



Dave Yost • Auditor of State

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Expenditures of Federal Awards (Prepared by Management)	1
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management).....	2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	5
Schedule of Findings.....	9
Summary Schedule of Prior Audit Findings (Prepared by Management).....	22
Corrective Action Plan (Prepared by Management)	23

THIS PAGE INTENTIONALLY LEFT BLANK

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$7,218,275
Special Education Cluster:		
Special Education Grants to State	84.027	3,633,072
School Improvement Grants	84.377	420,203
Improving Teacher Quality State Grants	84.367	74,950
English Language Acquisition State Grants	84.365	9,003
		<hr/>
Total U.S. Department of Education		11,355,503
Total Expenditures of Federal Awards		<u>11,355,503</u>

The accompanying notes are an integral part of this schedule.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Electronic Classroom of Tomorrow (the School's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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 95
Columbus, Ohio 43207

To the Board of Directors:

We were engaged to audit 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, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 25, 2018, wherein we noted the School has ongoing litigation with the Ohio Department of Education (ODE), the School has suffered recurring losses from operations and has a net position deficiency raising substantial doubt about its ability to continue as a going concern, and the Sponsor has suspended School operations as of January 18, 2018. In addition, our report disclaims an opinion on such financial statements because management did not provide the Auditor of State with certain representations as required by Auditing Standard Section AU-C Section 580, *Written Representations*.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the School, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

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 a 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. We consider finding 2017-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-002 and 2017-003 described in the accompanying schedule of findings to be significant deficiencies.

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 engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-004.

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.



Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2018



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 THE UNIFORM GUIDANCE

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 95
Columbus, Ohio 43207

To the Board of Directors:

Report on Compliance for the Major Federal Program

We were engaged to audit the Electronic Classroom of Tomorrow's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate evidence to opine on the School's major Federal program.

Basis for Disclaimer of Opinion

Management has not provided the Auditor of State certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's accounting basis, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the School's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws,

regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all federal assistance programs, and compliance with federal grant requirements.

Disclaimer of Opinion

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the School's compliance with the compliance requirements applicable to its major program for the year ended June 30, 2017.

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 engagement, 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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We were also engaged to audit the financial statements of the Electronic Classroom of Tomorrow (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our disclaimer of opinion thereon dated April 25, 2018 because management did not provide the Auditor of State with certain representations as required by Auditing Standard Section AU-C Section 580, *Written Representations*. We also noted the School has ongoing litigation with the Ohio Department of Education (ODE), the School has suffered recurring losses from operations and has a net position deficiency raising substantial doubt about its ability to continue as a going concern, and the Sponsor has suspended School operations as of January 18, 2018.

The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Due to the significance of the matters discussed in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion if 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

April 25, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Disclaimer
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control 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	Disclaimer
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 – Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

Full-Time Equivalent (FTE) Reporting – Material Weakness / Material Non-Compliance

Ohio Rev. Code § 3314.08(H) requires, in relevant part, the Ohio Department of Education (ODE) to adjust the amounts subtracted and paid under division (C) of that section to reflect the enrollment in community schools of students for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, was obligated to act under Chapter 119 of the Revised Code to adopt rules governing the payments to community schools under the section including initial payments in a school year, adjustments, and reductions made in subsequent periodic payments to community schools, and in corresponding deductions from school district accounts, as provided under division (C) of the section.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-001 (Continued)

Full-Time Equivalent (FTE) Reporting – Material Weakness / Material Non-Compliance (Continued)

Ohio Rev. Code § 3314.08(H)(3) provides, "The department shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year."

Additionally, ODE has issued supplemental guidance regarding how community schools should adjust a student's FTE for reporting within EMIS. Page 18 of the FY17 FTE Review Manual (the Manual), issued by ODE on August 31, 2016, states "At the end of the school year, the school will adjust the percent of time element to precisely reflect the student's documented hours of participation in learning opportunities provided by the school." The Manual describes in more detail how schools are expected to document participation in learning opportunities both online and offline. For example, "If the school can document 920 hours of student participation in learning opportunities, the student will be reported as 1.00 FTE, but if it can only document 690 hours of student work in that way the student will be reported as 0.75 FTE. Any student with documented hours in excess of 920 hours will be reported as 1.00 FTE."

