SWIFT, Safety Services, and a new addition to the top ten this year Home Town Hero Project.

Home Town Hero digital billboards are in the lobbies of veterans clubs where they feature a Home Town Hero from the local community with an article on his/her accomplishments along with a photo. These Heroes are either veterans, recently discharged, or active duty military persons who have made some significant achievement in the service of our country. Sponsors for this project receive a full color ad on the Billboard which is displayed in a high-traffic area.

Inmates at the Arizona State Prison Complex in Tucson work in a call center to sell the ad space for these digital billboards that are seen in American Legions, VFW Halls, Eagles and other veterans organizations.

Trinity Services Group takes the second position this year. Trinity remains a close partner with Arizona Correctional Industries as a correctional food service provider and distributor. License plate production keeps the Arizona Department of Transportation consistently in the top five customers each year. ACI produces nearly 1 million license plates annually though ADOT’s Motor Vehicle Division.

As a division of the Arizona Department of Corrections, the departments purchases of ACI goods keeps them in the top ten customers each year. Many of ACI’s core product lines stem from providing the department the items it utilizes on a daily basis.
# BALANCE SHEET

(Year Ending June 30, 2016 and 2015)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$9,228,000</td>
<td>$7,346,000</td>
</tr>
<tr>
<td>Accounts Receivable - Net</td>
<td>6,262,000</td>
<td>6,351,000</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,888,000</td>
<td>4,471,000</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>135,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>19,513,000</strong></td>
<td><strong>18,218,000</strong></td>
</tr>
<tr>
<td>Property &amp; Equipment - Net</td>
<td>4,626,000</td>
<td>4,289,000</td>
</tr>
<tr>
<td><strong>Long Term - Other Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Pension Contribution</td>
<td>737,000</td>
<td>933,000</td>
</tr>
<tr>
<td><strong>Total Long Term - Other Assets</strong></td>
<td><strong>737,000</strong></td>
<td><strong>933,000</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$24,876,000</strong></td>
<td><strong>$23,440,000</strong></td>
</tr>
</tbody>
</table>

| LIABILITIES AND EQUITY                    |            |            |
| Current Liabilities:                      |            |            |
| Accounts Payable                          | $88,000    | $205,000   |
| Accrued Payroll & Benefits                | 1,277,000  | 1,080,000  |
| Accrued Liabilities                       | 1,906,000  | 1,957,000  |
| **Total Current Liabilities**             | **3,271,000** | **3,242,000** |
| **Long Term Pension Liability:**          |            |            |
| Net Pension Liability                     | 7,419,000  | 7,011,000  |
| **Total Long Term Pension Liability**     | **7,419,000** | **7,011,000** |
| Deferred Inflows of resources             |            |            |
| Deferred Pension Inflow                   | 656,000    | 1,226,000  |
| **Deferred Inflows of resources**         | **656,000** | **1,226,000** |
| **Total Liabilities**                     | **$11,346,000** | **$11,479,000** |

| EQUITY                                    |            |            |
| Contributed Capital                       | $2,463,000 | $2,463,000 |
| Contributed Land / Building               | 741,000    | 741,000    |
| Retained Earnings                         | 7,257,000  | 4,920,000  |
| Current Profit / (Loss)                   | 3,069,000  | 3,837,000  |
| **Total Equity**                          | **$13,530,000** | **$11,961,000** |
| **Total Liabilities & Equity**            | **$24,876,000** | **$23,440,000** |
# STATEMENT OF OPERATIONS
## (Year Ending June 30, 2016 and 2015)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$41,583,000</td>
<td>$42,147,000</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>33,937,000</td>
<td>33,628,000</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td><strong>7,646,000</strong></td>
<td><strong>8,519,000</strong></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling</td>
<td>802,000</td>
<td>962,000</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>3,829,000</td>
<td>3,760,000</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>4,631,000</strong></td>
<td><strong>4,722,000</strong></td>
</tr>
<tr>
<td><strong>Non-Operating Revenue/(Loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>33,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Net Gain/(Loss) on Equipment Disposal</td>
<td>21,000</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Net Non-Operating Revenue/(Expenses)</strong></td>
<td><strong>54,000</strong></td>
<td><strong>40,000</strong></td>
</tr>
<tr>
<td><strong>Income before transfers</strong></td>
<td>$3,069,000</td>
<td>$3,837,000</td>
</tr>
<tr>
<td>Transfers to State of Arizona funds</td>
<td>(1,500,000)</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Total net assets, July 1</td>
<td>11,961,000</td>
<td>16,401,000</td>
</tr>
<tr>
<td>Deferred Pension Restatement</td>
<td></td>
<td>(7,277,000)</td>
</tr>
<tr>
<td>Total net assets, June 30</td>
<td>$13,530,000</td>
<td>$11,961,000</td>
</tr>
</tbody>
</table>
# STATEMENT OF CASH FLOWS  
(Year Ending June 30, 2016 and 2015)

## Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$3,038,000</td>
<td>$3,814,000</td>
</tr>
</tbody>
</table>

Adjustments to reconcile operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expense</td>
<td>745,000</td>
<td>719,000</td>
</tr>
<tr>
<td>(Increase)/Decrease in accounts receivable</td>
<td>91,000</td>
<td>(2,794,000)</td>
</tr>
<tr>
<td>Increase/(Decrease) in accounts payable</td>
<td>(117,000)</td>
<td>64,000</td>
</tr>
<tr>
<td>(Increase)/Decrease in inventories</td>
<td>577,000</td>
<td>515,000</td>
</tr>
<tr>
<td>(Increase)/Decrease in prepaid expenses</td>
<td>(78,000)</td>
<td>86,000</td>
</tr>
<tr>
<td>(Increase)/Decrease in long term deferred pension contribution</td>
<td>196,000</td>
<td>(933,000)</td>
</tr>
<tr>
<td>Increase/(Decrease) in accrued payroll &amp; employee benefits</td>
<td>215,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Increase/(Decrease) in accrued compensation</td>
<td>(18,000)</td>
<td>53,000</td>
</tr>
<tr>
<td>Increase/(Decrease) in other accrued liabilities</td>
<td>(57,000)</td>
<td>1,336,000</td>
</tr>
<tr>
<td>Increase/(Decrease) in long term pension liability</td>
<td>(161,000)</td>
<td>959,000</td>
</tr>
</tbody>
</table>

Net cash provided (used) by operating activities: $4,431,000 $3,979,000

## Cash flows from noncapital financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash transfer to ADC Bldg Renewal Fund</td>
<td>(1,000,000)</td>
<td>0</td>
</tr>
<tr>
<td>Cash transfer (to) from General Fund</td>
<td>(500,000)</td>
<td>(1,000,000)</td>
</tr>
</tbody>
</table>

Net cash provided (used) for noncapital financing activities $ (1,500,000) $ (1,000,000)

## Cash flows from capital and related financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and construction of property, plant and equipment</td>
<td>(1,112,000)</td>
<td>(1,022,000)</td>
</tr>
<tr>
<td>Disposal of fixed assets (Gain)/Loss</td>
<td>30,000</td>
<td>(1,000)</td>
</tr>
</tbody>
</table>

Net cash provided (used) for capital and related financing activities $ (1,082,000) $ (1,023,000)

## Cash flows from investing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receipts on investments</td>
<td>33,000</td>
<td>24,000</td>
</tr>
</tbody>
</table>

Net cash provided (used) by investing activities $33,000 $24,000

## Net increase (Decrease) in cash & cash equivalents:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (Decrease) in cash &amp; cash equivalents</td>
<td>1,882,000</td>
<td>1,980,000</td>
</tr>
<tr>
<td>Beginning cash &amp; cash equivalents balance</td>
<td>7,346,000</td>
<td>5,366,000</td>
</tr>
</tbody>
</table>

Ending cash & cash equivalents balance $9,228,000 $7,346,000
Downtown Phoenix skyline
Marketing

As we continued the rebranding process we began three years ago, we concentrated on private business outreach and website improvements.

Private Business Outreach

We have found that by working with private businesses our inmates are learning more relevant jobs skills and, by establishing relationships with private business during their incarceration, they have better job prospects upon their release; often getting hired by the very companies they’ve been working with through ACI. As the US economy improves there will be more opportunities to work with private businesses of all types.

