



Dave Yost • Auditor of State

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

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Dave Yost • Auditor of State

STAR Community Justice Center
Scioto County
4578 Gallia Pike
Franklin Furnace, Ohio 45629

To the Members of the Judicial Advisory Board and Facility Governing Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While the Ohio Department of Rehabilitations and Corrections (ODRC) does not require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format ODRC prescribes or permits.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 4, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

STAR Community Justice Center
Scioto County
4578 Gallia Pike
Franklin Furnace, Ohio 45629

To the Members of the Judicial Advisory Board and Facility Governing Board:

We have audited the accompanying financial statements of the STAR Community Justice Center, Scioto County, Ohio (the Facility), as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Facility does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Rehabilitation and Corrections permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2012 and 2011, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2012 and 2011, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the STAR Community Justice Center, Scioto County, as of June 30, 2012 and 2011, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013, on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

January 4, 2013

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2012**

	<u>State Appropriations and Grants</u>	<u>Offender Funds</u>		Totals
	ODRC 501-501	Offender Personal Funds	Commissary	
Cash Receipts:				
Intergovernmental	\$ 3,289,919	\$ -	\$ -	\$ 3,289,919
Collections from offenders	-	115,184	86,481	201,665
Commissions	-	-	26,939	26,939
Reimbursement	84,933	-	-	84,933
	<u>3,374,852</u>	<u>115,184</u>	<u>113,420</u>	<u>3,603,456</u>
Total Cash Receipts	<u>3,374,852</u>	<u>115,184</u>	<u>113,420</u>	<u>3,603,456</u>
Cash Disbursements:				
Personnel	2,621,292	-	-	2,621,292
Operating costs	506,722	-	98,329	605,051
Program costs	58,837	-	-	58,837
Equipment	29,395	-	-	29,395
Offender Disbursements:				
Offender legal obligations	-	1,210	-	1,210
Offender reimbursements	-	12,959	-	12,959
Offender payments to CBCF	-	105,384	-	105,384
Offender savings paid at exit	-	4,411	-	4,411
	<u>3,216,246</u>	<u>123,964</u>	<u>98,329</u>	<u>3,438,539</u>
Total Cash Disbursements	<u>3,216,246</u>	<u>123,964</u>	<u>98,329</u>	<u>3,438,539</u>
Disbursements from prior FY (Including refund to ODRC)	204,447	-	-	204,447
	<u>204,447</u>	<u>-</u>	<u>-</u>	<u>204,447</u>
Total Receipts Over/(Under) Disbursements	<u>(45,841)</u>	<u>(8,780)</u>	<u>15,091</u>	<u>(39,530)</u>
Fund Cash Balances, July 1, 2011	389,209	11,519	9,357	410,085
	<u>389,209</u>	<u>11,519</u>	<u>9,357</u>	<u>410,085</u>
Fund Cash Balances, June 30, 2012	\$ 343,368	\$ 2,739	\$ 24,448	\$ 370,555
	<u>\$ 343,368</u>	<u>\$ 2,739</u>	<u>\$ 24,448</u>	<u>\$ 370,555</u>
Unpaid Obligations/Open Purchase Orders	\$ 160,635			
	<u>\$ 160,635</u>			

The notes to the financial statements are an integral part of this statement.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2011**

	State Appropriations and Grants	Offender Funds		Totals
	ODRC 501-501	Offender Personal Funds	Commissary	
Cash Receipts:				
Intergovernmental	\$ 3,170,919	\$ -	\$ -	\$ 3,170,919
Collections from offenders	-	117,260	79,127	196,387
Commissions	-	-	22,864	22,864
Reimbursement	82,841	-	-	82,841
	<u>3,253,760</u>	<u>117,260</u>	<u>101,991</u>	<u>3,473,011</u>
Total Cash Receipts	<u>3,253,760</u>	<u>117,260</u>	<u>101,991</u>	<u>3,473,011</u>
Cash Disbursements:				
Personnel	2,466,190	-	-	2,466,190
Operating costs	486,294	-	100,190	586,484
Program costs	49,396	-	-	49,396
Equipment	47,107	-	-	47,107
Offender Disbursements:				
(Offender payments by residents	-	2,250	-	2,250
Offender legal obligations	-	1,423	-	1,423
Offender reimbursements	-	10,100	-	10,100
Offender payments to CBCF	-	94,450	-	94,450
Offender savings paid at exit	-	5,537	-	5,537
	<u>3,048,987</u>	<u>113,760</u>	<u>100,190</u>	<u>3,262,937</u>
Total Cash Disbursements	<u>3,048,987</u>	<u>113,760</u>	<u>100,190</u>	<u>3,262,937</u>
Disbursements from prior FY (Including refund to ODRC)	<u>213,498</u>	<u>-</u>	<u>-</u>	<u>213,498</u>
Total Receipts Over/(Under) Disbursements	<u>(8,725)</u>	<u>3,500</u>	<u>1,801</u>	<u>(3,424)</u>
Fund Cash Balances, July 1, 2010	<u>397,934</u>	<u>8,019</u>	<u>7,556</u>	<u>413,509</u>
Fund Cash Balances, June 30, 2011	<u>\$ 389,209</u>	<u>\$ 11,519</u>	<u>\$ 9,357</u>	<u>\$ 410,085</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 204,447</u>			