ECOT's procedure to report FTE during fiscal year 2017 was to assess FTE based on the period between a student's enrollment date and withdrawal date, if applicable, or the last day of school. If a student was enrolled for the entire school year ECOT reported in EMIS an FTE of 1.00 for the student. Similarly, if a student was only enrolled for half of the school year ECOT would have reported in EMIS an FTE of 0.50 for the student. While ECOT did have policies and procedures in place during the audit period to capture the duration of time a student was engaged in learning opportunities, ECOT did not adjust FTEs within EMIS after year-end based on the duration of time engaged in learning for each student. Therefore, ECOT over reported FTEs.

The Ohio Department of Education (ODE) performed an FTE review for fiscal year 2017 over the number of FTEs that ECOT reported within EMIS. In a letter dated September 28, 2017, ODE informed ECOT that a final determination was made for 11,575.47 FTEs, which is 18.5 percent less than the 14,203.03 FTEs ECOT reported for funding. The lowered FTE determination was made after ODE reviewed the records of 50 students enrolled at ECOT during the 2016-2017 school year for which durational data provided by ECOT did not support the FTEs reported for those students.

Although a liability amount was not determined by ODE within the aforementioned letter, ODE stated that it would begin withholding 18.5 percent of ECOT's future FTE-based payments to reflect the amount of FTEs ECOT is likely to be able to substantiate going forward. ECOT has appealed this determination as allowed by Ohio Rev. Code Section 3314.08(K).

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-001 (Continued)

Full-Time Equivalent (FTE) Reporting – Material Weakness / Material Non-Compliance (Continued)

We recommend ECOT review the current statutory requirements and guidance issued by ODE, including the FTE Review Manual and other guidance available on ODE's website, to determine what documentation is needed to support FTE as well as how to adjust the FTE reported for funding within EMIS based on durational data obtained for each student.

Officials' Response: We did not receive a response from Official's to the above finding.

FINDING NUMBER 2017-002

Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency

The Fiscal Year 2017 FTE Review Manual (the Manual) issued by the Ohio Department of Education (ODE) on August 31, 2016 states on page 22 that "eSchools may have systems that track learning opportunity participation that take place within the school's online system. If an eSchool's online system has this capability, then the school must produce Excel spreadsheets showing the daily/weekly/monthly accounting of learning opportunities and the final total of all online learning opportunities that the student participated in and were tracked by the eSchool's system."

The Manual also provides further guidance regarding the documentation of learning opportunities that are not tracked by the school's online system. Guidance is provided for what documentation requirements exist as well as an "Alternative Learning Opportunity Documentation Log" which schools may utilize to document such learning opportunities.

ECOT is an e-school and received an FTE review performed by ODE in accordance with the 2017 FTE Review Manual noted above. For this review, ODE selected 50 students to review detailed documentation for the participation of learning opportunities. During our compliance testing, the Auditor of State (AOS) received the same information for the 50 students that was provided to ODE. AOS separately performed additional analysis over the 50 students, along with detailed substantive testing over five individual students within this selection. Substantive testing included a comparison of the number of hours and FTEs reported for funding purposes by ECOT with the underlying support for those hours. For each student selected by AOS, we noted that ECOT improperly reported FTEs based on a student's enrollment period rather than based on the student's documented number of hours participating in learning opportunities. This testing resulted in a Material Weakness reported separately. AOS also performed a deeper analysis regarding the quality and reliability of the source data used to track student participation, which is detailed below.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

**Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency
(Continued)**

Durational Sources Fiscal Year 2016 and Fiscal Year 2017

<i>Data Source</i>	<i>Number of Records¹ (Fiscal Year 2016)</i>	<i>% of Total</i>	<i>Number of Records (Fiscal Year 2017)</i>	<i>% of Total</i>	<i>Records Increased Between Years</i>
IQuity	4,186,943	64.00%	4,355,707	2.06%	168,764
SEP Logins	2,261,727	34.57%	2,283,053	1.08%	21,326
Collaborate	35,049	0.54%	896,758	0.42%	861,709
CRM	34,694	0.53%	117,247	0.06%	82,553
Self-Reported	0	0.00%	4,752,184	2.25%	4,752,184
ActivTrak	0	0.00%	197,691,197	93.56%	197,691,197
Miscellaneous /3rd Party Vendors	23,836	0.36%	1,202,446	0.57%	1,178,610
Total	6,542,249	100.00%	211,298,592	100.00%	204,756,343