Partnering with private businesses comes with many challenges, but they are worth meeting because private businesses and start-ups are:

» Able to provide invaluable job-skills training.
» Often just in need of some help prototyping products. Once they get up and running then they can become local “job creators,” providing employment opportunities for inmates upon their release.
» Unable to afford the associated expenses of employees, like FICA, workman’s compensation, and health insurance. An ACI labor crew can be just what they need to get up and running.
» Plagued by high-turnover rates that result in high training costs, especially as the economy improves and more attractive opportunities become available. Having a reliable ACI workforce can help them reduce their costs and keep staff around long enough to appreciate the career opportunities available.
» Great advocates for ACI and help us spread the “right” story about our mission and the contribution ACI makes to the state’s economy.
» Much more likely to hire ex-offenders, especially if they have been working with them prior to their release. Most of our current labor contract partners came to us through referrals from other partners, past and present. But the vast majority of small businesses in Arizona do not know that ACI exists as a resource for them, and the many benefits of working with us. To reach those businesses with our message we have set up an advertising schedule with our local business journal and regularly participate in business group events.

Advertising in the Phoenix Business Journal

In fiscal year 2016 we ran a series of 4-page, 4-color inserts and half page ads in selected issues of Arizona’s premier business publication. These advertisements stressed how ACI can be a valuable resource to private business. They helped drive traffic to the website and increase awareness in the broader business community. Each insert had a unique cover, asking “Can ACI...” about a specific product or service and explained how, “Yes, we can.”

The other three pages were the same in each insert, detailing all the different ways that private businesses can work with ACI and how together we are helping reduce government costs for taxpayers and generating jobs. A similar advertising schedule is planned for fiscal year 2017.

Business Groups and Events Participation

Arizona is recognized as a leader in the number of local business groups and associations. One such group that compiles a calendar of events for these groups, Networking Phoenix, regularly lists nearly 70 events each week. That represents ten different meetings or networking opportunities each day (including weekends), where decision makers meet to collaborate and work together.

This calendar only shows a fraction of the Phoenix events, hundreds more are available throughout Arizona. Some groups, like Local First Arizona, which ACI has been a member of for three years, has dozens of its own events each month. Vendors like Constant Contact, who we use for our bulk e-mail and automatic e-mailing campaigns, and Digital Dimensions, who provides our Solid Works (3-D CAD)
By creating better awareness and understanding about ACI in the business community we are also helping to make employers feel more comfortable about hiring ex-felons. People are usually taken back when we tell them that 90% of the 42,000 people currently incarcerated in our state will, at some point, be released and will be living in our communities. Business people understand the importance of providing inmates with the tools they need to be successful, tax-paying citizens.

Most people are not aware of ACI or may have a negative view of us because they don’t understand the important role we play in the rehabilitative process. As we participate in these events we are always prepared to recite tax payer savings, reduced recidivism rates, and other stats about ACI, as well as moving success stories to counter false assumptions. This type of information always helps effectively position ACI as a resource for private business.

For this type of networking to work, we understand that it is not about finding customers. It is about creating relationships and two-way connections throughout the business community. We give people time to tell us about their business needs and are open to using their products and services or referring them to others. We learned this from the marketing company we used to help us evaluate our website. We have also helped connect these various business connections with each other. Both parties will remember who brought them together and think of ACI as a solution provider, although they did not actually use any of the many industry and labor solutions available from ACI.

We are hoping to present a comprehensive workshop on this topic at the upcoming NCIA Annual Conference that ACI is hosting in Tucson next April. With our counterparts from the California Prison Industry Authority, we will explain all the various ways our two organizations are strengthening our relationships with private business.
Despite these improvements there is still room for more improvement. We make regular updates to the pricing and the product pictures on the site and add articles and other content to ensure that the search engines recognize that our website information is up to date. But we wanted to learn what our users’ view of the site is and how we can better meet their expectations.

We contracted with an internet marketing firm to conduct focus groups to help us get those answers. ImagineWOW!, a local digital marketing company that specializes in website audits, ran two focus groups comprised of internal and external clients to solicit user comments, complaints and suggestions to bring us closer to understanding how users use the site.

The ImagineWOW! team analyzed the results and made a series of recommendations for steps we should take going forward. A few of their concrete actions have already been implemented on the site and we will be putting together teams of internal stakeholders to follow up with the other recommendations that were proposed.

