

STAR COMMUNITY JUSTICE CENTER
SCIOTO COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021



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OHIO AUDITOR OF STATE
KEITH FABER



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Governing Board
STAR Community Justice Center
4696 Gallia Pike
Franklin Furnace, Ohio 45629

We have reviewed the *Independent Auditor's Report* of the STAR Community Justice Center, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2020 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The STAR Community Justice Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 05, 2024

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STAR Community Justice Center
Scioto County
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Independent Auditor's Report

STAR Community Justice Center
Scioto County
4696 Gallia Pike
Franklin Furnace, Ohio 45629

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of STAR Community Justice Center, Scioto, Ohio (the Facility) which comprises the cash balances, receipts and disbursements for each fund as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2022 and 2021, or changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Facility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Facility prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Department of Rehabilitation and Corrections, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Facility. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Facility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

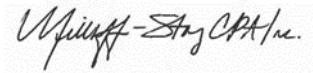
- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Facility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Facility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Facility's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

September 25, 2024

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name Of Facility: STAR Community Justice Center
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
For the Period Ended June 30, 2022

	State Appropriations and Grants				Offender Funds				Totals
	ODRC 501-501	COVID Grant	Federal	Capital CAP 003	(Commissary) Resident Program	Offender Personal Funds	Section 125 Benefit Plan	Old Resident	
Cash Receipts:									
Intergovernmental	\$ 11,468,964	\$ -	\$ -	41,690	\$ -	\$ -	\$ -	\$ -	\$11,510,654
Receipts for offenders	-	-	-	-	-	892,816	-	-	892,816
Collections from offenders	-	-	-	-	570,617	-	-	-	570,617
Commissions	-	-	-	-	187,861	-	-	-	187,861
Reimbursement	388,012	-	-	-	925	-	-	-	388,937
Total Cash Receipts	11,856,976	-	-	41,690	759,403	892,816	-	-	13,550,885
Cash Disbursements:									
Personnel	7,550,203	-	-	-	-	-	-	-	7,550,203
Operating costs	1,806,038	-	-	41,690	1,751	-	-	-	1,849,479
Program costs	102,280	-	-	-	819,639	-	50	10	921,979
Equipment	43,513	-	-	-	-	-	-	-	43,513
Offender Disbursements:									
Offender legal obligations	-	-	-	-	-	27,397	-	-	27,397
Offender reimbursements	-	-	-	-	-	812,326	-	-	812,326
Offender payments to CBCF	-	-	-	-	-	54,798	-	-	54,798
Offender savings paid at exit	-	-	-	-	-	56,829	-	-	56,829
Total Cash Disbursements	9,502,034	-	-	41,690	821,390	951,350	50	10	11,316,524
Disbursements from prior FY (Including refund to ODRC)	1,722,473	-	-	-	-	-	-	-	1,722,473
Total Receipts Over/(Under) Disbursements	632,469	-	-	-	(61,987)	(58,534)	(50)	(10)	511,888
Fund Cash Balances, July 1, 2021	2,066,115	455	11,583	-	208,160	169,830	2,461	9,705	2,468,309
Fund Cash Balances, June 30, 2022	\$ 2,698,584	\$ 455	\$ 11,583	\$ -	\$ 146,173	\$ 111,296	\$ 2,411	\$ 9,695	\$ 2,980,197
Unpaid Obligations/Open Purchase Orders	\$ -								

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
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 1 – Reporting Entity

The STAR Community Justice Center 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 390 offenders. A Facilities Governing Board oversees the Facility’s operations. Common pleas judges from the Counties the Facility serves compose 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:

ADAMS COUNTY	BROWN COUNTY	CLINTON COUNTY
HIGHLAND COUNTY	LAWRENCE COUNTY	PICKAWAY COUNTY
PIKE COUNTY	ROSS COUNTY	SCIOTO COUNTY
ATHENS COUNTY	HOCKING COUNTY	MEIGS COUNTY
MORGAN COUNTY	PERRY COUNTY	VINTON COUNTY
FAIRFIELD COUNTY	JACKSON COUNTY	GALLIA COUNTY
WASHINGTON COUNTY	LICKING COUNTY	MUSKINGUM COUNTY

For the year ended June 30, 2022, the financial statement presents all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

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.

Federal Funds Reports amounts received from the Federal Government, including amounts passed through ODRC.

Capital CAP 003 ODRC grants this funding and passed through Scioto County, to the Facility to support capital costs.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2022

COVID Grant Fund Reports amounts received from COVID funding.

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, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. The Facility offender's payments for education packets are paid back to ORDC 501-501. This money is combined with the reimbursements for ORDC 501-501. Upon release, the Facility pays remaining funds to the offender.

