



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Facilities 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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally 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 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 the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 19, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Facilities Governing Board:

We have audited the accompanying financial statements of STAR Community Justice Center, Scioto County, Ohio (the Center), as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Center'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 statement. 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 Center 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.

Revisions to GAAP would require the Center to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. Instead of the fund statements presented, the revisions require presenting entity-wide statements, and also to present its larger (i.s. major) funds separately. While the Center does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Center has elected not to reformat its statements. Since this Center does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State 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, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2006 and 2005 or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of STAR Community Justice Center, Scioto County, as of June 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Center to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. The Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2006, on our consideration of the Center'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.



Betty Montgomery
Auditor of State

December 19, 2006

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2006**

| | <u>State Appropriations and Grants</u> | | <u>Offender Funds</u> | | |
|---|--|------------------|-------------------------------|-----------------|-------------------|
| | ODRC 501-501 | Federal | Offender Personal Funds | Commissary | Totals |
| Cash Receipts: | | | | | |
| Intergovernmental | \$ 1,880,139 | \$ 75,142.00 | \$ | \$ | \$ 1,955,281 |
| Receipts for offenders | | | 45,961 | | 45,961 |
| Collections from offenders | | | | 22,999 | 22,999 |
| Commissions | | | | 13,042 | 13,042 |
| Reimbursement | 26,509 | | | | 26,509 |
| Miscellaneous | | | | 46 | 46 |
| Advance In/Out | (25,000) | 25,000 | | | - |
| | <u>1,881,648</u> | <u>100,142</u> | <u>45,961</u> | <u>36,087</u> | <u>2,063,838</u> |
| Total Cash Receipts | | | | | |
| | <u>1,881,648</u> | <u>100,142</u> | <u>45,961</u> | <u>36,087</u> | <u>2,063,838</u> |
| Cash Disbursements: | | | | | |
| Personnel | 1,518,499 | 69,405 | | | 1,587,904 |
| Operating costs | 235,527 | 16,497 | | 26,391 | 278,415 |
| Program costs | 43,351 | 7,682 | | | 51,033 |
| Equipment | 6,307 | 296 | | | 6,603 |
| Other | | | | 125 | 125 |
| Offender Disbursements: | | | | | |
| Offender legal obligations | | | 10,572 | | 10,572 |
| Offender other payments | | | 7,147 | 5,265 | 12,412 |
| Offender payments to CBCF | | | 25,725 | | 25,725 |
| Offender savings paid at exit | | | 3,376 | | 3,376 |
| | <u>1,803,684</u> | <u>93,880</u> | <u>46,820</u> | <u>31,781</u> | <u>1,976,165</u> |
| Total Cash Disbursements | | | | | |
| | <u>1,803,684</u> | <u>93,880</u> | <u>46,820</u> | <u>31,781</u> | <u>1,976,165</u> |
| Disbursements from prior FY (Including refund to ODRC) | <u>125,197</u> | <u>458</u> | | | <u>125,655</u> |
| Total Receipts Over/(Under) Disbursements | <u>(47,233)</u> | <u>5,804</u> | <u>(859)</u> | <u>4,306</u> | <u>(37,982)</u> |
| Fund Cash Balances, July 1, 2005 | <u>276,948</u> | <u>7,647</u> | <u>5,038</u> | <u>5,330</u> | <u>294,963</u> |
| Fund Cash Balances, June 30, 2006 | <u>\$ 229,715</u> | <u>\$ 13,451</u> | <u>\$ 4,179</u> | <u>\$ 9,636</u> | <u>\$ 256,981</u> |
| Unpaid Obligations/Open Purchase Orders | <u>\$ 76,003</u> | | | | |

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

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2005**

| | State Appropriations and Grants | | | Offender Funds | | Totals |
|---|---------------------------------|---------------------------|---------------|-------------------------------|---------------|------------------|
| | ODRC 501-501 | Federal Grant Match | Federal | Offender Personal Funds | Commissary | |
| Cash Receipts: | | | | | | |
| Intergovernmental | \$ 1,880,139 | \$ | \$ 74,600 | \$ | \$ | \$ 1,954,739 |
| Receipts for offenders | | | | 68,127 | | 68,127 |
| Collections from offenders | | | | | 19,201 | 19,201 |
| Commissions | | | | | 10,524 | 10,524 |
| Reimbursement | 22,969 | | | | | 22,969 |
| Miscellaneous | | | | | 2 | 2 |
| Total Cash Receipts | 1,903,108 | 0 | 74,600 | 68,127 | 29,727 | 2,075,562 |
| Cash Disbursements: | | | | | | |
| Personnel | 1,442,712 | | 56,254 | | | 1,498,966 |
| Operating costs | 281,778 | 714 | 6,086 | | 25,918 | 314,496 |
| Program costs | 43,362 | | 7,336 | | | 50,698 |
| Equipment | 3,479 | | | | | 3,479 |
| Other | | | | | 225 | 225 |
| Offender Disbursements: | | | | | | |
| Offender legal obligations | | | | 24,008 | | 24,008 |
| Offender other payments | | | | 8,486 | 3,679 | 12,165 |
| Offender payments to CBCF | | | | 24,160 | | 24,160 |
| Offender savings paid at exit | | | | 9,300 | | 9,300 |
| Total Cash Disbursements | 1,771,331 | 714 | 69,676 | 65,954 | 29,822 | 1,937,497 |
| Disbursements from prior FY (Including refund to ODRC) | 97,419 | 1,014 | 2,769 | | | 101,202 |
| Total Receipts Over/(Under) Disbursements | 34,358 | (1,728) | 2,155 | 2,173 | (95) | 36,863 |
| Fund Cash Balances, July 1, 2004 | 242,590 | 1,728 | 5,492 | 2,865 | 5,425 | 258,100 |
| Fund Cash Balances, June 30, 2005 | \$ 276,948 | \$ 0 | \$ 7,647 | \$ 5,038 | \$ 5,330 | \$ 294,963 |
| Unpaid Obligations/Open Purchase Orders | \$ 126,961 | | | | | |

