



Dave Yost • Auditor of State



HARRISON TOWNSHIP  
MUSKINGUM COUNTY

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# Dave Yost • Auditor of State

Harrison Township  
Muskingum County  
553 Front Street  
Philo, Ohio 43771

To the Board of Trustees:

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 27, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township  
Muskingum County  
553 Front Street  
Philo, Ohio 43771

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison Township, Muskingum County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9, the Township is experiencing financial difficulties. Management's plan in regards to these financial difficulties is described in Note 9 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

October 27, 2011



**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$10,025	\$94,381	\$48,505	\$152,911
Charges for Services		20,132		20,132
Intergovernmental	17,365	132,905		150,270
Earnings on Investments	2,915	1,158		4,073
Miscellaneous	11	3,945		3,956
Settlements		21,470		21,470
		<u>21,470</u>		<u>21,470</u>
 Total Cash Receipts	 <u>30,316</u>	 <u>273,991</u>	 <u>48,505</u>	 <u>352,812</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	33,581			33,581
Public Safety		41,231		41,231
Public Works		123,155		123,155
Health	400	64		464
Conservation - Recreation		50,811		50,811
Capital Outlay		15,896		15,896
Debt Service:				
Redemption of Principal			47,671	47,671
Interest and Other Fiscal Charges			7,964	7,964
			<u>7,964</u>	<u>7,964</u>
 Total Cash Disbursements	 <u>33,981</u>	 <u>231,157</u>	 <u>55,635</u>	 <u>320,773</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>(3,665)</u>	 <u>42,834</u>	 <u>(7,130)</u>	 <u>32,039</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Other Financing Uses	(215)			(215)
 Total Other Financing Receipts / (Disbursements)	 <u>(215)</u>	 <u>0</u>	 <u>0</u>	 <u>(215)</u>
 Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	 <u>(3,880)</u>	 <u>42,834</u>	 <u>(7,130)</u>	 <u>31,824</u>
 Fund Cash Balances, January 1	 <u>344</u>	 <u>138,134</u>	 <u>7,543</u>	 <u>146,021</u>
 <b>Fund Cash Balances, December 31</b>	 <b><u>(\$3,536)</u></b>	 <b><u>\$180,968</u></b>	 <b><u>\$413</u></b>	 <b><u>\$177,845</u></b>

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

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$10,202	\$93,080	\$50,677	\$153,959
Charges for Services		25,426		25,426
Intergovernmental	18,739	131,550		150,289
Earnings on Investments	2,050	772		2,822
Miscellaneous	284	1,553		1,837
Total Cash Receipts	<u>31,275</u>	<u>252,381</u>	<u>50,677</u>	<u>334,333</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	37,891			37,891
Public Safety		45,635		45,635
Public Works		165,226		165,226
Health		1,270		1,270
Conservation - Recreation		43,422		43,422
Capital Outlay		76,519		76,519
Debt Service:				
Redemption of Principal			36,820	36,820
Interest and Other Fiscal Charges			6,573	6,573
Total Cash Disbursements	<u>37,891</u>	<u>332,072</u>	<u>43,393</u>	<u>413,356</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(6,616)</u>	<u>(79,691)</u>	<u>7,284</u>	<u>(79,023)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Notes		48,000		48,000
Sale of Fixed Assets		3,891		3,891
Other Financing Uses	(48)			(48)
Total Other Financing Receipts / (Disbursements)	<u>(48)</u>	<u>51,891</u>	<u>0</u>	<u>51,843</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(6,664)	(27,800)	7,284	(27,180)
Fund Cash Balances, January 1	<u>7,008</u>	<u>165,934</u>	<u>259</u>	<u>173,201</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$344</u></b>	<b><u>\$138,134</u></b>	<b><u>\$7,543</u></b>	<b><u>\$146,021</u></b>

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

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, recreation, fire protection and emergency medical services. The Township contracts with Wayne Township to provide fire services and Harrison Township Medical Services, Inc., to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 7 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire District Fund – This fund receives property tax money from a special levy and a limited amount of fees from another Township, for the use of public safety.