AOS was also provided a detailed list from ECOT which outlined all potential data sources for hours of participation available. This list detailed 31 different data sources which include IQuity, the Learning Management System (LMS) utilized by the school, other online software, vendors who provide curriculum material, as well as noncomputer sources like field trip and physical education logs. AOS performed an analysis over these sources (see table above). It was noted that for fiscal year 2016, ECOT obtained a record count (unique data sources for all students) of 6,542,249 records. For fiscal year 2017 this record count increased to 211,298,592 records across all sources of data. One source utilized by ECOT in fiscal year 2017 that was not used in the prior year is a program called ActivTrak. ActivTrak as a data source is responsible for 197,691,197 records of the total record count for fiscal year 2017. ActivTrak, therefore, comprised 93.56% of all durational data provided to ODE for the FTE review performed over ECOT for fiscal year 2017.

ActivTrak is a software program that is installed on computers owned by ECOT and provided to students, but is not installed on computers that are not owned by the school. This program is able to track essentially any and all time spent within any application, program, or website.

¹ A record in this instance is a single row of durational data which would indicate a student participating in learning opportunities. Each record could range from one second to several hours.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

**Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency
(Continued)**

ActivTrak operates on a continuous basis when installed on a computer logging the use of both applications and websites by the end user (students in this scenario). ActivTrak is able to recognize what the “active window” is on the end user’s computer. For instance, if a student opens Microsoft Word, ActivTrak recognizes that Word is now the active window and tracks the beginning time that it became active and will document the time when Word is no longer the active window, which allows for a durational component to be easily calculated down to the second. If that same student opens Microsoft Outlook, Word will no longer be the active window on the student’s computer and is replaced by Outlook. This action creates a new record of data. To further clarify, if a student opens Word and works in it for sixty seconds, clicks over to Outlook for thirty seconds, then returns to Word for another sixty seconds; ActivTrak will have recorded three distinct and separate records for reporting purposes. An Excel spreadsheet would show three rows of data each with their own begin and end times and an associated duration. The total of these three durations would equal one hundred fifty seconds.

In the above example, a very limited amount of data for each of the three active windows was provided by ECOT as support of that student’s participation in learning opportunities. AOS interviewed the President and Co-founder of ActivTrak (the President), in order to clarify the functionality and reporting capabilities of ActivTrak. According to the President, an Activity Log documents the same default data fields every time the user switches their active window. The default data fields include: whether or not a screenshot was taken, date/time spent, device, IP address, login domain, user, duration, titlebar (of active window), executable (if an action is activated by the end user’s device), description or title of the current active window, and URL if applicable. ActivTrak always captures the default data fields and this functionality cannot be altered by the customer (in this scenario ECOT).

ActivTrak collects data on the end user’s device which is then sent via the internet to a server which is hosted by Amazon Web Services. The President stated that certain large clients, such as ECOT, would require their own separate server due to the vast amount of data being stored. The data sent to the Amazon servers is maintained in its raw format and cannot be altered by the customer.

ActivTrak customers can either purchase the base service or an advanced version of the service. The primary and relevant difference between base and advanced versions of ActivTrak is their reporting functionality. The base version allows customers to run stock reports via the online user portal. These stock reports include productivity reports, top website/application reports, top categories reports, top users reports, as well as an activity log. Customers also may employ ActivTrak’s filtering capabilities to filter by groups, users, devices, or other information.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency (Continued)

Advance version customers of ActivTrak are given direct access to the raw data in a read-only format. This capability allows a larger customer to import raw data to their own servers or data warehouses. Once a customer has imported the information, they may use it to create customized, advanced reports as the customer sees fit. Large customers such as ECOT maintain their own data warehouse and utilize software that would allow them to query the data and create reports based on specific information relevant to them.

