

Dave Yost • Auditor of State

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2014	84.010	\$ 1,420,105	\$ 823,269
Title I Grants to Local Educational Agencies	2015	84.010	6,497,693	6,417,307
Total - Title I Grants to Local Educational Agencies			<u>7,917,798</u>	<u>7,240,576</u>
Special Education_Grants to States	2014	84.027	585,466	506,343
Special Education_Grants to States	2015	84.027	2,709,235	2,717,930
Total - Special Education_Grants to States			<u>3,294,701</u>	<u>3,224,273</u>
Race to the Top Incentive Grants	2014	84.395	139,239	117,122
Race to the Top Incentive Grants	2015	84.395	795,096	795,096
Total - Race to the Top Incentive Grants			<u>934,335</u>	<u>912,218</u>
School Improvement Grants	2014	84.377	187,839	189,375
Improving Teacher Quality State Grants	2014	84.367	38,767	32,654
Improving Teacher Quality State Grants	2015	84.367	104,510	104,596
Total - Improving Teacher Quality State Grants			<u>143,277</u>	<u>137,250</u>
English Language Acquisition State Grants	2015	84.365	1,418	10,896
Total Federal Awards Expenditures			<u>\$ 12,479,368</u>	<u>\$ 11,714,588</u>

The accompanying notes are an integral part of this schedule.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Electronic Classroom of Tomorrow, Franklin County, Ohio (the School's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting



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

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 803
Columbus, Ohio 43207

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 the Electronic Classroom of Tomorrow, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 7, 2015. We noted the School adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School'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 School'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 School'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*.

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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School'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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND ON THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 803
Columbus, Ohio 43207

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Electronic Classroom of Tomorrow's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for the School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Program

In our opinion, the Electronic Classroom of Tomorrow complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Federal Awards Receipts and Expenditures Required by OMB Circular A-133

We have also audited the financial statements the Electronic Classroom of Tomorrow, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our unmodified report thereon dated December 7, 2015. Our opinion also explained that the School adopted Governmental Accounting Standard Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, during the year. We conducted our audit to opine on the School's' basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 351,438 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Finding for Recovery Repaid Under Audit – FFR resulting from reimbursement of unallowable travel expenditures.	Yes	Fully Corrected.



Comprehensive Annual Financial Report

For the Year Ended June 30, 2015



Electronic Classroom of Tomorrow
Columbus, OH

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**ELECTRONIC CLASSROOM
OF TOMORROW**

Columbus, Ohio

Comprehensive Annual Financial Report

**For The Year Ended
June 30, 2015**

Prepared by the Fiscal Officer and the School Finance Office Staff.

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**ELECTRONIC CLASSROOM OF TOMORROW
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2015
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Introductory Section

ecot

Electronic Classroom of Tomorrow
Columbus, OH

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December 7, 2015

To the Board of Directors and the Citizens of the Electronic Classroom of Tomorrow:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Electronic Classroom of Tomorrow (the School) for the fiscal year ended June 30, 2015. The CAFR is designed to assist and guide the reader in understanding its contents.

The School's management is responsible for the reliability of the data presented and the completeness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

Further, the School has established a comprehensive framework that is designed to compile sufficient reliable information for the preparation of its financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the School's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

As required by GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to compliment the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Auditor's Report and provides an assessment of the School's finances for fiscal year 2015 and the outlook for the future.

State Audit

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted government auditing standards (GAGAS). The Auditor of State's Office rendered an opinion on the School's financial statements as of June 30, 2015 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

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Profile of the Government

Ohio charter schools began operating after the passage of the 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. The School is sponsored by the Educational Service Center of Lake Erie West. The Educational Service Center of Lake Erie West provides oversight and technical services to 59 schools throughout the State serving nearly 33,700 children.

The School, based in Columbus, Ohio, has provided students, grades K-12, throughout the state with a quality, online public education since the 2000-2001 school year. Statewide-based teachers, supported by a team of advisors, are committed to high performance standards and innovative educational methods. A growing number of graduates have earned their high school diplomas, and many more will follow in their footsteps.

As an online public school, the School provides its students with a flexible, tuition-free alternative to traditional public education. The School is a national leader in the growing trend of online public education.

The School educates over fifteen thousand students between the ages of five and twenty-one from every county in the state of Ohio. Running an online school requires as many resources as a traditional public school. In addition to teachers, a staff of counselors, school administrators, customer service specialists, computer programmers, database managers, school-funding experts, shipping handlers and consultants enable the School to work.

The School operates under the direction of a seven-member Board of Directors (the Directors). The Directors are responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Directors control the School’s one instructional/support facility staffed by three hundred ninety-four (394) non-certified and six hundred ninety-one (691) certificated personnel who provide services to 15,087 students.

The School contracts with Altair Learning Management I, Inc. for a variety of services including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, equipment and facilities.

Major Initiatives of ECOT

Mission

The ECOT mission: *To maximize academic growth for students seeking a non-traditional educational alternative through individualized instruction delivered by a highly effective faculty and staff.*

The ECOT mission is one of taking students where they are and providing the educational opportunities, intervention and services to enable them to “close the gap,” and be on target to graduate, as well as to master the skills necessary in the 21st century.

ECOT Community

One unique feature of ECOT is that it is an online school serving the entire state of Ohio and its very diverse population. Students live in large urban areas of Cleveland, Cincinnati, Columbus; Appalachian areas in southern Ohio, rural farm districts throughout the state, and wealthy suburban districts. Students enter ECOT looking for an alternative to what they have already received: typically they are disillusioned, disenfranchised and disappointed with their “bricks and mortar” public school experience. However, some students enter for medical reasons, or life choices of their parents.

This unique feature poses two of ECOT’s challenges:

- 1.) Orienting and teaching students (and parents) how to navigate the technology, as well as the self-discipline of logging on each day and attending school (live-sessions) is critical. Successful participation in an online school requires a unique set of skills and attitudes; therefore, the process of transitioning students from a traditional “bricks and mortar” school to an online environment is crucial in order to ensure success within the program that, in turn, will impact academic achievement and sustainability.
- 2.) Conducting mandatory State face-to-face testing regionally, within 50 miles of a student’s home, multiple times a year.

Another unique feature of ECOT is the diversity of the student body in Grades K-12. Some students may have left their previous district if the flexibility was not available to move at a quicker pace, graduate in three years, and/or take advantage of Post-Secondary School Options (PSOE). The majority, however have struggled. Students in Grades 4-8 begin at ECOT in the bottom quintile of the state according to state test data. High school students have been held back one or more years and are not with their cohort group, are credit-deficient, and not in line to graduate within the four-year graduation rate formula.

This then presents the ultimate challenge for ECOT:

“Re-engaging” or motivating students who may not have previously been engaged in their education is difficult in any school, but is particularly difficult for those students who may feel that they cannot succeed. The critical challenge for ECOT teachers and administrators is the mission to close the gap in student academic performance, ensure growth and assure graduation.

ECOT demographic data mirrors State data relative to minority population, but in terms of economic data, seventy-five percent of our students live in poverty.

Vision

Vision: ECOT will be the leader in online learning by offering a flexible education based on individual needs of students in a supportive non-threatening environment.

The ECOT vision is one of steadily improving learners whose achievement trajectories project future academic success, culminating in a diploma. This vision is translated into a measurable goal and benchmarks so that each student’s growth may be measured and support provided wherever it is needed.

State Testing

The State of Ohio administers summative achievement tests in reading and mathematics in the spring for grades 3 – 8, as well as science tests at grades 5 and 8. In high school, the state also provides tests for student graduation and growth measures.

School districts are evaluated by both the achievement levels demonstrated by their students and the degree to which the students display growth. The most important measure of achievement is the Performance Index (PI), an average score across grades and content areas of all full-year students on all required tests. Theoretically, the range of the Index is from zero (if all students failed to attend all tests) to 120 (if all students were to score advanced on all tests).

With respect to the measurement of academic growth, the state is committed to employing value-added to measure that students growth from year to year.

Formative Assessment and Intervention

ECOT relies heavily on formative assessment to monitor achievement throughout the school year. The district provides a standardized assessment in reading and mathematics at the start of the year and following each unit taught. The assessments employ items from item banks provided by test publishers. Items are aligned to state indicators. Their validity is verified by correlating assessment results with the state tests taken at the end of the school year.

Teachers receive training in the development, administration and interpretation of short-cycle assessments as well as in the interpretation of group item analysis. Based on the data supplied by the standardized and short-cycle assessments, teachers determine what re-teaching is necessary and which students need intervention.

Challenges

As a virtual school whose model student comes to the district with large academic deficits, ECOT is constantly challenged. For one thing, as a virtual school with no school buildings, motivating students to travel to test sites to take state tests is always a monumental endeavor for staff.

Federal law requires that at least 95% of all students registered at the time of testing take the reading and mathematics tests. State law does not demand a specific percentage, but assigns a zero to the district's Performance Index whenever a required test is missed. If a student misses all sections of the test, the district will receive a zero in each individual testing section.