Resident Program Funds Reports amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Revised Code Section 2301.58. This fund receives other Offender Funds, such as telephone and commissary commissions and facility recycling, etc. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The resident fund reimburses this Fund for costs chargeable to Offender Funds.

Other Funds

Section 125 Benefit Plan This fund reports receipts and disbursements related to employee withholdings and submissions for reimbursement for a Section 125 health care program. Pre-tax dollars are withheld and deposited into the fund. Eligible health care expenses are approved by AFLAC and authorized for disbursement. The Facility issues payment for approved expenses.

Old Resident This fund reports funds SEPTA Correctional Facility received and held in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. These amounts are from offenders that did not claim their funds at the time of release from the facility.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

Budgetary Process

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.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 3 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. The Encumbrances for FY22 are noted as \$0 due to the FY22/23 grant being one grant encompassing both years (biennium budget).

A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Scioto County and Athens County Treasurers are the custodians of the Facility’s grant funds and State appropriations. The Counties hold these Facility assets in the Counties’ deposit and investment pool, valued at the County Treasurers’ reported carrying amount. The Facility holds offenders’ cash in demand deposit accounts.

Capital Assets

The facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

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.

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2022 follows:

2022 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures*	Variance
\$22,752,928	\$9,180,444	\$13,572,484
\$22,752,928	\$9,180,444	\$13,572,484

* As of June 30, 2022

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 4 – Collateral on Deposits and Investments

Grants and State Appropriations The County Treasurers are responsible for collateralizing deposits and investments for grants and State appropriations the Counties hold as custodian for the Facility.

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. There were no uncollateralized amounts as of June 30, 2022.

Note 5 – Refund to ODRC

The ODRC grant is on a biennium period beginning July 1, 2021 and ending June 30, 2023. The agreement between the County and ODRC permits the Facility to retain a maximum of one-twenty-fourth of the grant award after liquidating encumbrances outstanding at June 30, 2021. The Facility must refund any excess over this amount to ODRC. Since the grant period does not end until June 30, 2023, there is no refund due to ODRC as of June 30, 2022.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Facility pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. (if material)

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

There have been no significant changes from prior years coverages.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Facility contributed an amount equaling 14 percent of participants' gross salaries. The Facility has paid all contributions required through June 30, 2022.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2022

State Teachers Retirement System

The Facility's certified teachers belong to the State Teachers Retirement System (STRS). STRS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes plan benefits, including postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. STRS members contributed 14 percent of their gross salaries to STRS. The Facility contributed an amount equal to 14 percent of participants' gross salaries to STRS. The Facility has paid all contributions required through June 30, 2022.

Note 8 – Postemployment Benefits

Both OPERS and STRS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022. STRS contributes 0 percent to fund these benefits.

Note 9 – Contingent Liabilities

The Facility is defendant in a lawsuit. Although management cannot presently determine the outcome of the suit, we believe the resolution of this matter will not materially adversely affect the financial condition.

Note 10 – Related Party Transactions

The facility has not participated in any related party transactions during the Fiscal Year ending June 30, 2022.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Facility. The impact on the Facility's future operating costs, revenues, and additional recovery from the emergency funding, either federal or state, cannot be estimated.

Note 12 – Subsequent Events

The Facility has not participated in any Subsequent Events during the Fiscal Year ending June 30, 2022.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name Of Facility: STAR Community Justice Center
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
For the Period Ended June 30, 2021

