

STAR COMMUNITY JUSTICE CENTER  
SCIOTO COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019



*Millhuff-Stang*

CERTIFIED PUBLIC ACCOUNTANT

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OHIO AUDITOR OF STATE  
KEITH FABER



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Judicial Advisory Board and Facility Governing Board  
STAR Community Justice Center  
4696 Gallia Pike  
Franklin Furnace, Ohio 45629

We have reviewed the *Independent Auditor's Report* of STAR Community Justice Center, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2018 through June 30, 2020. 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. STAR Community Justice Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

July 20, 2021

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**STAR Community Justice Center**  
**Scioto County**  
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*For the Fiscal Years Ended June 30, 2020 and 2019*

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**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:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and the related notes of the STAR Community Justice Center, Scioto County, Ohio (the Facility) as of and for the years ended June 30, 2020 and 2019.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Facility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Facility's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support 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.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Facility does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Rehabilitation and Corrections permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2020 and 2019, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

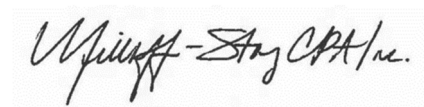
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund of the STAR Community Justice Center, Scioto County as of and for the years ended June 30, 2020 and 2019 in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

***Emphasis of Matter***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.  
Portsmouth, Ohio

June 30, 2021



**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, 2020*

	State Appropriations and Grants			Offender Funds			Totals
	ODRC 501-501	STAR Brown Co Collaboration	Federal	Resident Program	Offender Personal Funds	Section 125 Benefit Plan	
<b>Cash Receipts:</b>							
Intergovernmental	\$ 11,054,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,054,119
Receipts for offenders	-	-	-	-	608,945	-	608,945
Collections from offenders	-	-	-	393,987	-	-	393,987
Commissions	-	-	-	168,157	-	-	168,157
Reimbursement	379,727	-	-	1	-	-	379,728
Transfer In/Out	-	-	-	-	15	-	15
<i>Total Cash Receipts</i>	<u>11,433,846</u>	<u>-</u>	<u>-</u>	<u>562,145</u>	<u>608,960</u>	<u>-</u>	<u>12,604,951</u>
<b>Cash Disbursements:</b>							
Personnel	8,272,035	6,286	-	-	-	-	8,278,321
Operating costs	1,617,136	-	-	-	-	59	1,617,195
Program costs	146,397	-	-	555,538	-	-	701,935
Equipment	12,622	-	-	-	-	-	12,622
Offender Disbursements:							
Offender legal obligations	-	-	-	-	22,985	-	22,985
Offender reimbursements	-	-	-	-	476,861	-	476,861
Offender payments to CBCF	-	-	-	-	53,377	-	53,377
Offender savings paid at exit	-	-	-	-	40,974	-	40,974
<i>Total Cash Disbursements</i>	<u>10,048,190</u>	<u>6,286</u>	<u>-</u>	<u>555,538</u>	<u>594,197</u>	<u>59</u>	<u>11,204,270</u>
Disbursements from prior FY (Including refund to ODRC)	<u>850,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,027</u>
<i>Total Receipts Over/(Under) Disbursements before Special Items</i>	<u>535,629</u>	<u>(6,286)</u>	<u>-</u>	<u>6,607</u>	<u>14,763</u>	<u>(59)</u>	<u>550,654</u>
Special Item - SEPTA Funds	<u>199,992</u>	<u>-</u>	<u>11,583</u>	<u>52,743</u>	<u>7,374</u>	<u>2,640</u>	<u>274,332</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>735,621</u>	<u>(6,286)</u>	<u>11,583</u>	<u>59,350</u>	<u>22,137</u>	<u>2,581</u>	<u>824,986</u>
Fund Cash Balances, July 1, 2019	<u>987,864</u>	<u>8,373</u>	<u>-</u>	<u>86,776</u>	<u>12,933</u>	<u>-</u>	<u>1,095,946</u>
<i>Fund Cash Balances, June 30, 2020</i>	<u>\$ 1,723,485</u>	<u>\$ 2,087</u>	<u>\$ 11,583</u>	<u>\$ 146,126</u>	<u>\$ 35,070</u>	<u>\$ 2,581</u>	<u>\$ 1,920,932</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 1,403,218</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, 2020*

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**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 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 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, 2020, 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.