ECOT's testing task each year is clear: to get as many students as possible to the test sites. Remarkably, ECOT has maintained a testing participation rate of approximately 98% each spring. The district manages to meet federal requirements, obtain few zeros, and test a sample of students that is truly representative of the entire student body. In fact, ECOT tests virtually the entire student population.

To accomplish this annual task, the central office staff and teachers maintain contact throughout the year with an assigned group of students. Teachers and staff attend the test administration sites throughout the state, serving as site coordinators, proctors, and drivers (where needed). When a student fails to show up, a staff member is on the phone immediately to that student, offering transportation to the site or, if necessary, scheduling a make-up.

A second challenge has been to ensure the improvement of our students in reading and mathematics. State data tell us that the large majority come to ECOT in the bottom quintile of the state in mathematics and the bottom quartile in reading. In many cases, ECOT is their last hope.

ECOT's goal is to ensure that all students are growing throughout the school year, which the school monitors through formative assessment. Each year ECOT strives for value added gains. Using the data that comes from state testing, teachers and administrators carefully examine the score trajectories to ensure that the scores are improving.

The bottom line: ECOT overcomes difficulties to obtain data that is representative and ensures that students are growing, regardless of where they are when they enroll in ECOT.

Conclusion

In conclusion, ECOT's mission of maximizing academic growth for students seeking a non-traditional educational alternative through individualized instruction is what the district continually strives to deliver.

As an online school, ECOT believes that its highly effective faculty and staff provide a wonderful public service to the state of Ohio and to its school community by truly serving a need that was not being served before ECOT's existence. The promise of truly customized learning and non-traditional delivery of instruction continues to provide academic growth to students who need help.

ECOT is proud to serve a diverse student population, including many students whose academic needs were not met by their previous school. In elementary and middle school, ECOT students typically come to us in the bottom quintile of the state academically. In high school, they come to ECOT credit deficient and unlikely to graduate.

A large number of students choose ECOT because of their desire to learn at home or for the flexibility the school can provide in scheduling. Many have been bullied at their previous school. Others have health problems that prohibit them from attending traditional schools. Still others work to support their families. Some are artists, musicians or athletes, whose careers make it impossible to attend a traditional school.

ECOT's founder was moved to open the school in response to the personal needs of his own two children. During the past 15 years, ECOT has attracted tens of thousands of students with unique needs who struggled in a traditional school environment. At ECOT, many of them have thrived in an online, non-traditional environment and were able to graduate from high school and contribute to their local communities and beyond.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code chapter 5705, unless specifically provided in the sponsor's contract with the School. The contract between the School and its Sponsor (The Educational Service Center of Lake Erie West) does prescribe an annual budget requirement and sets forth a requirement to prepare a five-year forecast that is to be updated semi-annually.

Financial Policies and Procedures

ECOT has several financial policies that are made available to employees in the ECOT Employee Handbook. All ECOT policies are approved by the Board of Directors before they are implemented. The policies promote a centralized control of expenditures with multiple levels of authorization required for all expenses exceeding \$500.

ECOT procedures are designed to promote adherence to school policies, State legislation, Sponsor agreements and Ohio Department of Education (ODE) requirements. ECOT follows procedures that allow for academic and financial success to be achieved.

To ensure financial success and transparency, the School Treasurer, the Vice President of Finance, the Superintendent and the Chief of Staff meet regularly with the Management Company, which includes its Chief Executive Officer and Chief Financial Officer, to analyze how ECOT is performing against its budget (forecast) and to make appropriate adjustments. Per the requirements of Ohio legislation, a five-year forecast is submitted to ODE and ECOT's Sponsor every October and May. Annually, mainly in June, the Board of Directors is presented with ECOT's budget for the upcoming twelve months, beginning on July 1. Additionally, the Board has contracted with a CPA firm, Whalen & Company, to perform an internal audit function.

ECOT's adherence to policies and procedures is reflected by several earned awards. ECOT is an eight year recipient of the Certificate of Achievement for Excellence in Financial Report from the Government Finance Officers Association and the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International for the fiscal years ended June, 30, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014. ECOT also received the Ohio Auditor of State Award of Distinction for the fiscal years ended June 30, 2012 and 2013.

Long Term Financial Planning

ECOT plans to maintain its current share of the e-school market through effective marketing and retention plans. While most of ECOT's enrollment results from word-of-mouth referrals from existing students, ECOT augments its growth as required to meet its goals through advertising, supported by data obtained through analytics. ECOT continues to focus on improving its retention rates by delivering better services and socialization opportunities to its students.

Economic Issues

Since the enactment of the community school legislation, the School has been funded solely on the per pupil funding set forth by State of Ohio (see the Statistical Section for historical funding levels). Although per pupil funding in the State, for the most part, has increased over the past several years, this amount is still less than the amount that traditional school districts in the State receive per pupil, primarily because community schools are not authorized by statute to levy taxes in the communities where they operate.

As discussed later, the School was funded on 15,087 full-time equivalent students for fiscal year 2015 as compared to 14,561 in fiscal year 2014. The School has continued to experience strong enrollment. Based on the School's consistent enrollment, coupled with increases in State funding, it is expected that revenues for fiscal year 2016 will exceed those of fiscal year 2015.

Awards and Acknowledgements

As mentioned previously, the Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School for its comprehensive annual financial report for the year ended June 30, 2014. This was the eighth consecutive year that the School has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and effectively organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The School also received a Certificate of Excellence in Financial Reporting from the Association of School Business Officials International (ASBO) for its CAFR for the fiscal year ended June 30, 2014. This was the eighth consecutive year that the School has achieved this prestigious award. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to school systems that have met or exceeded the standards of the program. This award is granted only after an intense review of the financial reports by an expert panel of certified public accountants and practicing school business officials.

The School received the Ohio Auditor of State Award with Distinction for its CAFR for the fiscal year ended June 30, 2013. This was the second consecutive year that the School achieved this prestigious award. Entities that receive the award must meet the following criteria of a "clean" audit report: (1) the entity must file timely financial reports with the Auditor of State's office in the form of a CAFR (Comprehensive Annual Financial Report); (2) the audit report does not contain any findings for recovery, material citations, material weaknesses, significant deficiencies, Single Audit findings or questioned costs; (3) the entity's management letter contains no comments related to ethics referrals, questioned costs less than \$10,000, lack of timely report submission, reconciliation, failure to obtain a timely Single Audit, findings for recovery less than \$500, public meetings or public records.

The School would like to acknowledge and thank the finance department staff for their assistance in the preparation of this report: Amy Elliott, Chris Meister and Marcia Speck.