	State Appropriations and Grants				Offender Funds				Totals
	ODRC 501-501	STAR Brown Co Collaboration	COVID Grant	Federal	(Commissary) Resident Program	Offender Personal Funds	Section 125 Benefit Plan	Old Resident	
Cash Receipts:									
Intergovernmental	\$ 11,054,119	\$ -	42,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,096,172
Receipts for offenders	-	-	-	-	-	687,691	-	-	687,691
Collections from offenders	-	-	-	-	441,844	-	-	-	441,844
Commissions	-	-	-	-	102,098	-	-	-	102,098
Reimbursement	815,481	-	-	-	583	269	-	-	816,333
<i>Total Cash Receipts</i>	<u>11,869,600</u>	<u>-</u>	<u>42,053</u>	<u>-</u>	<u>544,525</u>	<u>687,960</u>	<u>-</u>	<u>-</u>	<u>13,144,138</u>
Cash Disbursements:									
Personnel	8,798,318	2,087	-	-	-	-	-	-	8,800,405
Operating costs	2,157,718	-	-	-	1,620	-	-	-	2,159,338
Program costs	459,898	-	37,599	-	480,871	-	120	-	978,488
Equipment	111,036	-	3,999	-	-	-	-	-	115,035
Offender Disbursements:									
Offender legal obligations	-	-	-	-	-	14,881	-	-	14,881
Offender reimbursements	-	-	-	-	-	421,455	-	-	421,455
Offender payments to CBCF	-	-	-	-	-	44,446	-	-	44,446
Offender savings paid at exit	-	-	-	-	-	72,418	-	-	72,418
<i>Total Cash Disbursements</i>	<u>11,526,970</u>	<u>2,087</u>	<u>41,598</u>	<u>-</u>	<u>482,491</u>	<u>553,200</u>	<u>120</u>	<u>-</u>	<u>12,606,466</u>
<i>Total Receipts Over/(Under) Disbursements</i>	342,630	(2,087)	455	-	62,034	134,760	(120)	-	537,672
Fund Cash Balances, July 1, 2020 (Restated)	1,723,485	2,087	0	11,583	146,126	35,070	2,581	9,705	1,930,637
<i>Fund Cash Balances, June 30, 2021</i>	<u>\$ 2,066,115</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 11,583</u>	<u>\$ 208,160</u>	<u>\$ 169,830</u>	<u>\$ 2,461</u>	<u>9,705</u>	<u>2,468,309</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 2,363,729</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
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 1 – Reporting Entity

The STAR Community Justice Center (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 250 offenders. 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 Facility serves the following counties:

ADAMS COUNTY	BROWN COUNTY	CLINTON COUNTY
HIGHLAND COUNTY	LAWRENCE COUNTY	PICKAWAY COUNTY
PIKE COUNTY	ROSS COUNTY	SCIOTO COUNTY
ATHENS COUNTY	HOCKING COUNTY	MEIGS COUNTY
MORGAN COUNTY	PERRY COUNTY	VINTON COUNTY
FAIRFIELD COUNTY	JACKSON COUNTY	GALLIA COUNTY
WASHINGTON COUNTY	LICKING COUNTY	MUSKINGUM COUNTY

For the year ended June 30, 2021, the financial statement presents all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

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.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2021

STAR/Brown Co. Collaboration Funding Are funds that are provided on a contractual basis with Brown County for services that are provided directly to their county. The contractual amounts have been derived based on contracts that have been approved by both the Brown County Board of Commissioners and the STAR Community Justice Center Facility Governing Board. These funds are used solely to pay the salary and fringe benefits for the employee providing these services to Brown County.

Federal Funds This fund reports amounts received from the Federal Government, including amounts passed through ODRC.

COVID Grant Fund Reports amounts received from COVID funding.

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, including salaries offenders earn while confined, 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.

Resident Program Funds Are 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 commissary commissions, vending commissions and facility recycling, etc. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Fund reimburses this Fund for costs chargeable to Offender Funds.

Other Funds

Section 125 Benefit Plan This fund reports receipts and disbursements related to employee withholdings and submissions for reimbursement for a Section 125 health care program. Pre-tax dollars are withheld and deposited into the fund. Eligible health care expenses are approved by AFLAC and authorized for disbursement. The Facility issues payment for approved expenses.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2021

Budgetary Process

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.

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 3 include cash disbursed against the current year budget plus amounts spent within sixty days, due to the extension of the fiscal year and timing of Hinkle submission, 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 5)

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Scioto County and Athens 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.

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

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.

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2021 follows:

2021 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$22,108,238	\$21,970,732	\$137,506
\$22,108,238	\$21,970,732	\$137,506

Note 4 – 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.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2021

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. There were uncollateralized amounts of \$54,605 at June 30, 2021.

Note 5– Refund to ODRC

The ODRC grant is on a biennium period beginning July 1, 2019 and ending June 30, 2021. The Agreement between the County and ODRC permits the Facility to retain a maximum of one-twenty-fourth of the grant award after liquidating encumbrances outstanding at June 30, 2021. The Facility must refund any excess over this amount to ODRC. ODRC approved an extension on grant period spending through August 31, 2021. There is no refund due to ODRC as of the end of the grant period.

Note 6 – Risk Management

Workers’ Compensation Workers’ Compensation coverage is provided by the State of Ohio. The Facility pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

There have been no significant changes from prior years coverage.

Note 7 – Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Facility contributed an amount equaling 14 percent, of participants’ gross salaries.

The Facility has paid all contributions required through June 30, 2021.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2021

State Teachers Retirement System

The Facility's certified teachers belong to the State Teachers Retirement System (STRS). STRS 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. STRS members contributed 14 percent of their gross salaries to STRS. The Facility contributed an amount equal to 14 percent of participants' gross salaries to STRS. The Facility has paid all contributions required through June 30, 2021.