Park Levy Fund – This fund receives property tax money from a special levy, and a limited amount of user fees, in order to maintain and operate a swimming pool and recreation area.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund is used to accumulate resources for the payment of debt related to the purchase of equipment.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2010	2009
Demand deposits	\$177,845	\$146,021

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 as follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,274	\$30,316	\$3,042
Special Revenue	264,737	273,991	9,254
Debt Service	48,505	48,505	0
Total	\$340,516	\$352,812	\$12,296

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,333	\$34,196	\$2,137
Special Revenue	354,090	231,157	122,933
Debt Service	56,045	55,635	410
Total	\$446,468	\$320,988	\$125,480

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,886	\$31,275	(\$611)
Special Revenue	310,410	304,272	(6,138)
Debt Service	50,673	50,677	4
Total	<u>\$392,969</u>	<u>\$386,224</u>	<u>(\$6,745)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,902	\$37,939	(\$4,037)
Special Revenue	440,873	332,072	108,801
Debt Service	50,932	43,393	7,539
Total	<u>\$525,707</u>	<u>\$413,404</u>	<u>\$112,303</u>

The Township failed to comply with the requirements of Ohio Rev. Code Section 505.24(C) in regards to the documentation of Trustees' time spent and charging salaries and benefits to funds other than the General Fund. Therefore, adjustments were made to the financial statements to record certain salaries and fringe benefits in the General Fund rather than the Gasoline Tax and Road and Bridge Funds. As a result of these adjustments a variance of \$4,037 is reflected above for the General Fund of expenditures in excess of appropriations.

Contrary to Ohio law, additional appropriations were posted to the Township's accounting system for the Township's General, Road & Bridge, Park Levy, Fire District, Road District, Cemetery and Gasoline Tax Funds for the year ended December 31, 2009 and for the General, Road & Bridge, Fire District, Road District, and Park Levy Funds for the year ended December 31, 2010. Also, contrary to Ohio law, at December 31, 2010, the General Fund had a cash deficit balance of \$3,536. This resulted from the audit adjustments for Trustees' salaries and benefits.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax (Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes - Firefighting Equipment	\$57,551	4.50%
General Obligation Notes - Pool Repairs	10,000	4.75%
General Obligation Notes - Dump Truck	38,475	4.20%
Total	\$106,026	

During 2008, the Township issued general obligation notes to finance the purchase of firefighting equipment. The Township's taxing authority collateralized the notes. The debt is being retired from the Debt Service Fund.

Also during 2008, the Township issued general obligation notes to finance repairs to the township swimming pool. The Township's taxing authority collateralized the notes.

During 2009, the Township issued general obligation notes to finance the purchase of a new dump truck for Township road maintenance. The Township's taxing authority collateralized the notes. The debt is being retired from the Debt Service Fund.

Amortization of the above debt, including interest, is scheduled as follows:

	General Obligation Notes - Firefighting Equipment	General Obligation Notes - Pool Repairs	General Obligation Notes - Dump Truck
Year ending December 31:			
2011	\$32,262	\$5,475	\$11,216
2012	29,051	5,238	10,816
2013			10,410
2014			10,006
Total	\$61,313	\$10,713	\$42,448

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2009 was \$5,625. This disclosure does not include the related defeased debt or assets, since trusted assets should provide sufficient resources to retire the debt.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>



**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2010</u></b>	<b><u>2009</u></b>
\$9,053	\$10,069

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Settlements**

For the year ended December 31, 2010, the Township received \$21,470 from a company for roadway damage repairs and costs arising from construction activities. These receipts are reflected as Settlements in the accompanying financial statements.

**9. Financial Difficulties**

The Township's General Fund carries a negative fund cash balance at December 31, 2010. The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring expenditures of the General Fund.

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# Dave Yost • Auditor of State

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

Harrison Township  
Muskingum County  
553 Front Street  
Philo, Ohio 43771

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 27, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and that the Township was experiencing financial difficulties. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-02, 2010-03 and 2010-09 described in the accompanying Schedule of Findings to be material weaknesses.

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. We consider finding 2010-06 described in the accompanying Schedule of Findings to be a significant deficiency.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2010-01 and 2010-03 through 2010-08.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 27, 2011.

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



**Dave Yost**  
Auditor of State

October 27, 2011

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2010-01**

**Finding for Recovery**

Ohio Revised Code Section 505.601 states that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

The Board of Trustees passed a resolution at the May 8, 2001 organizational meeting to provide insurance coverage to its elected officials and employees. Per resolution, elected officials' insurance premiums are not to exceed \$4,000.

During 2009, the Township reimbursed Trustee Roy Cox \$4,283 for insurance premiums resulting in \$283 in excess of the authorized amount of \$4,000.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Roy Cox, Township Trustee, and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$283, in favor of the Harrison Township Road District Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 OhioSt.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-01 (Continued)**

**Finding for Recovery (Continued)**

Fiscal Officer Dolores Mahon issued the payments that resulted in the improper reimbursements. Accordingly, Dolores Mahon and her bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the total amount of \$283 and in favor of Harrison Township Road District Fund, to the extent that recovery is not obtained from Roy Cox or his bonding company.

**FINDING NUMBER 2010-02**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2010, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

<b>Fund</b>	<b>Estimated Receipts Per Amended Certificate Dated August 16, 2010</b>	<b>Budgeted Receipts per the UAN System</b>	<b>Variance</b>
General Fund	\$27,274	\$25,503	(\$1,771)
Motor Vehicle License	34,844	10,800	(24,044)
Fire District	45,757	38,171	(7,586)
Road District	21,091	19,870	(1,221)
Park Levy	47,814	42,371	(5,443)

At December 31, 2009, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

<b>Fund</b>	<b>Estimated Receipts Per Amended Certificate Dated October 13, 2009</b>	<b>Budgeted Receipts per the UAN System</b>	<b>Variance</b>
General Fund	\$31,886	\$26,895	(\$4,991)
Road and Bridge	85,954	75,202	(10,752)
Fire District	57,117	43,595	(13,522)
Road District	20,864	19,503	(1,361)
Park Levy	46,418	39,087	(7,331)

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-02 (Continued)**

**Material Weakness (Continued)**

Inaccurate budgetary information posted to the accounting system could result in management of the Township not being able to effectively monitor and report its budget vs. actual status throughout the year. Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor. These adjustments were agreed to by the Fiscal Officer.

We recommend the Fiscal Officer accurately post estimated receipts as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**FINDING NUMBER 2010-03**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 505.24(C) states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from such funds in proportions as the board may specify by resolution. However, Ohio Attorney General Opinion No. 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

The Township did not provide evidence documenting work performed through a timesheet or similar method of record keeping for Trustee Stephen Bell for 2009. In addition, for 2010, the Township did not provide evidence of Trustee Junior McCutcheon documenting work performed through a timesheet or similar method of record keeping. Therefore, the Township may not pay these salaries from funds other than the General Fund. In addition, we noted during the audit that the Township did not pay certain fringe benefits in proportion to the amount of salaries charged to each fund. For 2009, this resulted in an adjustment of salaries and benefits totaling \$10,486 to the General Fund from the Gasoline Tax and Road and Bridge funds in the amounts of \$8,616 and \$1,870, respectively. For 2010, this resulted in an adjustment of salaries and benefits totaling \$9,303 to the General Fund from the Gasoline Tax and Road and Bridge funds in the amounts of \$5,504 and \$3,799, respectively. These adjustments, to which the Township has agreed to, have been reflected in the accompanying financial statements.

We recommend each Township Trustee document work performed through a timesheet or similar method of record keeping in order to be paid from funds other than the General Fund.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-04**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. A Township Board of Trustees is prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

During 2009, the Fiscal Officer posted additional appropriations of \$7,646 to the General Fund; however, our review of the minutes noted no evidence that these additional appropriations were approved by the Board nor was any evidence noted that these appropriations were filed with the County Budget Commission. In addition, the Fiscal Officer posted additional appropriations to the Special Revenue Funds as follows: \$13,720 to the Road & Bridge, \$20,027 to the Park Levy, \$26,112 to the Fire District, \$9,427 to the Road District, \$925 to the Cemetery, and \$7,146 to the Gasoline Tax Fund.

During 2010, the Fiscal Officer posted additional appropriations of \$4,840 to the General Fund and our review of the minutes noted there were supplemental appropriations approved by the Board; however, there was no evidence noted that these appropriations were filed with the County Budget Commission. In addition, the Fiscal Officer posted additional appropriations as follows in the Special Revenue Fund: \$26,130 to the Road & Bridge, \$8,871 to the Fire District, \$1,771 to the Road District, and \$17,587 to the Park Levy Fund.

An adjustment was made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Board of Trustees and filed with the Muskingum County Budget Commission. These adjustments were agreed to by the Fiscal Officer.