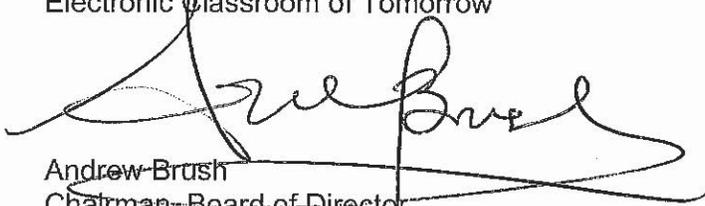
Sincerely,



Michele Smith
Treasurer
Electronic Classroom of Tomorrow



Rick Teeters
Superintendent
Electronic Classroom of Tomorrow



Andrew Brush
Chairman, Board of Directors
Electronic Classroom of Tomorrow



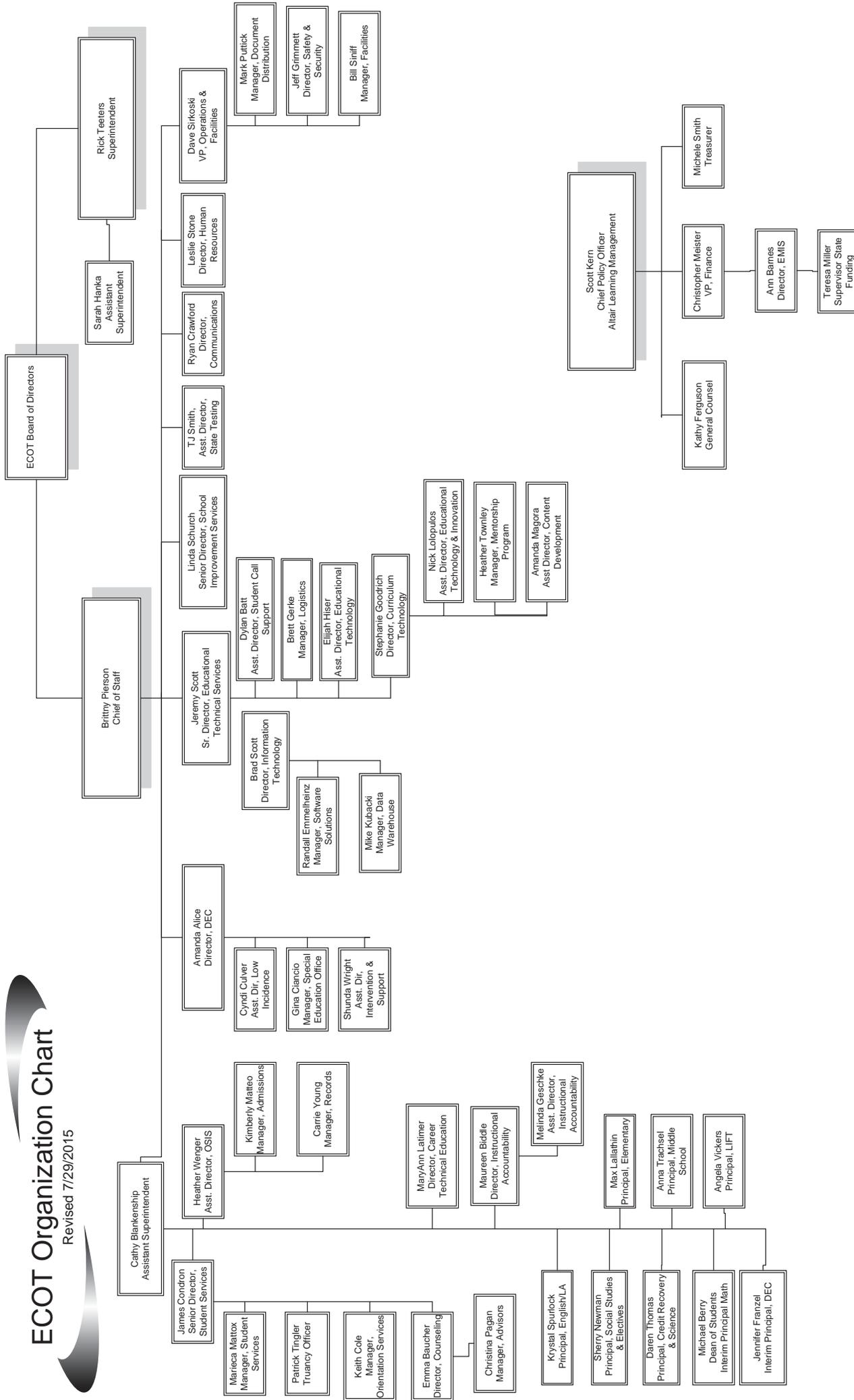
Brittny Pierson
Chief of Staff
Electronic Classroom of Tomorrow

**Electronic Classroom of Tomorrow
Board of Directors
June 30, 2015**

Andrew Brush	Board Chairman
Chris Stock	1 st Vice Chairman
Matthew Ottiger	2 nd Vice Chairman
Shirley Spellman	Parliamentarian
Pam Bennett	Board Member
Greg Randall	Board Member
Vince Resor	Board Member
Nick Coenen	Non-Voting Board Member
Jack McKenna	Non-Voting Board Member
Donna Wihl	Board Secretary
Rick Teeters	Superintendent
Brittney Pierson	Chief of Staff
Michele Smith	Treasurer

ECOT Organization Chart

Revised 7/29/2015





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Electronic Classroom of Tomorrow
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Electronic Classroom of Tomorrow

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, appearing to read 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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Financial Section

ecot

Electronic Classroom of Tomorrow
Columbus, OH

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 803
Columbus, Ohio 43207

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 School'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 School'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electronic Classroom of Tomorrow, Franklin County, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the School'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 School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

The discussion and analysis of Electronic Classroom of Tomorrow's (ECOT) financial performance provides an overall review of ECOT's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at ECOT's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of ECOT's financial performance.

Financial Highlights

Key Financial Highlights of ECOT for the year ended June 30, 2015 are as follows:

Total Net Position was \$(59,038,596).

Total Operating Revenue was \$105,853,917.

Total Operating Expenses were \$115,294,870.

Change in Net Position was \$(2,108,056).

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the whole entity, presenting both an aggregate view of ECOT's finances and a longer-term view of those finances. For ECOT, there is only one fund presented.

Reporting ECOT

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The view of ECOT as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Position answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report ECOT's net position and changes in that position. This change in net position is important because it tells the reader whether, for ECOT as a whole, the financial position of ECOT has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

ECOT

The Statement of Net Position provides the perspective of ECOT as a whole. Table 1 provides a summary of ECOT's net position for 2015 compared to 2014:

Table 1 Statement of Net Position			
	2015	2014 As Restated	Percentage Change
<u>Assets</u>			
Current Assets and Other Assets	\$ 38,259,503	\$ 36,294,642	5%
Capital Assets, Net of A/D - (See Note 6)	7,047,717	6,472,316	9%
Total Assets	<u>45,307,220</u>	<u>42,766,958</u>	<u>6%</u>
<u>Deferred Outflows of Resources</u>			
Pension	7,104,414	5,963,194	19%
Total Deferred Outflows of Resources	<u>7,104,414</u>	<u>5,963,194</u>	<u>19%</u>
<u>Liabilities</u>			
Current Liabilities	10,347,840	10,451,077	-1%
Long Term Liabilities	83,996,616	95,209,615	-12%
Total Liabilities	<u>94,344,456</u>	<u>105,660,692</u>	<u>-11%</u>
<u>Deferred Inflows of Resources</u>			
Pension	17,105,774	0	- %
Total Deferred Inflows of Resources	<u>17,105,774</u>	<u>0</u>	<u>- %</u>
<u>Net Position</u>			
Investment in Capital Assets	7,047,717	6,472,316	9%
Restricted	9,387,472	12,394,084	-24%
Unrestricted	(75,473,785)	(75,796,940)	- %
Total Net Position	<u>\$ (59,038,596)</u>	<u>\$ (56,930,540)</u>	<u>4%</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

GASB 68 Net Position Restatement

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$31,808,560 to a deficit of \$(56,930,540).

Total assets increased by \$2,540,262. Cash and cash equivalents increased by \$4,667,993, total receivables decreased by \$2,279,819, inventory supplies decreased by \$258,001, and prepaid items decreased by \$178,568.

Total current liabilities decreased by \$103,237. Accounts payable increased by \$546,405, accrued wages and benefits payable increased by \$439,294 due to staffing increases, notes payable decreased by \$342,827 (see Note 12), and judgement payable decreased by \$259,572.

Total long term liabilities decreased by \$11,212,999. Net pension liability decreased \$11,359,157 (see Note 8), notes payable increased by \$60,690 and compensated absences increased by \$85,468.

ECOT's 2015 net position decreased by \$2,108,056 from current year activities. Restricted net position decreased by \$3,006,612 due to decreases in intergovernmental receivables. Investment in capital assets increased by \$575,401 due to additional purchases.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

Table 2			
Statement of Revenues, Expenses and Changes in Net Position			
	2015	2014	Percentage Change
<u>Operating Revenue:</u>			
Foundation Payments	\$ 87,816,565	\$ 83,643,884	5%
Special Education	16,915,916	15,631,818	8%
Extracurricular	21,512	1,320	1530%
Other Operating Revenues	1,099,924	941,515	17%
Total Operating Revenues	<u>105,853,917</u>	<u>100,218,537</u>	6%
<u>Operating Expenses:</u>			
Salaries	44,382,042	42,538,404	4%
Fringe Benefits	16,009,268	14,882,477	8%
Purchased Services	28,257,692	30,957,632	-9%
Materials and Supplies	23,553,183	20,816,196	13%
Depreciation & Amortization Expense	1,657,289	1,591,393	4%
Merit Incentives	579,024	966,014	-40%
Other Operating Expenses	856,372	925,983	-8%
Total Operating Expenses	<u>115,294,870</u>	<u>112,678,099</u>	2%
<u>Non-Operating Revenues and Expenses:</u>			
Non-Operating Grants	11,970,364	14,659,743	-18%
Interest Revenue	92,017	76,327	21%
Pension	(4,605,396)	0	- %
Interest and Fiscal Charges	(124,088)	(128,614)	-4%
Total Non-Operating Revenues & Expenses	<u>7,332,897</u>	<u>14,607,456</u>	-50%
Change in Position	(2,108,056)	2,147,894	-198%
Net Position at Beginning of Year			
As Restated (See Note 2)	(56,930,540)	(59,078,434)	-4%
Net Position at End of Year	<u><u>\$(59,038,596)</u></u>	<u><u>\$(56,930,540)</u></u>	4%

Operating Activities

The Statement of Revenues, Expenses and Changes in Net Position show the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

Total operating revenue increased by 6% in fiscal year 2015. This was due to an increase in State Aid, attributable to the increased student enrollment.

Salaries and Fringe Benefits comprise 52% of total operating expenses. Interest and fiscal charges expense was \$124,088, 0.10% of total expenses. Interest expense was attributable to notes payable for computers, peripherals and servers.

Total operating expenses increased by 2% in fiscal year 2015. ECOT increased non-certificated staff by 7 employees and increased certificated personnel by 11 employees resulting in an increase in salaries and fringe benefits. Materials and supplies increased by 13%. Purchased services decreased by 9%. Depreciation and amortization expense increased by 4% (see Note 6).