Note 8 – Postemployment Benefits

Both OPERS and STRS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019. STRS contributes 0 percent to fund these benefits.

Note 9 – Contingent Liabilities

The Facility is defendant in a lawsuit. Although management cannot presently determine the outcome of the suit, we believe the resolution of this matter will not materially adversely affect the financial condition.

Note 10 – Related Party Transactions

The Facility has not participated in any related party transactions during the Fiscal Year ending June 30, 2021.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Facility. In addition, the impact of the Facility's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Subsequent Events

Included in the Budgetary Disbursements for 2021 are \$1,722,473 in expenses that were incurred prior to the end of the fiscal year but were not paid until after June 30, 2021.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
STAR Community Justice Center
Notes to the Financial Statements
For the Year Ended June 30, 2021

Due to the global pandemic and its significant effects on the criminal justice system, the Ohio Department of Rehabilitation and Correction (ODRC) decided to extend the grant period for all FY20/21 Community Based Correctional Facility (CBCF) grants by two months from June 30, 2021 to August 31, 2021. This will permit all CBCF grantees to use any FY20/21 funding for expenditures thru August 31, 2021. All expenses encumbered by August 31, 2021 must be paid in full by October 31, 2021, an extension of that date by one month.

Note 13 – Restatement of Beginning Balances

A bank account that was the Facility’s was left off the books. The Facility made the following corrections to fund balance to correct this error.

	<u>Old Resident Account</u>
Fund Balance Reported, June 30, 2020	\$0
Restatement:	
Correction of Fund Balance	<u>9,705</u>
Fund Balance Reported, July 1, 2020	<u>\$9,705</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

STAR Community Justice Center
Scioto County
4696 Gallia Pike
Franklin Furnace, Ohio 45629

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

We have audited 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each fund of the STAR Community Justice Center, Scioto County, Ohio (the Facility) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated September 25, 2024, wherein we noted the Facility followed the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Facility.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Facility's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

STAR Community Justice Center
Scioto

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

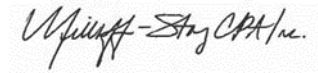
As part of obtaining reasonable assurance about whether the Facility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no such instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Facility's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Facility's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Facility's response as not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on that response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

September 25, 2024

Finding Number 2022-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Director, Fiscal Specialist and Facility governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Ohio Department of Rehabilitation and Corrections (ODRC) prescribes the reporting for Community Based Correctional Facilities (CBCFs).

Audit procedures revealed the financial statements had the following errors requiring adjustment or reclassification:

- For fiscal year 2021, disbursements and ending cash were understated in the Offender Personal Funds in the unaudited report due to the improper use of the accounts payable account in the general ledger.
- For fiscal year 2021, disbursements and ending cash and for fiscal year 2022, beginning and ending cash, were understated in the Resident Program Fund in the unaudited report due to the improper use of the accounts payable account in the general ledger. Additionally, revenues were misclassified in both years.
- For fiscal year 2021, the resident program disbursements and ending balance in the unaudited report did not agree to the general ledger. For fiscal year 2022, the resident program commissions revenue and ending cash in the unaudited report did not agree to the general ledger.
- For fiscal year 2022, the ORDC fund special items, reimbursement receipts, operating costs, and program costs in the unaudited report did not agree to the general ledger
- For fiscal year 2022, the Federal fund special item in the financial statements did not agree to the general ledger
- For fiscal year 2022, the Section 125 Benefit Plan special item and beginning balance in the unaudited report did not agree to the general ledger
- For fiscal year 2021 and 2022, we discovered errors in the recording of receipt and expenditure activity in the incorrect year in the Offender Personal Funds due to the client changing systems between the two fiscal years. Further, for fiscal year 2022, it was discovered through discussion with the client that bank statements were utilized to prepare the unaudited report for this Fund due to the new system not generating the necessary annual report. The client did propose adjustments to correct this error upon our request by utilizing monthly reports generated by the system.
- For fiscal year 2022 and 2021, we discovered that the Covid Grant Fund activity was not presented in the unaudited financial report.
- Notes to the financial statements required modifications.

We recommend the Facility implement additional monitoring and control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and related notes.

Facility Response:

The Facility has implemented procedures to ensure that financial reports are reviewed and checked for accuracy and completeness prior to completing the annual filing.

STAR Community Justice Center
Scioto County
Schedule of Prior Audit Findings
For the Years Ended June 30, 2022 and 2021

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2020-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2023-001
Finding 2020-002	Material Weakness - Monitoring	Yes	

OHIO AUDITOR OF STATE KEITH FABER



STAR COMMUNITY JUSTICE CENTER

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/19/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov