



Dave Yost • Auditor of State

EDUGUARD, INC.
CUYAHOGA COUNTY

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INDEPENDENT AUDITOR'S REPORT

EduGuard, Inc.
Cuyahoga County
20595 Lorain Road
Fairview Park, Ohio 44126

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of EduGuard, Inc., Cuyahoga County, (the Pool) as of and for the years ended December 31, 2016, 2015 and 2014.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 Pool'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 Pool'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 Pool prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), 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 Pool 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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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 Pool as of December 31, 2016, 2015, and 2014, or changes in financial position or cash flows 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 combined cash balances of EduGuard, Inc., Cuyahoga County as of December 31, 2016, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the Pool ceased operations effective June 30, 2016. 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 July 24, 2017, on our consideration of the Pool'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 Pool's internal control over financial reporting and compliance.

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Dave Yost
Auditor of State
Columbus, Ohio

July 24, 2017

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EDUGUARD, INC.

Cuyahoga County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

Proprietary Fund Type

For the Years Ended December 31, 2016, 2015, and 2014

	2016	2015	2014
Operating Cash Receipts			
Member Contributions	\$ -	\$ -	\$ 781,661
Insurance Recoveries	-	-	58,033
<i>Total Operating Cash Receipts</i>	<u>-</u>	<u>-</u>	<u>839,694</u>
Operating Cash Disbursements			
Claims Payments	41,228	62,964	139,299
Insurance Premium Payments	-	-	566,130
Professional Services	9,607	1,041	19,425
<i>Total Operating Cash Disbursements</i>	<u>50,835</u>	<u>64,005</u>	<u>724,854</u>
<i>Operating Income (Loss)</i>	<u>(50,835)</u>	<u>(64,005)</u>	<u>114,840</u>
<i>Net Change in Fund Cash Balances</i>	(50,835)	(64,005)	114,840
<i>Fund Cash Balances, January 1</i>	50,835	114,840	-
<i>Fund Cash Balances, December 31</i>	<u>\$ -</u>	<u>\$ 50,835</u>	<u>\$ 114,840</u>

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EduGuard, Inc.
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016, 2015 and 2014

Note 1 – Reporting Entity

EduGuard, Inc., (the ‘Pool’), is a joint self-insurance pool organized under Chapter 2744.081 of the Ohio Revised Code. The Pool was formed for the purpose of providing property and liability self-insurance, insurance protection, and various services (including but not limited to, claims payments and claims supervision services) to its members.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Pool recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits and Investments

The Pool’s accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Note 3 – Deposits and Investments

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

	2016	2015	2014
Demand deposits	\$ -	\$ 50,835	\$ 114,840
Total deposits	\$ -	\$ 50,835	\$ 114,840

Deposits

Deposits are insured by the Federal Depository Insurance Corporation

EduGuard, Inc.
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2016, 2015 and 2014

Note 4 - Risk Management

Commercial Insurance

The Pool obtained commercial insurance for the following risks:

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

There have been no significant changes in coverage from the prior year.

Note 5 – Subsequent Events

Effective June 30, 2016, EduGuard, Inc. ceased operations. As of August 31, 2016 the final outstanding payment of EduGuard, Inc. cleared the bank, leaving the cash balance at \$0.



Dave Yost • Auditor of State

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

EduGuard, Inc.
Cuyahoga County
20595 Lorain Road
Fairview Park, Ohio 44126

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of EduGuard, Inc., Cuyahoga County, (the Pool) as of and for the years ended June 30, 2016, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 24, 2017, wherein we noted the Pool followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and the Pool ceased operations effective June 30, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Pool's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Pool's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Pool'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

July 24, 2017



Dave Yost • Auditor of State

EDUGUARD, INC.

CUYAHOGA 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
AUGUST 17, 2017**