While ECOT would be able to customize and generate reports as they see fit, the original, unaltered read-only information would be maintained on the servers. ECOT, or any other customer, would not be able to alter, change, or manipulate the read-only data. Another feature inherent within ActivTrak is the idle time function. ActivTrak recognizes keystrokes, mouse movement, mouse clicks, or use of the mouse scroll-wheel for the purposes of identifying idle time. After two minutes with no activity, as defined by use of the keyboard or mouse, has been registered, ActivTrak begins tracking time as idle. For reporting purposes, ActivTrak will report two separate pools of duration: active and idle. The President stated that it is impossible for the two minute idle time feature to be changed or removed as it is hard coded into the functionality of the software.

An additional feature within ActivTrak is the ability for the customer to define applications or websites accessed by the end user as either productive or unproductive. Once applications and websites are defined, the customer may produce reports related to productive and unproductive activity by the end user. A school may define Microsoft Office applications as productive, while defining other programs such as media players or video games as unproductive. The school may also define certain websites such as Wikipedia, Khan Academy, or others as productive, but define social media websites like Facebook or Twitter as unproductive. As applications or websites are accessed by students for the first time, ActivTrak places these in the undefined category and requires the school to manually determine these as productive or unproductive. The school can then filter out a student's time when reporting participation in learning opportunities to reflect only those activities which are defined as productive. While the determination of an application or website as productive is a subjective matter, and not fully defined by ODE, schools have the option of reporting time based off stricter standards. The ActivTrak information obtained by AOS which was also used to report FTEs by ECOT did not differentiate between productive and unproductive activities engaged in by their students.

Of the 50 students analyzed by AOS, 40 of these students' time provided in Excel spreadsheet format consisted heavily of ActivTrak information ranging from 20% to 99%. (See the below table for analysis of the top 20 ActivTrak usage amounts out of the 50 students analyzed by AOS.) ActivTrak data was presented as a unique row of data within a spreadsheet detailing an Engagement Date, Start Time, End Time, and Duration in Seconds. However, ActivTrak time detailed in these spreadsheets did not provide any further information, such as what program, application, or website a student was spending their time within. No evidence of idle time was identified, reported, or removed in the documentation provided to AOS, and there was no identification of productive versus unproductive time. Therefore, AOS was unable to determine how much of the time presented by ECOT for review was time spent by a student participating in actual learning opportunities and how much of the time presented was spent idle or on activities not educational in nature.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

**Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency
(Continued)**

Often an individual student's spreadsheet submitted as FTE support would contain thousands and sometimes tens of thousands of rows of data. It was also noted in one student's case that the student had 8,857.89 hours of ActivTrak time during Fiscal Year 2017 (July 1, 2016 to June 30, 2017), which is 97.89 hours more than what is possible in an entire year. (One year is equal to 8,760 hours.)

Fiscal Year 2017 - ActivTrak as a Percentage of All Durational Records

<i>Student</i>	<i>ActivTrak Hours</i>	<i>Total Durational Hours</i>	<i>% ActivTrak</i>
1	8,857.89	9,573.46	92.53%
2	6,928.53	8,461.29	81.89%
3	5,659.36	6,534.60	86.61%
4	5,390.22	7,526.98	71.61%
5	5,351.00	7,077.91	75.60%
6	5,134.19	6,410.46	80.09%
7	5,095.76	5,815.94	87.62%
8	4,973.10	5,750.73	86.48%
9	4,050.12	4,113.82	98.45%
10	3,545.20	3,970.83	89.28%
11	3,474.60	3,518.89	98.74%
12	3,125.36	3,503.71	89.20%
13	2,998.54	3,917.81	76.54%
14	2,288.05	2,439.21	93.80%
15	2,229.52	2,652.02	84.07%
16	2,024.34	2,317.42	87.35%
17	1,968.50	2,097.40	93.85%
18	1,830.86	2,230.82	82.07%
19	1,196.16	1,310.00	91.31%
20	1,165.29	1,169.09	99.68%
Total	77,286.57	90,392.39	85.50%