Websites are not like printed catalogs that compile information, get published and then quickly become obsolete because the information in them is out of date. Websites are much more fluid and need to be continuously maintained, updated and revised to meet user expectations. With the help of our users and other stakeholders, we now have a clearer idea of where we need to move in the future with the website, as we also keep it as up to date as possible and filled with new content.
The Arizona Game and Fish Department works to teach boaters, personal watercraft users and the public the importance of having a fun, safe time on the water. Promoting such safety messages is important for the state agency, which is funded primarily through fishing and hunting permit fees.

That was the goal with the Department’s new Life Jacket Loaner Stations, which recently installed at Lake Pleasant, Lake Havasu and Lake Mohave. The Life Jacket Loaner Program is made possible through a grant provided by the US Coast Guard, which finances the infrastructure and life jackets. However, with help from a local nonprofit, the Ryan Thomas Foundation has donated nearly 200 life jackets to the Life Jacket Loaner Program.

The Department partnered with ACI to create the life jacket kiosks. “We were already familiar with their capabilities as they have been providing all kinds of outdoor structures for the department for years,” said Kim Jackson, Arizona Game & Fish Bureau and Off-Highway Vehicle (OHV) Safety Education Program Manager. “We knew what we wanted,” Kim continued, “because we’d seen several life jacket stations from programs in Oregon and Idaho. But unlike those programs, where the kiosks are made out of wood and require constant maintenance, we wanted structures that would last, require very little maintenance (beyond keeping the supply of life jackets stocked) and could be easily relocated, if necessary.”

Today there are two stations at the boat launch sites on Lake Pleasant and one each at Lake Havasu and Lake Mohave. Additional stations are planned for other lakes around the state in the coming months.

As their fiscal year budgeting was winding down, Kim and her team again came to ACI with a request for something outside the box. The Department had been transporting a Jet Ski (without an engine) around to various camps and shows to demonstrate safe operation techniques. But they thought if they could permanently affix the watercraft to its trailer, they could create a Jet Ski simulator to better illustrate how to properly use the machine. Again, the ACI production team came through, designing and building a true Jet Ski simulator atop a trailer. It features three pull out stairways, movable handrails all around, a built in storage area, a wide solid platform on each side of the Jet Ski and a mount over the front to place a TV monitor to view simulated boating scenarios while steering the Jet Ski.

The simulator will be used at shows and events beginning in January, before the next water sporting season. It will also be part of the department’s Boating Safety Education program, conducted by coordinator Josh Hoffman. He is working with
educators from around the state to create a curriculum on water safety for fifth graders that include important science and math concepts.

As they continue to roll out these water safety programs throughout the state, Kim and Josh are already talking with ACI’s metal shop draftsman about creating an OHV simulator to help them teach adults and children to ride safely and responsibly. Given their track record, the ACI team will no doubt deliver another great product to the Game and Fish Department in the near future.

During 2016, three inmates who had received training in three very different areas of Arizona Correctional Industries were released from the Arizona Department of Corrections. Annette Anaya was employed in the sales department of ACI’s Administrative Headquarters for approximately 4 years, Chris Dewell worked at the Wild Horse and Burro Program ran by the Arizona State Prison Florence for approximately 2 years, and Tony Kennett worked for Labor Contract Partner Sun Country Trailers.

Currently Annette Anaya works with Grace Steel one of ACI’s Metal Fabrication customers with whom she did administrative work for while working in the Sales Department. Chris Dewell runs an equine therapy program with sponsors John Mulligan and Steve Bagnani. Tony Kennett has rehired with Sun Country Trailers where he works as a civilian welder.

These jobs are all examples of the possibilities that can be attained by ACI ex-offenders. The skill sets that each one of these individuals acquired during their time training at one of ACI’s owned and operated programs helped to give them the real-time skills that each required for a successful transition back into society.

ACI is proud to host these three individuals during this year’s Annual Meeting as part of a panel discussion about reentry and the struggles that accompany it.
The Yarnell Hill Fire was a wildfire near Yarnell, Arizona, ignited by lightning on June 28, 2013. On June 30, it overran and killed 19 City of Prescott firefighters, each members of the Granite Mountain Hotshots. The wildfire was fully contained by July 10, 2013.