The notes to the financial statements are an integral part of this statement.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The STAR Community Justice Center, Scioto County (the Facility), provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 140 offenders as of June 30, 2012. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Athens County	Highland County	Pike County
Brown County	Lawrence County	Ross County
Clinton County	Pickaway County	Scioto County

For the years ended June 30, 2012 and 2011, the financial statements present all funds related to the Facility.

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Ohio Department of Rehabilitation and Corrections requires.

C. Deposits

The Scioto County Treasurer is the custodian of the Facility's grant funds and State appropriations. The County holds these Facility assets in the County's deposit and investment pool, valued at the County Treasurer's reported carrying amount. The Facility holds offenders' cash in demand deposit accounts.

D. Fund Accounting

The Facility uses fund accounting to segregate amounts that are restricted as to use. The Facility has the following funds:

State Appropriations and Grants

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Offender Funds

Offender Personal Funds: Are amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

Commissary: Reports amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Revised Code § 2301.58. The Fund receives other offender funds such as telephone and vending commissions, and from phone card sales. The Fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses the Fund for costs chargeable to the individual resident's account.

E. Budgetary Process

1. Appropriations

The Facility must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Facility cannot spend or obligate (i.e., encumber) more than the appropriation. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Scioto County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 2 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 4.)

A summary of 2012 and 2011 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Facility records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these acquisitions as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2012 and 2011 follows:

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,289,919	\$3,291,948	(\$2,029)

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,170,919	\$3,170,594	\$325

3. Collateral on Deposits and Investments

Grants and State Appropriations

The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2012 and 2011.

4. Refund to ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the years ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation below.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

4. Refund to ODRC (Continued)

Refund to ODRC		
	2012	2011
Cash, July 1	\$389,207	\$397,934
Disbursements Against Prior Year Budget	(204,447)	(213,498)
Sub-Total	184,760	184,436
501 Cash Receipts	3,289,919	3,170,919
Budgetary Basis Disbursements	(3,289,702)	(3,170,594)
Amount Subject to Refund, June 30	184,977	184,761
One-Twelfth of 501 Award	274,159	264,243
Refundable to ODRC	\$0	\$0

5. Retirement Systems

The Facility's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10 and 10 percent of their gross salaries and the Facility contributed an amount equaling 14 and 14 percent, respectively, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2012.

Retirement Rates	Year	Member Rate	Employer Rate
PERS – Local	2011-2012	10%	14%

6. Risk Management

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

Self Insurance

The Facility is also self insured for employee health care benefits effective September, 2011. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined amount per employee. The Third Party Administrator gives the Facility an estimated annual cost for the insurance. If the actual amount is more than the estimated amount, then funds are added as needed. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of June 30, 2012 follows:

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

6. Risk Management (Continued)

	June 30, 2012
Cash Balance	\$6,698
Actuarial liabilities	\$0

7. Family Fund

The Facility's employees have an account titled Family Fund that employees contribute to through participation in jeans days and vending commissions. The monies collected are used for employee related disbursements, such as wedding gifts for fellow employees; baby shower gifts for fellow employees; and food and supplies for an annual employee Christmas dinner. The money in this fund belongs to the employees of the Facility and the Facility accounts for this activity separate from all operating activity of the Facility. The accompanying financial statements do not include this activity.

The Family Fund financial activity for the years ended June 30 follows:

	<u>2012</u>	<u>2011</u>
Beginning Cash Balance	\$ 949	\$ 1,700
Receipts	5,508	1,662
Disbursements	<u>(4,841)</u>	<u>(2,390)</u>
Ending Cash Balance	<u>\$ 1,615</u>	<u>\$ 949</u>

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

STAR Community Justice Center
Scioto County
4578 Gallia Pike
Franklin Furnace, Ohio 45629

To the Members of the Judicial Advisory Board and Facility Governing Board:

We have audited the financial statements of the STAR Community Justice Center, Scioto County, Ohio (the Facility), as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated January 4, 2013, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitations and Corrections prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Facility's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Facility's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Facility's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Facility's management in a separate letter dated January 4, 2013.

We intend this report solely for the information and use of management, the Facility Governing Board and the Judicial Advisory Board, and others within the Facility. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

January 4, 2013



Dave Yost • Auditor of State

STAR COMMUNITY JUSTICE CENTER

SCIOTO COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 24, 2013**