Capital Assets and Debt Administration

Capital Assets

At the end of 2015 ECOT had \$10,830,515 (less \$3,782,798 in accumulated depreciation and amortization) invested in buildings, building improvements, land improvements, vehicles, other computer equipment, furniture, equipment and software. See Note 6 for more detailed information.

Table 3 shows 2015 balances compared to 2014:

Table 3			
Capital Assets (net of depreciation & amortization) at June 30			
	2015	2014	Percentage Change
Buildings and Improvements	2,208,782	1,725,811	28%
Land	1,120,000	1,120,000	- %
Land Improvements	822,894	870,912	-6%
Vehicles	17,178	22,776	-25%
Other Computer Equipment	1,651,439	1,632,922	1%
Furniture & Equipment	724,727	511,907	42%
Software	502,697	587,988	-15%
Totals	\$ 7,047,717	\$ 6,472,316	9%

Acquisitions were more than depreciation this year by \$575,401. For the fiscal year ended June 30, 2015, ECOT had \$2,232,689 in purchases of building improvements, furniture and equipment, software, and other computer equipment. Depreciation and amortization for the fiscal year 2015 was \$1,657,289.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO**

*Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited*

Debt

At June 30, 2015 ECOT had \$1,880,450 in Notes Payable. At June 30, \$1,594,872 of this debt was due within one year. Table 4 summarizes the debt outstanding. Please refer to Note 13 for more detailed information.

Table 4			
Outstanding Debt, at June 30			
	2015	2014	Percentage Change
Notes Payable	1,880,450	2,162,587	-13%

Current Financial Issues

In conclusion, ECOT has committed itself to financial excellence. All of ECOT's financial abilities will be needed to meet the challenges of the future. During the fiscal year, there were approximately 15,087 students enrolled. ECOT receives its finances mostly from state aid. State per pupil aid for this period amounted to \$5,800 per student.

Contacting ECOT's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of ECOT's finances and to show ECOT's accountability for the money it receives. If you have questions about this report or need additional information contact Michele Smith, Treasurer of the Electronic Classroom of Tomorrow, 3700 South High Street, Columbus, OH 43207 or e-mail at michele.smith@ecotoh.org.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2015**

<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 24,031,920
Intergovernmental Receivable	4,774,796
Inventory Supplies	2,684,808
Prepaid Items	1,317,469
Accounts Receivable	47,695
Total Current Assets	<u>32,856,688</u>
Noncurrent Assets:	
Security Deposits	5,402,815
Non-Depreciable Capital Assets	1,120,000
Capital Assets, Net	5,927,717
Total Noncurrent Assets	<u>12,450,532</u>
Total Assets	<u>45,307,220</u>
<u>Deferred Outflows of Resources</u>	
Pension	7,104,414
Total Deferred Outflows of Resources	<u>7,104,414</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	1,046,462
Accrued Wages & Benefits Payable	6,199,559
Unclaimed Monies Payable	231,584
Intergovernmental Payable	632,878
Merit Incentives Payable	579,024
Notes Payable – Current	1,594,872
Compensated Absences Payable – Current	63,461
Total Current Liabilities	<u>10,347,840</u>
Noncurrent Liabilities:	
Net Pension Liability	83,343,137
Notes Payable	285,578
Compensated Absences Payable	367,901
Total Noncurrent Liabilities	<u>83,996,616</u>
Total Liabilities	<u>94,344,456</u>
<u>Deferred Inflows of Resources</u>	
Pension	17,105,774
Total Deferred Inflows of Resources	<u>17,105,774</u>
<u>Net Position</u>	
Investment in Capital Assets	7,047,717
Restricted for Security Deposits	5,402,815
Restricted for Grants	3,984,657
Unrestricted	(75,473,785)
Total Net Position	<u>\$ (59,038,596)</u>

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Operating Revenues:

Foundation Payments	\$ 87,816,565
Special Education	16,915,916
Extracurricular	21,512
Other Operating Revenues	<u>1,099,924</u>
Total Operating Revenues	105,853,917

Operating Expenses:

Salaries	44,382,042
Fringe Benefits	16,009,268
Purchased Services	28,257,692
Materials and Supplies	23,553,183
Merit Incentives	579,024
Depreciation and Amortization	1,657,289
Other Operating Expenses	<u>856,372</u>
Total Operating Expenses	<u>115,294,870</u>

Operating (Loss)	(9,440,953)
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Non-Operating Revenues and (Expenses):

Non-Operating Grants	11,970,364
Interest Revenue	92,017
Pension Expense	(4,605,396)
Interest and Fiscal Charges	<u>(124,088)</u>
Total Non-Operating Revenues and (Expenses)	<u>7,332,897</u>

Change in Net Position	(2,108,056)
------------------------	-------------

Net Position at Beginning of Year	31,808,560
Net Position as Restated (See Note 2)	<u>(56,930,540)</u>
Net Position at End of Year	<u><u>\$ (59,038,596)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 104,732,481
Cash Received from Extracurricular Activities	21,512
Cash Received from Other Operating Sources	7,174,690
Cash Payments to Suppliers for Goods and Services	(50,400,614)
Cash Payments to Employees for Services	(44,846,974)
Cash Payments for Employee Benefits	(16,102,944)
Cash Payments for Other Operating Uses	<u>(5,110,916)</u>

Total Cash Flows used for Operating Activities	<u>(4,532,765)</u>
--	--------------------

Cash Flows from Non-Capital Financing Activities

Payment of Notes Payable	(2,769,473)
Non-Operating Grants	14,242,136
Interest on Notes Payable	<u>(124,089)</u>

Total Cash Flows from Non-capital Financing Activities	<u>11,348,574</u>
--	-------------------

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(2,232,689)</u>
-----------------------------------	--------------------

Total Cash Flows used for Capital and Related Financing Activities	<u>(2,232,689)</u>
--	--------------------

Cash Flows from Investing Activities

Interest on Investments	<u>84,873</u>
-------------------------	---------------

Total Cash Flows from Investing Activities	<u>84,873</u>
--	---------------

Net Increase in Cash and Cash Equivalents	4,667,993
Cash and Cash Equivalents at Beginning of Year	<u>19,363,927</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 24,031,920</u></u>
--	-----------------------------

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Reconciliation of Operating Loss to
Net Cash Used for Operating Activities:

Operating Loss	\$ (9,440,953)
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Adjustments to Reconcile Operating
Loss to Net Cash Used for Operating Activities:

Depreciation & Amortization	1,657,289
Proportionate Share of Pension Expense	(4,605,396)
Change in Assets and Liabilities:	
Decrease in Account Receivable	9,594
Decrease in Prepaid Items	178,568
Change in Inventory of Supplies	2,745,336
Increase in Security Deposits	(7,658)
Increase in Accounts Payable	546,405
Increase in Accrued Wages & Benefits	439,295
Increase in Unclaimed Monies Payable	50,312
Decrease in Intergovernmental Payable	(148,035)
Decrease in Merit Incentives Payable	(386,990)
Decrease in Judgments Payable	(259,572)
Decrease in Net Pension Liability	(11,359,158)
Increase in Compensated Absences Payable	83,644
Change in Deferred Outflows of Resources – Pension	(1,141,220)
Change in Deferred Inflows of Resources – Pension	17,105,774
Total Adjustments	4,908,188
Net Cash Used for Operating Activities	\$ (4,532,765)

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

Electronic Classroom of Tomorrow (ECOT) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. ECOT's objective is to lead Ohio in becoming the nation's premier, performance driven telecommunity school. ECOT recognizes the role of parents in the education of children is paramount. The role of ECOT is to support the parent in delivering the best resources and tools necessary for student success. ECOT wishes to make distance learning accessible to all of Ohio's students regardless of mental, emotional, or physical disability, regardless of social-economic or geographical hardship, and regardless of academic ability or family background. ECOT, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. ECOT may acquire facilities as needed and contract for any services necessary for the operation of the school.

ECOT was approved for operation under a contract with the Educational Service Center of Lake Erie West (the Sponsor) for a period of five academic years commencing after July 1, 2000. The Sponsor is responsible for evaluating the performance of ECOT and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The contract was extended indefinitely on July 12, 2012.

ECOT operates under the direction of a nine-member Board of Directors (the Directors), of which seven are voting and two are non-voting members. The Directors are responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Directors control ECOT's one instructional/support facility staffed by three hundred ninety-four (394) non-certified and six hundred ninety-one (691) certificated teaching personnel who provide services to 15,087 students.

ECOT contracts with Altair Learning Management I, Inc. for a variety of services including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial report, recruiting, compliance issue, budgets, contracts, and equipment and facilities. (See Note 16).

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity

A reporting entity is comprised of the primary government, and other organizations that are included to ensure that the financials are not misleading. The primary government of ECOT consists of all funds, departments, boards, and agencies that are not legally separate from ECOT. For ECOT, this includes regular, special instruction, support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services and operation and maintenance of plant.

The financial statements of ECOT have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

C. Basis of Presentation

ECOT's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows.

Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position display information about ECOT. These statements include the financial activities of the primary government, which are considered business-type activities.