On the second anniversary of the Yarnell Hill Fire, Arizona State Parks purchased 320 acres of State Trust land near the site where 19 Granite Mountain Hotshots sacrificed their lives while battling the wildfire. This site is now the Granite Mountain Hotshots Memorial State Park.

“This site will serve as a lasting memorial to the brave hotshots who gave their lives to protect their community,” said Governor Ducey. “While we can never truly repay our debt to these heroes, we can – and should – honor them every day. Arizona is proud to offer the public a space where we can pay tribute to them, their families and all of our firefighters and first responders for generations to come.”

Arizona State Parks Executive Director Sue Black said, “Arizona State Parks is proud and humbled to add Granite Mountain Hotshots Memorial State Park to our family.” Black, who concurrently serves as Chairman of the Yarnell Hill Memorial Site Board, continued, “We look forward to working together to open this Park to the public.”

The purchase was funded by a $500,000 legislative appropriation resulting from HB 2624, the 2014 bill was championed by Senator Steve Pierce and Representative Karen Fann. The bill also established the Yarnell Hill Memorial Site Board.

Beginning in April of 2016, Arizona Correctional Industries began working with Arizona State Parks in the preparation and installation of steel gabion baskets that will encircle and protect the site. Each basket is filled with rocks from the area and affixed with a large metal purple ribbon in remembrance of the Granite Mountain Hotshots.

Arizona Correctional Industries continues to work with Arizona State Parks in the development of the Observation Deck and other aspects for the creation of Arizona’s newest State park.
University of Phoenix Stadium located in Glendale, Arizona
During a luncheon held at Arizona State Prison Complex-Lewis last fall honoring the staff and inmates involved in the accident on August 11, 2015, ADC Director Charles Ryan made the following comments:

"Having spent most of my career in Corrections, I have grown accustomed to seeing headlines that focus on the negative. But last August I instead saw headlines like:

- "Inmates Help the Injured After Prison Bus Crashes Into Semi" from The Huffington Post.
- "Arizona prison bus crashes as inmates tend to injured and direct traffic" from The Guardian.
- "Prison bus crashes; Unhurt inmates helped the injured" from The Associated Press.

After getting past the horror of the accident, learning that the injured were being treated and would, hopefully, all fully recover, I thought to myself, "Thank you. Thank you for not making a terrible situation even worse."

As Huffington Post Associate Editor, Kim Bellware opened in her article "Everybody's seen the movies...I'm gonna have inmates scatter and we're gonna have 50 fugitives.” Of course, that's what we all imagined. Those guys could have fled to the four winds. But that's not what happened. Instead they stepped up, helped out and behaved like model citizens. This doesn't just happen. Arizona doesn't simply have a better class of offender. The behavior of those inmates that night is a reflection of how the Department’s Support Services Division, especially ACI, is making a positive impact on the lives of offenders.

Director Ryan also commented that “I’m proud of how those inmates responded and proud of the ACI supervisors who helped transform them into a smoothly functioning team:

- Instead of heading for the hills, two of the inmates tended to the bus driver's wounds: one putting pressure on severe cuts to stop the bleeding, the other keeping his airways clear so he could breathe as they awaited rescue crews.
- Instead of disappearing into the night, several other inmates tended to their injured colleagues and the other injured supervisor.
- Instead of hitting the road, other inmates helped direct traffic around the accident scene, preventing more crashes and injuries.

By instilling a sense of team spirit, ACI transformed those inmates into people who genuinely care about and respect each other. As one inmate remarked at the scene, "We’re a team, we have to work together."
Program Updates

Alliance Truss

After seeing the potential and willingness to learn the trade, the management at Alliance Truss started to slowly increase the number of inmate workers employed at its assembly plant in Casa Grande, Arizona. The initial twenty-two inmates grew to upwards of fifty-five continuing to supplement the civilian staff and increase output and productivity.

Making the 75 mile journey every morning from the Arizona State Prison Complex at Lewis the program generated $522,022 in revenue in fiscal year 2016. Poised for another successful year, a vehicle accident on August 11, 2015 changed everything for both ACI and Alliance Truss. Showing support for the injured staff and inmates that performed so heroically on that day, both ACI and Alliance worked together to get the program back on track finding new solutions for transportation and staffing.