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.



**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-05**

**Noncompliance Citation**

Ohio Rev. Code Section 5549.21 states that purchase of materials, machinery, and tools to be used in constructing, maintaining, and repairing roads and culverts, where the amount involved exceeds \$25,000 requires competitive bidding.

During 2009, the Township purchased a dump truck for \$46,768; however, competitive bids were not sought as required by Ohio Rev. Code Section 5549.21.

We recommend the Township seek competitive bids for the required expenditures exceeding \$25,000.

**FINDING NUMBER 2010-06**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Board of Trustees) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

Our review of the Township's financial statements noted advances were reported on the Township's annual report; however, the Township's minutes did not include any approvals of advances by the Board of Trustees during the audit period.

As a result of the lack of statutory authority for making these advances, an adjustment was necessary to remove advances of \$1,550, recorded in the General and Park Levy Funds, from the financial statements and the accounting system. This adjustment was agreed to and made by the Fiscal Officer.

We recommend the Township only make advances that are legislatively approved by the Board of Trustees and documented in the record of minutes.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-07**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3), respectively:

**Then and Now Certificate** - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Fifty percent of the non-payroll transactions tested in 2010 and 13 percent tested in 2009 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

In addition, during the audit period, we noted the Township utilized blanket certificates without formally adopting a resolution outlining a sum for which blanket certificates may be issued as required by Section 5705.41(D).

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-07 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In addition, we recommend the Board of Trustees adopt a resolution to set a maximum amount for which blanket certificates may be issued.

**FINDING NUMBER 2010-08**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative fund balance of \$3,536. This is a result of the audit adjustments made related to Trustees' salaries and benefits as explained in Finding Number 2010-03.

We recommend the Township take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established. We also recommend the Township establish a plan to curtail unnecessary spending in order to eliminate negative fund balances.

**FINDING NUMBER 2010-09**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statement.

The Ohio Township Handbook provides suggested account classifications. Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

HARRISON TOWNSHIP  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-09 (Continued)

**Material Weakness (Continued)**

In 2010, the following mispostings were made by the Fiscal Officer:

- Debt Service payment was incorrectly posted between the portions that represented principal and interest. This required a reclassification of \$354 from principal to interest in the Debt Service Fund.

In 2009, the following mispostings were made by the Fiscal Officer:

- Debt Service payment was incorrectly posted between the portions that represented principal and interest. This required a reclassification of \$1,605 from principal to interest in the Debt Service Fund.
- Receipts from the sale of a dump truck for \$3,891 were posted as miscellaneous revenue rather than sale of fixed assets in the Fire District and Road and Bridge Funds.
- Homestead and rollback receipts and manufactured homes rollback receipts totaling \$11,295 were posted to property tax receipts instead of intergovernmental receipts in the following funds: General (\$845), Road and Bridge (\$2,642), Fire District (\$3,963), Road District (\$1,175), and Park Levy (\$2,670).

These posting errors resulted in reclassifications being made to the financial statements to ensure accurate presentation. These reclassifications were agreed to by the Township officials.

In addition, the following insignificant mispostings were proposed but were not made to the financial statements.

- For 2010, manufactured homes tax receipts in the amount of \$138 were posted as intergovernmental receipts rather than taxes in the General Fund.
- For 2009, there was \$405 in 2009 unrecorded encumbrances that should have been included on the financial statements as Reserve for Encumbrances in the General Fund.
- For 2010, tangible personal property tax reimbursement receipt in the amount of \$52 was posted as taxes rather than intergovernmental receipts in the General Fund.

We recommend the Fiscal Officer review guidance within the Ohio Township Handbook to ensure proper postings and classifications are being made.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code Section 5705.41(B) - The Township had expenditures exceeding appropriations in both 2008 and 2007.	No	Partially corrected. Reissued in the Management Letter.
2008-002	Material Weakness - During 2008 and 2007, the Township did not always post receipts into accurate classifications based upon the source of the receipt.	No	Not corrected. Reissued as Finding No. 2010-09.
2008-003	Material Weakness - The Fiscal Officer did not always accurately post to the accounting system the budgeted receipts and appropriations and any amendments.	No	Not corrected; Reissued as Finding No. 2010-02.

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# Dave Yost • Auditor of State

HARRISON TOWNSHIP

MUSKINGUM COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 17, 2011