***STAR/Brown County 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 the services to Brown County.

**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, 2020*

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

***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*** 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.

***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, 2020*

**Encumbrances** Disbursements from State appropriations and Grants are subject to Scioto and Athens Countys’ 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. (See Note 3 and Note 5)

A summary of 2020 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.

**Special Items**

Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence. The Facility had a special item in fiscal year 2020 related to a transfer of operations. See Note 13 for more information.

**Note 3 – Budgetary Activity**

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2020 follows:

FY20 - FY21 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures*	Variance
\$22,108,238	\$10,128,545	\$11,979,693
\$22,108,238	\$10,128,545	\$11,979,693

\* As of June 30, 2020

**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.

**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, 2020*

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***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, 2020.

**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. Since the grant period does not end until June 30, 2021, there is no refund due to ODRC as of June 30, 2020. ODRC approved an extension on grand period spending through August 31, 2021.

**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.

***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, 2020.

**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, 2020*

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***School 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, 2020.

**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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020. STRS contributes 0 percent to fund these benefits.

**Note 9 – Contingent Liabilities**

The Facility is not currently subject to any lawsuits.

**Note 10 – Related Party Transactions**

The facility has not participated in any related party transactions during the Fiscal Year ending June 30, 2020.

**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 emergency funding, either federal or state, cannot be estimated.

**Note 12 – Subsequent Events**

Included in the Budgetary Disbursements for 2020 are \$462,691 in expenses that were incurred prior to the end of the fiscal year but were not paid until after June 30, 2020.

In FY21 STAR Community Justice Center received CARES Act Funding in the amount of \$78,910 to cover necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease (COVID-19). The following reimbursements were received from the Scioto County Auditor \$27,348, \$2,362, \$9,832, \$28,667, and \$10,701. Funds were used to reimburse expenditures for cleaning, medical, salaries, etc.

**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, 2020*

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**Note 13 - Special Item**

On January 30, 2019, the SEPTA Correctional Facility Governing Board passed a resolution to dissolve the SEPTA Correctional Facility as a legal entity and to legally become part of STAR Community Justice Center effective July 1, 2019. The Ohio Department of Rehabilitation and Correction Bureau of Community Sanctions directed all grants previously allocated to the SEPTA Correctional Facility to STAR Community Justice Center as of July 1, 2019. As a result of the transfer of operations, all operations and assets/liabilities of SEPTA belong to STAR Community Justice Center as of July 1, 2019. This transfer of operations was recorded as special items in the Facility's financial statements.