D. Measurement Focus

The financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of ECOT are included on the Statement of Net Position. The Statement of Revenue, Expenses, and Changes in Net Position present increases and decreases in net position. The Statement of Cash Flows provides information about how ECOT finances and meets the cash flow needs of its business type activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the accrual basis of accounting.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which ECOT receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which ECOT must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to ECOT on a reimbursement basis.

Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

F. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in ECOT's contract with its Sponsor. The contract between ECOT and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated semi-annually.

G. Cash and Investments

During fiscal year 2015, ECOT's investments were limited to repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, bank certificates of deposit, federal agency securities and money market mutual funds.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2015.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue credited during fiscal year 2015 amounted to \$92,017, which includes \$84,873 non-operating interest revenue in addition to \$1,546 interest included in accounts receivable and \$5,598 security deposits' interest.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program and Special Education which are reflected on the Statement of Revenues, Expenses, and Changes in Net Position. Revenues received from these programs are recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and contributions. Grants, entitlements and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Amounts awarded under the above programs for the 2015 school year totaled \$104,732,481.

I. Inventory of Supplies

Inventories are stated at cost. Cost is determined using the FIFO method and are determined by physical count. Inventories consist of consumable supplies, and new computers and peripherals that have not been deployed to students.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by ECOT. An expense is reported in the year in which services are consumed.

K. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. ECOT maintains a capitalization threshold of \$5,000. ECOT does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 to 20 years
Buildings	5 to 45 years
Furniture and Other Equipment	5 to 7 years
Vehicles	6 years
Software	3 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For ECOT, deferred inflows of resources include pension. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are explained in Note 8.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Compensated Absences

Paid time off benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that ECOT will compensate the employees for the

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

benefits through paid time off or some other means. ECOT records a liability for vested paid time off up to a maximum of fifteen days at 50% for twelve month employees and 25% of unused sick time for teachers approaching retirement eligibility.

O. Security Deposits

ECOT entered into several leases for the use of the building for administration, for computer start-up costs and computer equipment; a line of credit deposit; and for use of a certain phone company for which security deposits were required to be paid at the signing of the agreement. The amounts held by the respective lessors/vendors are \$5,402,815.

P. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by ECOT or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. ECOT presently reports \$(59,038,596) as net position, all of which is imposed by external restrictions. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings for the acquisition, construction or improvement of those assets. ECOT applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of ECOT. Operating expenses are necessary costs incurred to provide the service that is the primary activity of ECOT. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	<u>Amount</u>
Net Position, June 30, 2014, as Previously Reported	\$ 31,808,560
Net Pension Liability	(94,702,294)
Deferred Outflow – Payment Subsequent to Measurement Date, June 30, 2014	5,963,194
Net Position, June 30, 2014, as Restated	\$(56,930,540)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3 - NEW PRONOUNCEMENTS

The GASB issued *Statement No. 68, Accounting and Financial Report for Pensions* in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 3 - NEW PRONOUNCEMENTS (Continued)

The GASB issued *Statement No. 69*, Government Combinations and Disposals of Government Operations in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 31, 2013, and should be applied on a prospective basis. Earlier application being encouraged.

The GASB issued *Statement 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by ECOT into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in ECOT's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At June 30, 2015, the carrying amount of all ECOT deposits was \$16,229,344. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$8,754,073 of ECOT's bank balance of \$22,031,404 was exposed to custodial risk as discussed below, while \$16,026,075 was covered by the Federal Deposit Insurance Corporation.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of bank failure, ECOT will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of ECOT.

ECOT has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with ECOT's fiscal agent or a qualified trustee by the financial institution as security for repayment, or by collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on 105% of the deposits being secured.

Investments

Interim monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days, in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments of ECOT as of June 30, 2015 were as follows:

Investment Type	Fair Value	Investment Maturities			
		6 Months or Less	19 to 24 Months	25 to 30 Months	31 to 36 Months
FHLB	501,598	0	501,598	0	0
FFCB	750,289	500,104	0	250,185	0
FHLMC	1,000,342	500,555	0	499,787	0
FNMA	747,205	0	0	0	747,205
Repurchase Agreements	2,802,626	2,802,626	0	0	0
	<u>\$5,802,060</u>	<u>\$3,803,285</u>	<u>\$ 501,598</u>	<u>\$ 749,972</u>	<u>\$ 747,205</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, ECOT's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless, at the time of making the investment, is reasonably expected to be held to its maturity. Unless matched to a specific obligation or debt of ECOT, ECOT's treasurer will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk: The Collateralized Mortgage Obligations, underlying securities for Repurchase Agreements, carry a rating of AAa by Moody's and AAA by Standard and Poor's. ECOT has no policy regarding credit risk.

Concentration of Credit Risk: ECOT places no limit on the amount it may invest in any one issuer. The following table includes the percentage of each investment type held by ECOT at June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 2,802,626	48.30%
FHLMC	1,000,342	17.24
FFCB	750,289	12.93
FNMA	747,205	12.88
FHLB	501,598	8.65
Total	<u>\$ 5,802,060</u>	<u>100.00%</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
Straight A	\$ 153,167
IDEA B	984,276
Title I School Improvement	6,280
School Improvement Grant	172,701
Title III	18,621
Title I	3,397,600
Title IIA	<u>42,151</u>
Total Intergovernmental Receivables	<u>\$ 4,774,796</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets				
Buildings and Improvements	\$ 1,831,350	\$ 554,166	\$ (0)	\$ 2,385,516
Land Improvements	960,354	0	(0)	960,354
Vehicles	33,584	0	(0)	33,584
Other Computer Equipment	2,645,121	581,164	(0)	3,226,285
Furniture & Equipment	945,009	352,951	(28,688)	1,269,272
Software	2,314,600	744,408	(1,223,504)	1,835,504
Total at Historical Cost	<u>8,730,018</u>	<u>2,232,689</u>	<u>(1,252,192)</u>	<u>9,710,515</u>
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	105,539	71,195	(0)	176,734
Land Improvements	89,442	48,018	(0)	137,460
Vehicles	10,808	5,597	(0)	16,406
Other Computer Equipment	1,012,199	562,648	(0)	1,574,846
Furniture & Equipment	433,102	140,131	(28,688)	544,545
Software	1,726,612	829,699	(1,223,504)	1,332,807
Total Accumulated Depreciation and Amortization	<u>3,377,702</u>	<u>1,657,288</u>	<u>(1,252,192)</u>	<u>3,782,798</u>
Capital Assets, Net	<u>\$ 5,352,316</u>	<u>\$ 575,401</u>	<u>\$ (0)</u>	<u>\$ 5,927,717</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 6 - CAPITAL ASSETS (Continued)

Non-depreciable capital asset activity for fiscal year ended June 30, 2015, was as follows:

Non-Depreciable Capital Assets	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 1,120,000	\$ 0	\$ (0)	\$ 1,120,000
Non-Depreciable Capital Assets	<u>\$ 1,120,000</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 1,120,000</u>

NOTE 7 - RISK MANAGEMENT

A. Insurance Coverage

Insurance Coverage

ECOT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2015, ECOT contracted with Philadelphia Indemnity Insurance Company (Philadelphia) for property, crime, equipment, general liability, automobile and sexual abuse & molestation insurance. The general liability policy is protected by Philadelphia with a \$1,000,000 each occurrence limit and a \$2,000,000 general aggregate limit. The automobile insurance includes coverage for ECOT's two owned vehicles, a 2002 Chevrolet Cavalier and a 2011 Toyota Sienna. The automobile insurance liability combined single limit is \$1,000,000 with deductibles of \$500 for comprehensive, \$1,000 for collision owned automobiles and \$1,000 for collision hired automobiles. The sexual abuse & molestation insurance coverage provides a \$1,000,000 each claim limit and a \$1,000,000 aggregate limit. Additionally, it should be noted that there were no significant reductions in insurance coverage from the prior year and no insurance settlements have exceeded insurance coverage in any of the past three years

In addition to the crime coverage provided through Philadelphia, ECOT also has an excess crime policy through National Union Fire Insurance Company / AIG. This policy has the following limits / deductibles: employee theft - \$1,750,000 (limit) / \$250,000 deductible; computer fraud - \$2,000,000 / \$10,000; and funds transfer - \$2,000,000 / \$10,000.

The educator's legal liability policy covers errors and omissions. This policy is protected by National Union Fire Insurance Company of Pittsburgh, PA / AIG, with a \$1,000,000 single occurrence limit, a \$1,000,000 aggregate limit and a \$75,000 deductible.

The security & privacy liability policy covers claims arising from ECOT's cyberspace activities. Illinois National Insurance Company / AIG protects this policy with a \$2,000,000 limit and a \$50,000 deductible.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

ECOT also has an additional miscellaneous professional liability policy for the coverage of employed lawyers. This policy is protected by Philadelphia with a \$1,000,000 aggregate limit and a \$10,000 deductible.

Providing an additional layer of risk protection, ECOT has an umbrella policy through Indemnity Insurance Company of North America / ACE Group that has a limit of liability for each incident and an annual aggregate limit of \$10,000,000. The umbrella policy provides additional coverage over all policies except the employed lawyers' policy and the security & privacy liability policy.