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, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The STAR Community Justice Center (the Center) provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately sixty offenders. The Judicial Corrections Board administers the Center. The Board is comprised of common pleas court judges from the Counties the Center serves. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

| | | |
|----------------|-----------------|---------------|
| Adams County | Highland County | Pike County |
| Brown County | Lawrence County | Ross County |
| Clinton County | Pickaway County | Scioto County |

For the years ended June 30, 2006 and 2005, the financial statements present all funds related to the Center.

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 Center 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 Auditor of State requires.

C. Cash and Investments

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

D. Fund Accounting

The Center uses fund accounting to segregate amounts that are restricted as to use. The Center 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 Center to support general operating costs.

Federal Grant Match: Reports amounts received to meet any Federal program matching fund requirements. The Treatment Alternatives to Street Crimes (TASC) Grant was closed out during the first three months of Fiscal Year 2005.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

State Appropriations and Grants (Continued)

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received Adult Basic Literacy Education (ABLE) and Title I for contracting instructors and specialists to aid in the rehabilitation of attendees.

Offender Funds

Offender Personal Funds: Are amounts the Center receives and holds in a custodial capacity for each offender while confined. The Center holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Center makes payments as directed by the offender or per program requirements. Upon release, the Center 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. This fund receives other Offender Funds, such as telephone and vending commissions, and phone card sales. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses this Fund for costs chargeable to the individual resident's account.

E. Budgetary Process

1. Appropriations

The Center 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 Center cannot spend or obligate (i.e., encumber) more than the appropriation. The Center 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 Center 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.)

F. Property, Plant, and Equipment

The Center records acquisitions of property, plant, and equipment as capital project disbursements when paid. The financial statements do not report these items as assets.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation leave. Unpaid leave is not reflected as a liability under the basis of accounting the Center uses.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | |
|---|---------------------------|----------|
| Budget | Budgetary Expenditures | Variance |
| \$1,880,139 | \$1,880,128 | \$11 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | |
|---|---------------------------|----------|
| Budget | Budgetary Expenditures | Variance |
| \$1,880,139 | \$1,875,559 | \$4,580 |

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 Center.

OFFENDER FUNDS

Deposits

The Center has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2006, and 2005.

4. REFUND TO ODRC

The agreement between the County and ODRC permits the Center to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Center 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 Center 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, 2006 AND 2005
(Continued)**

4. REFUND TO ODRC (Continued)

| Refund to ODRC | | |
|---|-------------|-------------|
| | 2006 | 2005 |
| Cash, July 1 | \$ 276,948 | \$ 242,590 |
| Disbursements Against Prior Year Budget | (125,197) | (95,419) |
| Sub-Total | 151,751 | 147,171 |
| 501 Cash Receipts | 1,880,139 | 1,880,139 |
| Budgetary Basis Disbursements | (1,880,128) | (1,875,559) |
| Amount Subject to Refund, June 30 | 151,762 | 151,751 |
| 1/12 of 501 Award | 156,678 | 156,678 |
| Refundable to ODRC | \$ 0 | \$ 0 |

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For July 1, 2004 through December 31, 2005 OPERS members contributed 8.5 percent of their gross salaries to OPERS. This amount was increased to 9.0% beginning January 1, 2006. The Center contributed an amount equal to 13.55 percent and 13.70 percent, respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

7. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2006 totaled \$17,624 and consisted of unpaid amounts due from offenders upon discharge. All receivables are considered collectible in full.

8. FAMILY FUND

The STAR Community Justice Center 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 Center and the Center accounts for this activity separate from all operating activity of the Center. The accompanying financial statements do not include this activity. The Family Fund financial activity for the years ended June 30 follows:

STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)

8. FAMILY FUND (Continued)

| | <u>2006</u> | <u>2005</u> |
|------------------------|-----------------------|-----------------------|
| Beginning Cash Balance | \$1,852 | \$1,760 |
| Receipts | 1,265 | 1,497 |
| Disbursements | <u>(1,276)</u> | <u>(1,405)</u> |
| Ending Cash Balance | <u><u>\$1,841</u></u> | <u><u>\$1,852</u></u> |

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Auditor of State Betty Montgomery

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 Facilities Governing Board:

We have audited the financial statements of STAR Community Justice Center, Scioto County, Ohio (the Center), as of and for the years ended June 30, 2006 and 2005 and have issued our report thereon dated December 19, 2006, wherein we noted the Center follows accounting practices the Ohio Department of Rehabilitation 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated December 19, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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*. In a separate letter to the Facility's management dated December 19, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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STAR Community Justice Center
Scioto County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management, the Facilities Governing Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 19, 2006



**Auditor of State
Betty Montgomery**

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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 11, 2007**