**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, 2019*

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	STAR Brown Co Collaboration	Resident Program	Offender Personal Funds	
<b>Cash Receipts:</b>					
Intergovernmental	\$ 8,097,785	\$ 58,948	\$ -	\$ -	\$ 8,156,733
Receipts for offenders	-	-	-	431,322	431,322
Collections from offenders	-	-	340,320	25	340,345
Commissions	-	-	109,483	-	109,483
Reimbursement	279,709	7,663	61	45	287,478
Miscellaneous	-	-	1,249	-	1,249
<i>Total Cash Receipts</i>	<u>8,377,494</u>	<u>66,611</u>	<u>451,113</u>	<u>431,392</u>	<u>9,326,610</u>
<b>Cash Disbursements:</b>					
Personnel	6,154,488	61,453	-	-	6,215,941
Operating costs	1,366,996	-	223	60	1,367,279
Program costs	112,266	-	467,654	-	579,920
Equipment	32,095	-	-	-	32,095
Offender Disbursements:					
Offender legal obligations	-	-	-	9,749	9,749
Offender reimbursements	-	-	-	363,089	363,089
Offender payments to CBCF	-	-	-	44,128	44,128
Offender savings paid at exit	-	-	-	18,594	18,594
<i>Total Cash Disbursements</i>	<u>7,665,845</u>	<u>61,453</u>	<u>467,877</u>	<u>435,620</u>	<u>8,630,795</u>
Disbursements from prior FY (Including refund to ODRC)	<u>649,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,670</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>61,979</u>	<u>5,158</u>	<u>(16,764)</u>	<u>(4,228)</u>	<u>46,145</u>
Fund Cash Balances, July 1, 2018	<u>925,885</u>	<u>3,215</u>	<u>103,540</u>	<u>17,161</u>	<u>1,049,801</u>
<i>Fund Cash Balances, June 30, 2019</i>	<u>\$ 987,864</u>	<u>\$ 8,373</u>	<u>\$ 86,776</u>	<u>\$ 12,933</u>	<u>\$ 1,095,946</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 2,201,138</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, 2019*

---

**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

For the year ended June 30, 2019, 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.

***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.

**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, 2019*

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***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.

***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.

***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. (See Note 5)

A summary of 2019 budgetary activity appears in Note 3.

***Deposits and Investments***

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

**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, 2019*

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***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, 2019 follows:

2019 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$8,105,651	\$8,045,339	\$60,312
\$8,105,651	\$8,045,339	\$60,312

**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.

***Offender Funds***

***Deposits***

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2019.

**Note 5– Refund to ODRC**

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

**Ohio Department of Rehabilitation and Correction**  
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*For the Year Ended June 30, 2019*

Refund to ODRC	
	2019
Cash, July 1	\$925,885
Disbursements Against Prior Year Budget	(\$649,670)
Payable to ODRC, July 1	
Sub-Total	\$276,215
501 Cash Receipts	8,097,785
Budgetary Basis Disbursements	(8,045,339)
Amount Subject to Refund, June 30	\$328,661
One-Twelfth of 501 Award	675,471
Refundable to ODRC	-

**Note 6 – Risk Management**

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.

***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, 2019.

***School 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.

**Ohio Department of Rehabilitation and Correction**  
**Community Based Correctional Facility**  
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*For the Year Ended June 30, 2019*

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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, 2019.

**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 2019. 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 not currently subject to any lawsuits.

**Note 10 – Related Party Transactions**

The Facility has not participated in any related party transactions during the Fiscal Year ending June 30, 2019.

**Note 11 – Subsequent Events – 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 - Budgetary**

Included in the Budgetary Disbursements for 2019 are \$627,742 in expenses that were incurred prior to the end of the fiscal year but were not paid until after June 30, 2019.

Included in the Offender savings paid at exit for 2019 are expenses totaling \$101.99 that were incurred prior to the end of the fiscal year, however the checks were not cashed. Due to the amount of time that has passed since the checks were written those checks are to have a stop payment issued on them and the funds returned to the Offender's Unclaimed Funds. At such time that contact information can be obtained the respective Offender checks will be reissued.

**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, 2019*

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**Note 13 – Subsequent Event - SEPTA**

During January 2018, the Facility entered into a Memorandum of Understanding with SEPTA Correctional Facility for the operation of SEPTA Correctional Facility and its program redesign for the term of the agreement. The term of the agreement was for February 1, 2018 to June 30, 2019. Under the agreement, the SEPTA Facility Governing Board shall maintain its statutory duties and responsibilities as required by law. On January 30, 2019, the SEPTA Correctional Facility Governing Board passed a resolution to dissolve the SEPTA Correctional Facility as a legal entity and to legally become part of STAR Community Justice Center effective July 1, 2019. On July 1, 2019, SETPA dissolved as a legal entity and the operations and all assets/liabilities transferred to the Facility.