Also, it should be noted that to mitigate risk for one employee in Indiana and one employee in Pennsylvania, ECOT added a Workers Compensation and Employers Liability Policy through The Hartford in FY2015.

B. Workers' Compensation

ECOT pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions--between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was \$1,586,800 for fiscal year 2015. Of this amount \$(9,760) is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-

**ELECTRONIC CLASSROOM OF TOMORROW
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(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**ELECTRONIC CLASSROOM OF TOMORROW
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(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$4,626,278 for fiscal year 2015. Of this amount \$529,745 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$16,644,223	\$66,698,914	\$83,343,137
Proportion of the Net Pension			
Liability	0.360793%	0.3142759%	
Pension Expense	\$1,073,810	\$3,531,586	\$4,605,396

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
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(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$155,408	\$735,928	\$891,336
School contributions subsequent to the measurement date, June 30, 2014	<u>1,586,800</u>	<u>4,626,278</u>	<u>6,213,078</u>
Total Deferred Outflows of Resources	<u>\$1,742,208</u>	<u>\$5,362,206</u>	<u>\$7,104,414</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,963,573	#####	#####
Total Deferred Inflows of Resources	<u>\$2,963,573</u>	<u>#####</u>	<u>#####</u>

\$6,213,078 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$702,041	\$3,351,568	\$4,053,609
2017	702,041	3,351,568	4,053,609
2018	702,041	3,351,568	4,053,609
2019	702,042	3,351,569	4,053,611
Total	<u>\$2,808,165</u>	<u>\$13,406,273</u>	<u>\$16,214,438</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$23,746,361	\$16,644,223	\$10,670,711

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
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(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$95,486,766	\$66,698,914	\$42,354,077

NOTE 9 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
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(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School's surcharge obligation was \$25,178.

The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$15,868, \$14,678, and \$14,517 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

State Teachers Retirement System

Plan Description – ECOT participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$335,550, \$328,013, and \$305,547 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining paid time off are derived from negotiated agreements and State laws. Classified employees earn fifteen to twenty-five days of paid time off per year, depending upon length of service. Accumulated unused paid time off is paid to classified employees upon termination of employment up to 15 days at 50% of leave balance. Teachers and administrators, who are not on a twelve-month contract, do not earn paid time off. Teachers and counselors earn sick leave at a rate of one day per month. Sick leave may be accumulated up to thirty days for teachers and counselors. Accumulated unused sick leave is paid to teachers upon retirement up to 15 days at 25% of leave balance.

B. Employee Medical, Dental and Vision Benefits

ECOT has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full time employees who work 25 or more hours per week. ECOT pays a portion of the monthly premiums for all selected coverage (medical, dental and/or vision).

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security. As of June 30, 2015, no ECOT employees contributed to Social Security.

NOTE 11 - PURCHASED SERVICES

For the period July 1, 2014 through June 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional & Technical Services	\$ 11,456,357
Property Services	2,317,491
Travel Mileage/Meeting Expenses	849,117
Communications	10,808,740
Utilities	211,434
Contracted Trade Services	90,877
Tuition and Other Similar Payments	196,684
Pupil Transportation	5,885
Other Purchased Services	2,321,107
Total Purchased Services	<u>\$ 28,257,692</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 12 - LONG-TERM LIABILITIES

The changes in ECOT's long-term obligations during the fiscal year consist of the following:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Net Pension Liability	\$ 94,702,294	\$ 0	\$(11,359,157)	\$ 83,343,137	\$ 0
Compensated Absences	347,719	148,929	(65,286)	431,362	63,461
Notes Payable	2,162,587	2,712,224	(2,994,361)	1,880,450	1,594,872
Total Long-Term Liabilities	\$ 97,212,600	\$ 2,861,153	(\$14,418,804)	\$ 85,654,949	\$ 1,658,333

The net pension liability represents ECOT's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position (See Note 8).

Compensated absences, representing ECOT's contractually required vested paid time off which ECOT has entered into, is paid when an employee leaves ECOT's services. Compensated absences due within one year are \$63,461.

ECOT entered into a guidance line of credit in the amount of \$6,000,000 with National City Commercial Capital on June 29, 2007 for the purpose of future equipment funding requirements for the school. The line of credit is secured by a \$3,137,714 security deposit with PNC Bank. The guidance line renewal period was from June 30, 2015 through June 30, 2016. At June 30, 2015 ECOT had not borrowed on the line of credit.

ECOT entered into a line of credit in an amount not to exceed \$3,000,000 with JP Morgan Chase on June 27, 2014 for the purpose of future construction work on the building and property at 3700 South High Street. The line of credit is secured by a \$2,254,546 security deposit with PNC Bank. At June 30, 2015 ECOT had not borrowed on the line of credit.

NOTE 13 - NOTES PAYABLE

ECOT entered into numerous notes payable for the purchase of non-capitalized assets including student computers and peripherals. The amounts paid represent more than 90% of the fair market value of the computers and peripherals.

The annual requirements to amortize all notes outstanding as of June 30, 2015, including interest are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$1,594,872	\$52,175
2017	<u>285,578</u>	<u>4,683</u>
Total annual requirements	<u>\$1,880,450</u>	<u>\$56,858</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
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JUNE 30, 2015
(Continued)**

NOTE 14 - OPERATING LEASES

ECOT also entered into a lease agreement with St. Vincent DePaul for the use of property as office space and extra storage. The term of the leases commenced July 1, 2014 and matures June 30, 2015. For fiscal year 2015, ECOT paid \$38,322 in operating leases for office space and extra storage. The lease was extended on July 1, 2015 for an additional period of one year.

ECOT also entered into a lease agreement with Cologix, Inc. for the use of property, equipment, and security of ECOT's server equipment. The term of the lease commenced March 30, 2007 and matured March 30, 2009, thereafter automatically renewed on a month-to-month basis at the then-current rate. For fiscal year 2015, ECOT paid \$227,218 in operating leases for server equipment space.

ECOT also entered into a lease agreement with Harvest Investors, OSB, LLC for the use of property as office space and extra storage. The term of the leases commenced January 1, 2015 and matures December 31, 2017. For fiscal year 2015, ECOT paid \$16,703 in operating leases for office space and extra storage.

ECOT also entered into several lease agreements with Xerox, ABS, ComDoc and Océ for the use of copiers and office equipment. The terms of these leases are from 12 to 63 months.

The following minimum lease payments will be made for fiscal year ending:

<u>Fiscal Year Ending June 30</u>	
2016	\$ 71,690
2017	61,211
2018	57,972
2019	45,639
2020	9,704
Total Minimum Lease Payments	\$ 246,216

NOTE 15 - TAX EXEMPT STATUS

ECOT is approved under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization.

NOTE 16 - MANAGEMENT COMPANY

ECOT contracts with Altair Learning Management I, Inc. (Altair) for a variety of services including management of personnel and human resources, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 16 - MANAGEMENT COMPANY (Continued)

Per the management agreement with ECOT, Altair is entitled to 4% of all revenues received except federal funding. Altair is also entitled to .5% interest on any outstanding balance. The management fee for the fiscal year ended 2015 was \$4,319,135. As of June 30, 2015, all fees had been paid to Altair.

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

ECOT receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of ECOT at June 30, 2015.

B. School Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

C. Litigation

The School is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

NOTE 18 - RELATED PARTY TRANSACTIONS

ECOT contracts with IQ Innovations, LLC for the purchase of curriculum services for ECOT students. The cost of services for fiscal year ended 2015 was \$17,961,962. As of June 30, 2015, \$0 was outstanding and payable. IQ Innovations, LLC and ECOT's management company, Altair Learning Management I, Inc., have the same principal owner.

NOTE 19 - SUBSEQUENT EVENTS

On July 1, 2015, ECOT extended the lease agreement with St. Vincent DePaul for the use of property as office space in Dayton, Ohio. Monthly base rent is \$4,047.

On July 1, 2015, ECOT entered into a lease agreement with Altair Learning Management, Inc. for the use of ECOT's office space at the 3700 South High Street location. Monthly base rent is \$645.

On July 1, 2015, ECOT entered into a three-year lease agreement with Memphis Fulton Associates, LP for the use of property as office space in Cleveland, Ohio. Monthly base rent is \$6,237.