Today the program is back to capacity and Alliance Truss is in talks with the Correctional Corporation of America (CCA) Red Rock Correctional Center in Eloy Arizona to expand its contract with ACI and open another facility with an additional 25 inmates to start.

ACI Business Development exemplifies our “Adapt to Change” philosophy by going the extra mile to work with the unexpected challenges that ACI faces across the 26 Labor Contracts currently in operation.

ACI is proud to partner with Erickson Construction worked a total of 4,852 inmate hours worked during fiscal year 2016. This translates into sales of $155,815.

Inmate workers at Erickson come from the GEO Phoenix West Complex in Phoenix and their primary job is the fabrication and assembly of wooden trusses, wall panels, doors and trim for the Arizona residential housing market.

Erickson Construction is a leading provider of construction services and prefabricated building components in the Western United States. Since 1975 their crews have framed more than 80,000 homes in Arizona, Northern California and the greater Reno Nevada Area.

In the early 1900’s they pioneered the production and delivery of panelized framing systems. Today, they continue to lead the industry with state-of-the-art computer assisted production facilities in Chandler, Arizona and Roseville, California.
The mission of Televerde is to improve the business of its clients, the lives of their employees and the communities in which it operates. Televerde provides solutions that create wisdom from data, embracing innovative technology and stimulating intellectual curiosity. Their passion is to exceed client expectations and create customer loyalty through continuous improvement.

Televerde uses an innovative Lead-to-Revenue model to help B2B enterprises generate better leads, speed sales cycles, and gain insights that drive continued growth. By providing proven solutions in the areas of marketing technology services, engagement planning, data intelligence, demand generation and inside sales, Televerde has helped a host of large and mid-sized companies such as SAP, Microsoft Corp., Cisco Systems Inc. and Trend Micro Inc. generate over $6.5 billion in revenue.

Televerde’s workforce is 85 percent female with about 300 from ASPC-Perryville in Goodyear, Arizona and 60 employees in the Rockville Correctional Facility in Indiana. In April 2016, Televerde opened an office in Glasgow, Scotland to service growing needs in the area. Their goal is to build the Glasgow office to 175 people within the next two years.

Every new hire (inmates and civilians alike) receives at least six weeks of training before they can work with the company, and will continue training throughout their tenure. Over the years, about 25% of the inmates working with Televerde have been offered full-time positions with the company after their release. Many of them have advanced to upper-level management positions and today are playing important roles in Televerde’s global expansion.
Starting a new enterprise is a challenge for any Correctional Industry and ACI has learned a lot since the beginning of 2013 when construction began on the raceways and ponds for the first batches of tilapia.

2015 has taught both staff and inmates about water chemistry and what is required to keep fish alive. In the spring of 2016, we installed an additional 10” drain for the raceways. We are building weir boxes (a wooden or concrete box oblong in shape and open at both ends) for filtering the water and making a closed loop system of recirculation. When the recirculation project is complete, water quality will be the largest challenge as the water will be filtered and reused.

We have recently completed the electrical upgrade to the Farm and Fish Farm. A large backup generator that was salvaged from a Prison Unit the Department of Corrections closed, has been put in place at the Fish Farm to keep life sustaining aeration and flow equipment operational during power outages. It only takes about 15 minutes for fish (livestock) to die of reduced oxygen levels if life support systems fail. The generator has been deployed 3 times within the last three months to carry us through monsoon power outages.

Six tanks of 3000 gallons each were added as a nursery for fry (baby fish). We can purchase 1 to 5 gram fry (neon sized) and raise them cheaper then purchasing 50 to 100 gram fish to supply our raceways. We now have a cycle going to have fry all the way to 800 gram fish (2 pounds) in 5 to 6 months – depending on water temperature.

In the spring of 2016 we have started selling 2500 to 3000 pounds of tilapia on a weekly basis to our buyers. We have enough fry in our nursery to restock each depleted raceway, for the next year.

Pond 2 currently has catfish that have spawned on site during the spring 2016. We currently have a large quantity of 100 gram catfish in that pond. They will be 1 pound about March 2017 and ready to sell as ‘stockers’ for ponds and fishing holes.
In February 2013, the agreement was finalized with the Federal Bureau of Land Management, the Arizona Department of Corrections and ACI to begin a training program for the housing and care of wild horses and burros. Since its inception the program has experienced great success, due in large part to program supervisor and fourth generation Arizonan Randy Helm and his dedicated staff.