**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*, the financial statements of the cash balances, receipts, and disbursements for each fund of the STAR Community Justice Center, Scioto (the Facility) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated June 30, 2021, 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.

**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 certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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**

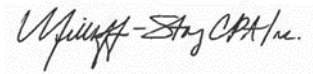
As part of obtaining reasonable assurance about whether the Facility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination 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**

The Facility's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Facility's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.  
Portsmouth, Ohio

June 30, 2021



**STAR Community Justice Center**  
*Schedule of Findings and Responses*  
*For the Fiscal Years Ended June 30, 2020 and 2019*

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**Finding Number 2020-001**

**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).

SEPTA Correctional Facility transferred its operations to STAR Community Justice as of July 1, 2019. The financial statements for fiscal year 2020 presented for audit did not include the ODRC 501-501, Federal, or Section 125 Benefit Plan funds related to this transfer. Upon discussion with the audit team, the client revised its financial statements to include this additional activity.

For fiscal year 2020, we also noted the ODRC 501-501 fund ending cash balance reported on the financial statements did not agree to the reconciled balance. The client was unable to locate the reasoning for this variance. The auditors discovered this was due to the client preparing the Hinkle filing for the ODRC fund using system reports with an incorrect date range. This resulted in the client preparing a revised set of financial statements.

The original and revised financial statements also had the following errors requiring adjustment or reclassification:

- For fiscal year 2020, after a discussion with the client to record all of the activity transferred from SEPTA on the financial statements, we noted the Special Item to report this transfer of operations was improperly recorded as an adjustment to the beginning fund balances of the ODRC 501-501, Federal, Resident Program, Offender Personal, and Section 125 Benefit Plan funds. Material reclassifications were made to correct this.
- For fiscal year 2020, we noted the activity related for the Offender and Resident funds previously belonging to SEPTA were misstated due to audit adjustments made during the fiscal year 2019 SEPTA audit being accounted for by the Facility in the incorrect period.
- For fiscal year 2019 and 2020, the notes to the financial statements were incomplete and required disclosures were added. Additionally, note disclosures included in the financial report required modifications.
- For fiscal year 2019, a material reclassification was made in the Star/Brown Co Collaboration Fund to reclassify items from intergovernmental receipts to reimbursements.
- For fiscal year 2020, we noted that the client did not categorize the general ledger in the same manner as prior years. This resulted in errors in classification, including offender payments to CBCF being recorded as offender reimbursements.
- For both fiscal year 2019 and 2020, we noted the amounts recorded as unpaid obligations/open purchase orders on the financial statements for the ODRC 501-501 fund did not agree to the County records.

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:**

Adjustments have been made. SEPTA transition is in the process of being corrected and reconciliations will be completed going forward.

**STAR Community Justice Center**  
*Schedule of Findings and Responses*  
*For the Fiscal Years Ended June 30, 2020 and 2019*

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**Finding Number 2020-002**

**Material Weakness – Monitoring**

The Facility took possession of SEPTA Correctional Facility’s assets on July 1, 2019 upon dissolution of SEPTA. During testing it was noted that the Facility was not monitoring the activity of the ORDC 501-501 Fund, the Federal Fund, nor the Section 125 Benefit Plan Fund for which Athens County is the fiscal agent. There was no indication of reconciliations being performed with the County who holds the Federal and ODRC funds or to the bank statement for the Section 125 Benefit plan. Furthermore, these funds were erroneously omitted from the Facility’s financial statements.

We recommend the Facility implement additional procedures to ensure these funds are being adequately monitored. These funds should be reconciled monthly and the activity should be tracked by the Facility and appropriately included in their annual financial report.

**Facility Response:**

Going forward, all accounts will be monitored for accuracy.

# 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 8/3/2021**

88 East Broad 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](http://www.ohioauditor.gov)