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Supplementary Information Section



Electronic Classroom of Tomorrow
Columbus, OH

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**Electronic Classroom of Tomorrow
Schedule of the School's Proportionate Share of Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)**

	<u>2014</u>	<u>2013</u>
ECOT's Proportion of Net Pension Liability	0.360793%	0.360793%
ECOT's Proportionate Share of the Net Pension Liability	\$16,644,223	\$18,259,528
ECOT's Covered-Employee Payroll	\$10,483,929	\$9,072,936
ECOT's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	158.76%	201.25%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	71.70%	65.52%

Note 1: Information prior to 2013 is not available

Source: School Employees Retirement System and school records

**Electronic Classroom of Tomorrow
Schedule of the School's Proportionate Share of Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)**

	<u>2014</u>	<u>2013</u>
ECOT's Proportion of Net Pension Liability	0.3142759%	0.3142759%
ECOT's Proportionate Share of the Net Pension Liability	\$66,698,913	\$76,442,776
ECOT's Covered-Employee Payroll	\$32,110,312	\$30,458,636
ECOT's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	207.72%	250.97%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	74.70%	69.30%

Note 1: Information prior to 2013 is not available

Source: State Teachers Retirement System and school records

ELECTRONIC CLASSROOM OF TOMORROW
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Seven Fiscal Years

	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 1,586,800	\$ 1,467,750	\$ 1,270,211	\$ 1,147,336	\$ 1,040,773	\$ 863,292	\$ 814,748
Contributions in Relation to the Contractually Required Contribution	(1,586,800)	(1,467,750)	(1,270,211)	(1,147,336)	(1,040,773)	(863,292)	(814,748)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District Covered-Employee Payroll	\$11,334,286	\$10,483,929	\$9,072,936	\$8,195,257	\$7,434,093	\$6,166,371	\$5,819,629
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Note 1: Information prior to 2009 is not available
Source: School Employees Retirement System

ELECTRONIC CLASSROOM OF TOMORROW
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 4,626,278	\$ 4,495,444	\$ 4,264,209	\$ 3,388,527	\$ 2,946,367	\$ 2,608,741	\$ 2,385,916	\$ 1,859,082	\$ 1,613,630	\$ 1,296,115
Contributions in Relation to the Contractually Required Contribution	<u>(4,626,278)</u>	<u>(4,495,444)</u>	<u>(4,264,209)</u>	<u>(3,388,527)</u>	<u>(2,946,367)</u>	<u>(2,608,741)</u>	<u>(2,385,916)</u>	<u>(1,859,082)</u>	<u>(1,613,630)</u>	<u>(1,296,115)</u>
Contribution Deficiency (Excess)	<u>\$0</u>									
School District Covered-Employee Payroll	\$33,044,845	\$32,110,312	\$30,458,636	\$24,203,767	\$21,045,480	\$18,633,862	\$17,042,261	\$13,279,156	\$11,525,927	\$9,257,965
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Source: State Teachers Retirement System



Statistical Section

ecot

Electronic Classroom of Tomorrow
Columbus, OH

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Statistical Section

This part of the School's Comprehensive Annual Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School's overall financial health.

Contents	Page(s)
Financial Trends	
These schedules contain trend information to help the reader understand how the School's financial position has changed over time.	49-52
Revenue Capacity	
These schedules contain information to help the reader understand and access the factors affecting the School's ability to generate its most significant revenue sources.	53-56
Debt Capacity	
This schedule presents information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	57
Demographic and Economic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the School's financial activities take place and to provide information that facilitates comparison of financial information over time.	58-59
Operating Information	
These schedules contain data to help the reader understand how the School's financial report relates to the services the School provides and the activities it performs.	60-61

**Electronic Classroom of Tomorrow
Operating Expenses
Fiscal Years 2006 to 2015**

Year	Salaries	Fringe Benefits	Purchased Services	Materials & Supplies	Merit Incentives	Depreciation/Amortization	Judgments	Other	Total	FTE Enrollment	Per Pupil Expense
2015	\$44,382,042	\$16,009,268	\$28,257,692	\$23,553,183	\$ 579,024	\$1,657,289	\$ 0	\$856,372	\$115,294,870	15,087	\$7,642
2014	\$42,538,404	\$14,882,477	\$30,957,632	\$20,816,196	\$ 966,014	\$1,591,393	\$ 0	\$925,983	\$112,678,099	14,561	\$7,738
2013	\$38,426,868	\$13,537,698	\$24,585,349	\$19,364,690	\$ 783,393	\$1,660,108	\$ 0	\$462,935	\$ 98,821,041	13,721	\$7,202
2012	\$33,275,317	\$11,265,463	\$19,979,516	\$23,618,004	\$ 576,805	\$1,482,566	\$ 0	\$280,233	\$ 90,477,904	12,208	\$7,411
2011 As Restated	\$28,463,938	\$ 8,776,774	\$19,276,657	\$14,729,058	\$ 991,456	\$3,247,243	\$ 0	\$368,186	\$ 75,853,312	10,404	\$7,291
2010	\$24,985,760	\$ 8,538,126	\$15,187,314	\$12,601,919	\$ 0	\$2,439,126	\$1,311,373	\$583,371	\$ 65,646,989	9,214	\$7,125
2009	\$23,414,937	\$ 7,108,112	\$13,937,395	\$12,930,344	\$ 0	\$3,105,639	\$ 0	\$405,389	\$ 60,901,816	8,742	\$6,967
2008	\$19,644,908	\$ 5,947,555	\$14,297,000	\$12,324,862	\$ 0	\$3,234,316	\$ 0	\$393,316	\$ 55,841,957	7,954	\$7,021
2007	\$15,623,636	\$ 4,662,075	\$14,888,917	\$ 9,709,871	\$ 0	\$2,511,356	\$ 0	\$274,375	\$ 47,670,230	7,165	\$6,653
2006	\$13,288,012	\$ 3,672,413	\$19,440,520	\$ 2,072,635	\$ 0	\$2,199,468	\$ 0	\$342,923	\$ 41,015,971	6,597	\$6,217

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Expenses
Fiscal Years 2006 to 2015**

Year	Pension Expense	Interest and Fiscal Charges	Loss on Disposal of Capital Assets	Total
2015	\$ 4,605,396	\$ 124,088	\$ 0	\$ 4,729,484
2014	\$ 0	\$ 128,614	\$ 0	\$ 128,614
2013	\$ 0	\$ 126,159	\$ 0	\$ 126,159
2012	\$ 0	\$ 87,972	\$ 0	\$ 87,972
2011	\$ 0	\$ 74,725	\$ 0	\$ 74,725
2010	\$ 0	\$ 136,776	\$ 155,657	\$ 292,433
2009	\$ 0	\$ 187,216	\$ 0	\$ 187,216
2008	\$ 0	\$ 236,014	\$ 0	\$ 236,014
2007	\$ 0	\$ 285,388	\$ 0	\$ 285,388
2006	\$ 0	\$ 258,715	\$ 103,913	\$ 362,628

Source: School Financial Records

**Electronic Classroom of Tomorrow
Net Position
Fiscal Years 2006 to 2015**

<u>Year</u>	<u>Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total End of Year Net Position</u>	<u>Fiscal Year Change in Net Position</u>
2015	\$ 7,047,717	\$ 9,387,472	\$(75,473,785)	\$(59,038,596)	\$(2,108,056)
2014 As Restated	\$ 6,472,316	\$ 12,394,084	\$(75,796,940)	\$(56,930,540)	\$ 2,147,894
2013	\$ 5,687,774	\$ 7,070,271	\$ 16,902,621	\$29,660,666	\$ 3,118,068
2012	\$ 6,113,444	\$ 6,137,664	\$ 14,291,490	\$26,542,598	\$(2,239,649)
2011 As Restated	\$ 5,940,970	\$ 8,514,791	\$ 14,326,486	\$28,782,247	\$ 7,427,677
2010	\$ 4,128,719	\$ 6,660,369	\$ 10,565,482	\$21,354,570	\$ 4,794,223
2009	\$ 2,384,323	\$ 4,425,969	\$ 9,750,055	\$16,560,347	\$ 3,270,977
2008	\$ 4,552,501	\$ 4,774,790	\$ 3,962,079	\$13,289,370	\$ 887,598
2007	\$ 3,551,690	\$ 4,983,180	\$ 3,866,902	\$12,401,772	\$ 2,447,742
2006	\$ 2,845,586	\$ 2,268,409	\$ 4,840,035	\$ 9,954,030	\$ 3,661,934

Source: School Financial Records

**Electronic Classroom of Tomorrow
Full-Time Equivalent (FTE) Enrollment
Fiscal Years 2006 to 2015**

<u>YEAR</u>	<u>FTE Enrollment</u>
2015	15,087
2014	14,561
2013	13,721
2012	12,208
2011	10,404
2010	9,214
2009	8,742
2008	7,954
2007	7,165
2006	6,597

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Operating Revenues
Fiscal Years 2006 to 2015**

Year	Foundation Payments	Special Education	Other	Total
2015	\$ 87,816,565	\$ 16,915,916	\$ 1,121,436	\$ 105,853,917
2014	\$ 83,643,884	\$ 15,631,818	\$ 942,835	\$ 100,218,537
2013	\$ 78,004,989	\$ 10,413,423	\$ 1,507,017	\$ 89,925,429
2012	\$ 69,714,436	\$ 9,059,848	\$ 177,536	\$ 78,951,820
2011	\$ 55,143,440	\$ 7,280,627	\$ 1,504,647	\$ 63,928,714
2010	\$ 49,302,474	\$ 6,519,598	\$ 409,788	\$ 56,231,860
2009	\$ 50,401,427	\$ 7,141,838	\$ 222,173	\$ 57,765,438
2008	\$ 44,655,229	\$ 6,075,226	\$ 227,845	\$ 50,958,300
2007	\$ 39,390,237	\$ 4,868,640	\$ 146,104	\$ 44,404,981
2006	\$ 36,071,852	\$ 3,771,914	\$ 98,523	\$ 39,942,289