Currently the program adopts out approximately 150 horses a year with many of them go to the U.S. Border Patrol. Results of the program show successes for horses, burros and the inmates participating in the program. So far, of the 50 or so inmates that have gone through the program and been released from prison, there has been a zero percent recidivism rate. That is far below the national recidivism rate; according the Bureau of Justice Statistics, about two-thirds of released prisoners are rearrested within three years.

Many of the skills acquired through the training are practical as well as therapeutic. Helm says several men who have been released are now working with horses in civilian life. For many of the inmates it is the intangible benefits gained from the program that stand out for them; patience, caring and trust.
ACI Employee Participates in Governor’s Task Force on Recidivism

One of Governor Ducey’s scorecard measurements for the department of corrections is to reduce the recidivism rate in Arizona. One target area is ensuring inmates are receiving programming requirements while incarcerated prior to their release. Currently, only 26% of high target inmates are completing their required programming ie; functional literacy, sex abuse or substance abuse treatment programs prior to release. William Foster, Industrial Operations Administrator for ACI is on a team that is identifying the high target inmates in the ADC system and establishing criteria to ensure those inmates are able to receive programming while incarcerated.

Part of the process is educating security operations of the importance of programming and how it affects recidivism. This is a large undertaking as it is a culture change from a “security culture” to providing “principles of programming” as in the following:

- Programming is not meant to be convenient for inmates or staff
- Targeted programming can positively change behavior and reduce recidivism
- Every interaction with an inmate is an opportunity to promote social skills
- Program spots are valuable; they should be filled and maintained
- Participation in programming does not need to be voluntary to be effective
- Inmates with highest risk and need are first priority filling vacancies
- Consistency and enforcement of expectations provide the basis for effective programming
- Inmates are engaged physically and mentally
- Facilitators must maintain physical accountability
- Facilitators adherence to established curriculum produces the best results

The next challenge is getting the inmate to the classroom itself. Historically, instead inmates would rather go to recreation, receive store or go to the chow hall instead of attending a class. Then, once the inmate is in the seat, how do we keep him in the classroom for the duration of the class? Inmate movement within the various units in a prison is typical and depending on variables of the inmate’s classification; the inmate could be moved from the yard before completing the class. Lastly is the hurdle of delivering the contents of the class in such a way that the inmate has an opportunity to successfully pass the class.

The results of this project may take up to 5 years to realize as the criteria is high target/high impact inmates within 3 years from release.
ACI Partners with Arizona State Capitol Museum

In fiscal year 2016, ACI began selling gift and promotional items through retailers in Florence and at the Capitol Museum Store in downtown Phoenix. When the Museum Store Manager, Kenneth Judd, told us about his expansion plans on the ground floor of the Capitol building, Sales Account Manager Fred Siegel asked if he would be interested in selling some of our products. Kenneth and the team at the Secretary of State’s office jumped at the chance.

As they were preparing their move, they took us on a tour of the much larger retail space that had recently been used as offices and a meeting space. We suggested that the existing cabinets could serve as display cases if they would allow us to refurbish them.

In the weeks before their move to the new retail space, many of the cabinets were transported to Florence where they were expertly restored to match the moldings in the Capitol Building. The day that Marlene Ortega and her install crew arrived with the beautifully restored cabinets, “they stuck around all morning as we positioned the cabinets in different locations,” Kenneth told us, “they also helped out with other tasks around the new store space. They did a great job helping us get ready for our opening in mid-August.”

In addition to the standard gift items, ACI designed some custom pieces that will be available only through the Museum Store, like the Cornhole Game sets with the state flag on them and glass coasters and ceramic mugs, featuring the official State Seal. We will be working with them and State Archives to create other exclusive items for sales in the store.

Working with materials from ACI’s wood, metal and license plate manufacturing facilities, the talented craftsman working at these shops have created many high-quality gifts like bird houses, wind chimes and pencil holders. Many customized promotional items for these retail shops are produced in our sublimation shop at ACI Central in Phoenix.