



Mary Taylor, CPA
Auditor of State

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Year Ended June 30, 2008.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Year Ended June 30, 2007.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

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Mary Taylor, CPA
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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 14, 2009

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Mary Taylor, CPA

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 Center), as of and for the years ended June 30, 2008 and 2007. 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 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 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.

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 GAAP presentation requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Center uses. 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, 2008 and 2007 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, 2008 and 2007, 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, Ohio, as of June 30, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 January 14, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

January 14, 2009

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2008**

	State Appropriations and Grants	Offender Funds		Totals
	ODRC 501-501	Offender Personal Funds	Commissary	
Cash Receipts:				
Intergovernmental	\$ 2,220,139	\$	\$	\$ 2,220,139
Receipts for offenders		48,821		48,821
Collections from offenders			28,306	28,306
Commissions			14,579	14,579
Reimbursement	20,849			20,849
Miscellaneous			28	0
Total Cash Receipts	2,240,988	48,821	42,913	2,332,694
Cash Disbursements:				
Personnel	1,741,538			1,741,538
Operating costs	305,257		37,071	342,328
Program costs	59,157			59,157
Equipment	10,091			10,091
Offender Disbursements:				
Offender legal obligations		7,053		7,053
Offender other payments		7,995	1,940	9,935
Offender payments to CBCF		31,186		31,186
Offender savings paid at exit		1,299		1,299
Total Cash Disbursements	2,116,043	47,533	39,011	2,202,587
Disbursements from prior fiscal year (Including refund to ODRC)	164,048			164,048
Total Cash Receipts Over/(Under) Cash Disbursements	(39,103)	1,288	3,902	(33,913)
Fund Cash Balances, July 1, 2007	317,825	3,761	7,200	328,786
Fund Cash Balances, June 30, 2008	<u>\$ 278,722</u>	<u>\$ 5,049</u>	<u>\$ 11,102</u>	<u>\$ 294,873</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 124,733</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, 2007**

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Federal	Offender Personal Funds	Commissary	
Cash Receipts:					
Intergovernmental	\$ 2,100,464	\$ 16,459	\$	\$	\$ 2,116,923
Receipts for offenders			41,079		41,079
Collections from offenders				19,241	19,241
Commissions				11,004	11,004
Reimbursement	20,465				20,465
Miscellaneous				21	21
Advance In/Out	25,000	(25,000)			0
Total Cash Receipts	2,145,929	(8,541)	41,079	30,266	2,208,733
Cash Disbursements:					
Personnel	1,615,609	1,782			1,617,391
Operating costs	275,057	2,164		29,302	306,523
Program costs	43,903				43,903
Equipment	45,297	964			46,261
Offender Disbursements:					
Offender legal obligations			6,597		6,597
Offender other payments			7,315	3,400	10,715
Offender payments to CBCF			26,112		26,112
Offender savings paid at exit			1,473		1,473
Total Cash Disbursements	1,979,866	4,910	41,497	32,702	2,058,975
Disbursements from prior fiscal year (Including refund to ODRC)	77,953				77,953
Total Cash Receipts Over/(Under) Cash Disbursements	88,110	(13,451)	(418)	(2,436)	71,805
Fund Cash Balances, July 1, 2006	229,715	13,451	4,179	9,636	256,981
Fund Cash Balances, June 30, 2007	<u>\$ 317,825</u>	<u>\$ 0</u>	<u>\$ 3,761</u>	<u>\$ 7,200</u>	<u>\$ 328,786</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 166,064</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, 2008 AND 2007**

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 76 offenders (16 female and 60 male). A Facilities Governing Board (FGB) oversees the Center's operations. Common Pleas Judges from the counties the Center serves comprise a Judicial Advisory Board (JAB). The JAB appoints two-thirds of the members of the FGB and advises them regarding Center matters. 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, 2008 and 2007, 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 Ohio Department of Rehabilitation and Corrections 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.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(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. 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 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.)

A summary of 2008 and 2007 budgetary activity appears in Note 2.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The Center 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.

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2008 and 2007 follows:

2008 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,220,139	\$2,189,737	\$30,402

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,100,464	\$2,098,449	\$2,015

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, 2008 and 2007.

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

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.

Refund to ODRC		
	2008	2007
Cash, July 1	\$317,825	\$229,715
Disbursements Against Prior Year Budget	(164,048)	(77,953)
Sub-Total	153,777	151,762
501 Cash Receipts	2,220,139	2,100,464
Budgetary Basis Disbursements	(2,189,737)	(2,098,449)
Amount Subject to Refund, June 30	184,179	153,777
One-Twelfth of 501 Award	185,012	175,039
Refundable to ODRC	\$0	\$0

5. Retirement System

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, 2006 through December 31, 2006 OPERS members contributed 9 percent of their gross salaries to OPERS. This amount was increased to 9.5 percent beginning January 1, 2007 and to 10 percent beginning January 1, 2008. The Center contributed an amount equal to 13.7 percent, 13.85 percent, and 14 percent respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2008.

6. Risk Management

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

**STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

7. Family Fund

The Center'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 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:

	<u>2008</u>	<u>2007</u>
Beginning Cash Balance	\$ 1,423	\$ 1,841
Receipts	1,457	1,394
Disbursements	<u>(1,759)</u>	<u>(1,812)</u>
Ending Cash Balance	<u>\$ 1,121</u>	<u>\$ 1,423</u>

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Mary Taylor, CPA

Auditor of State

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 Center), as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated January 14, 2009, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitations and Corrections prescribes or permits 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 Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Center's management in a separate letter dated January 14, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Center'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 intend this report solely for the information and use of management, the Facility Governing Board and the Judicial Advisory Board. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 14, 2009



Mary Taylor, CPA
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
FEBRUARY 3, 2009**