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Revenues
Fiscal Years 2006 to 2015**

Year	Non-Operating Grants	Interest	Other	Total
2015	\$ 11,970,364	\$ 92,017	\$ 0	\$ 12,062,381
2014	\$ 14,659,743	\$ 76,327	\$ 0	\$ 14,736,070
2013	\$ 12,065,892	\$ 73,947	\$ 0	\$ 12,139,839
2012	\$ 9,304,276	\$ 70,131	\$ 0	\$ 9,374,407
2011	\$ 19,348,755	\$ 68,497	\$ 9,748	\$ 19,427,000
2010	\$ 14,414,911	\$ 86,874	\$ 0	\$ 14,501,785
2009	\$ 6,446,335	\$ 137,216	\$ 11,020	\$ 6,594,571
2008	\$ 5,526,700	\$ 480,010	\$ 559	\$ 6,007,269
2007	\$ 5,465,808	\$ 531,086	\$ 1,485	\$ 5,998,379
2006	\$ 4,854,435	\$ 243,809	\$ 0	\$ 5,098,244

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Grant Revenue By Source
Fiscal Years 2006 to 2015**

Year	TITLE I	TITLE II	TITLE IV	TITLE V	IDEA-B GRANT	SUBGRANT	OTHER	SFSF Funds	ARRA Funds	TOTAL
2015	\$ 8,147,369	\$ 146,661	\$ 0	\$ 0	\$ 3,318,301	\$ 0	\$ 358,033	\$ 0	\$ 0	\$ 11,970,364
2014	\$ 7,244,471	\$ 119,309	\$ 0	\$ 0	\$ 3,078,838	\$ 0	\$ 4,217,125	\$ 0	\$ 0	\$ 14,659,743
2013	\$ 7,018,703	\$ 170,814	\$ 0	\$ 0	\$ 3,817,754	\$ 0	\$ 1,197,597	\$ 0	\$ (138,976)	\$ 12,065,892
2012	\$ 6,452,570	\$ 149,047	\$ 0	\$ 0	\$ 2,146,640	\$ 0	\$ 701,484	\$ 0	\$ (145,465)	\$ 9,304,276
2011	\$ 4,943,477	\$ 265,570	\$ 0	\$ 0	\$ 2,071,940	\$ 0	\$ 3,848,909	\$ 5,312,880	\$ 2,905,979	\$ 19,348,755
2010	\$ 5,262,019	\$ 327,232	\$ 52,488	\$ 0	\$ 1,977,319	\$ 0	\$ 47,977	\$ 3,834,215	\$ 2,913,661	\$ 14,414,911
2009	\$ 4,284,443	\$ 283,400	\$ 44,439	\$ 4,461	\$ 1,829,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,446,335
2008	\$ 3,075,394	\$ 229,244	\$ 60,489	\$ 13,906	\$ 2,009,755	\$ 0	\$ 137,912	\$ 0	\$ 0	\$ 5,526,700
2007	\$ 3,331,459	\$ 105,909	\$ 90,226	\$ 218,995	\$ 1,719,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,465,808
2006	\$ 2,810,173	\$ 37,922	\$ 72,835	\$ 209,802	\$ 1,454,698	\$ 0	\$ 269,004	\$ 0	\$ 0	\$ 4,854,434

Note: 2015 Other includes \$2,054 for Race to the Top, (\$17,462) for Title I SI, \$360,540 for School Improvement Grant, and \$12,901 for Title III.

Source: School Financial Records

**Electronic Classroom of Tomorrow
State Basic Aid – Per Pupil Funding Amount
Fiscal Years 2006 to 2015**

Year	Per Pupil Funding	Cost of Doing Business Factor	Total Per Pupil Funding
2015	\$ 5,800	N/A	\$ 5,800
2014	\$ 5,745	N/A	\$ 5,745
2013	\$ 5,653	N/A	\$ 5,653
2012	\$ 5,653	N/A	\$ 5,653
2011	\$ 5,703	N/A	\$ 5,703
2010	\$ 5,718	N/A	\$ 5,718
2009	\$ 5,732	N/A	\$ 5,732
2008	\$ 5,565	N/A	\$ 5,565
2007	\$ 5,403	1.0161	\$ 5,490
2006	\$ 5,283	1.0318	\$ 5,451

Note 1: The Cost of Doing Business Factors are determined by the State of Ohio and vary by region. In FY08, the Cost of Doing Business Factor has been eliminated.

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Ratios of Outstanding Debt by Type
Fiscal Years 2006 to 2015**

<u>Fiscal Year</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Per ADM</u>
2015	\$ 1,880,450	\$ 0	\$ 124
2014	\$ 2,162,587	\$ 0	\$ 148
2013	\$ 1,084,254	\$ 0	\$ 79
2012	\$ 1,977,893	\$ 0	\$ 162
2011	\$ 0	\$ 785,487	\$ 75
2010	\$ 0	\$ 408,212	\$ 44
2009	\$ 0	\$ 2,940,938	\$ 336
2008	\$ 0	\$ 1,549,268	\$ 195
2007	\$ 0	\$ 3,106,674	\$ 434
2006	\$ 0	\$ 3,043,780	\$ 461

Source: School Financial Records

**Electronic Classroom of Tomorrow
Student Population by Resident District
2015 Fiscal Year**

Resident District	Percent
Columbus City	11.02%
Cleveland	6.96%
Dayton	3.22%
South-Western	2.80%
Cincinnati Public	2.27%
Akron	1.67%
Toledo	1.54%
Groveport Madison	1.21%
Parma	1.21%
Hamilton	1.20%
All Other Districts	66.90%

Note 1: The School draws its student population from 594 school districts. District representing less than 1% of the student population have been combined under the heading "All Other Districts". The school has open enrollment and draws its population from a large surrounding area. The traditional school district that the student resides in is referred to as the Resident District.

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Demographic And Economic Statistics
Calendar Years 2004 to 2013**

Calendar Year	Population (in thousands)		Per Capita Personal Income		Civilian Labor Force				Public School Enrollment In Ohio (in thousands)	Motor Vehicles Registered In Ohio (in thousands)
	U.S.	Ohio	U.S.	Ohio	Ohio's Unemployment Rate	Ohioans Employed (in thousands)	Ohio As a Percentage Of U.S.			
2013	316,129	11,571	\$44,543	\$40,865	7.4%	6,663	91.7%	1,845	11,998	
2012	313,914	11,544	\$42,693	\$40,057	7.2%	6,617	93.8%	1,850	11,840	
2011	311,592	11,545	\$41,663	\$37,791	8.6%	6,521	90.7%	1,860	11,788	
2010	309,350	11,536	\$39,945	\$36,180	10.1%	6,454	90.6%	1,872	12,027	
2009	307,007	11,543	\$39,138	\$35,381	10.2%	6,469	90.4%	1,893	11,792	
2008	304,060	11,486	\$39,751	\$35,511	6.5%	6,819	89.3%	1,882	11,945	
2007	301,621	11,467	\$38,611	\$34,874	5.6%	6,829	90.3%	1,890	12,022	
2006	299,398	11,478	36,276	33,338	5.5%	6,894	91.9%	1,835	12,128	
2005	296,410	11,464	34,495	31,867	5.9%	6,792	92.4%	1,845	12,018	
2004	293,655	11,459	33,041	31,135	6.1%	6,733	94.2%	1,844	12,192	

Source: State of Ohio 2014 Comprehensive Annual Financial Statement. Calendar Year 2013 is the most current data available.

**Electronic Classroom of Tomorrow
Miscellaneous Staff and Student Statistics
Fiscal Years 2006 to 2015**

<u>Year</u>	<u>Instructional Staff</u>	<u>Total Staff</u>	<u>Instructional Staff/ Student Ratio</u>	<u>Number of Current Graduates</u>	<u>Number of Graduates Since Inception</u>
2015	691	1,085	21:1	2,363	17,467
2014	680	1,078	21:1	2,386	15,104
2013	642	987	21:1	2,582	12,718
2012	560	885	22:1	2,266	10,136
2011	537	816	19:1	1,718	7,870
2010	458	682	20:1	1,563	6,152
2009	432	639	20:1	1,252	4,589
2008	379	576	21:1	955	3,337
2007	324	490	23:1	657	2,382
2006	253	398	26:1	780	1,725

Source: School Records

**Electronic Classroom of Tomorrow
Miscellaneous Facility Statistics**

School Address: 3700 South High Street
Columbus, OH

Square Footage: 145,000

Date of Incorporation: February 11, 2000

Source: School Records



Dave Yost • Auditor of State

ELECTRONIC CLASSROOM OF TOMORROW

FRANKLIN 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
DECEMBER 22, 2015**