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

**Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency
(Continued)**

Of the 50 students reviewed by AOS, ActivTrak time alone consisted of 85,890.71 hours. ECOT's school calendar for each student is 921.29 hours for the entire school year. ActivTrak was capturing any and all time that a computer was powered on (and not necessarily being utilized for educational purposes), many times capturing over 20 hours in a single day. Although thousands of hours were being captured per student, ECOT utilizes a proprietary coding within their data warehouse that is able to identify when durational data from one or more source overlapped or duplicated times. Overlapped and duplicated times identified are not reported for FTE funding. The code used by ECOT is also able to properly identify time captured in excess of 10 hours in any 24-hour consecutive period, which is reduced to a maximum of 10 hours for reporting purposes as required by Ohio Rev. Code Section 3314.08(H)(3).

ECOT provided AOS with spreadsheets that documented the number of durational hours for each student enrolled during fiscal year 2017 as well as each student's associated FTE. There are three different hour totals presented for each student: total enrollment hours, total durational hours (capped and reduced based on enrollment) and total durational hours (before capping based on enrollment).

Total enrollment hours are the number of hours that a student could potentially obtain in accordance with the school's calendar. For instance a student who is enrolled for an entire school year could obtain up to 921.29 which would result in 1.00 FTE. A student who is enrolled for half a school year could obtain half the hours and obtain a potential 0.50 FTE.

Total durational hours are the total number of hours that a student would have participated in learning opportunities. These hours are determined by the school's tracking techniques whether in their LMS or by other means, such as third party software like ActivTrak, or student self-reporting. Schools are required to capture this durational time and then cap hours to a maximum of 10 per day. Schools are also required to reduce these hours for time that does not represent participation in learning opportunities, or time that would have already been captured and reported separately. For example, if ActivTrak captured a student's participation on a certain day from 8:00AM to 4:00PM, but the student self-reported additional time from 2:00PM to 6:00PM, a total of 8 hours from ActivTrak is captured and a total of 4 hours is captured from the student's self-reporting, for a total of 12 hours for that day. The school would need to cap the hours for that day to 10 hours, and reduce the overlapping times from 2:00PM to 4:00PM. The total duration would be 12 hours, while the claimed duration would be reduced and capped at 10 hours, from 8:00AM to 6:00PM.

For the five students AOS tested in detail, we examined the three different sets of hours (see table below). ECOT reported their FTE based on a student's enrollment hours, as was their practice in previous years. In ODE's FTE review letter dated September 28, 2017, ODE determined that of the 14,203.03 FTE reported by ECOT; only 11,575.47 FTEs could be substantiated. Based on AOS review, the FTE amount determined by ODE is closely matched to the total durational hours (capped and reduced) reported by ECOT.

For Fiscal Year 2017, ECOT students as a whole totaled 13,184,067.81 enrollment hours, which translates to 14,310.44 FTEs based on a calendar of 921.29 hours. This calculated FTE varies from ECOT's reported FTE of 14,203.03 by 107.41.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency (Continued)

In this same year, ECOT students also totaled 23,753,676.88 of durational hours before being reduced and capped based on enrollment, which would equal 25,783.06 FTEs based on a calendar of 921.29 hours. These hours are after ECOT utilizes their proprietary coding noted above. Total raw hours including ActivTrak and other sources would likely be significantly more.

Finally, ECOT students totaled 10,882,944.67 durational hours capped based on enrollment, which equals 11,812.72 FTEs based on a calendar of 921.29. This calculated FTE varies from ODE’s final determined FTE of 11,575.47 by 237.45. This is indicative that based on the number of durational hours capped to enrollment varies only 2% from ODE’s final FTE determination and that ODE mostly accepted ECOT provided support.

<i>Student</i>	<i>Total Enrollment Hours</i>	<i>Total Durational Hours (Capped and Reduced)²</i>	<i>Total Durational Hours (Uncapped)³</i>	<i>Additional Hours Captured but Reduced</i>	<i>Total ActivTrak Hours Captured⁴</i>	<i>Unique Lines of ActivTrak Data⁵</i>
1	920.00	920.00	3,917.81	2,997.81	2,998.54	13,525
2	315.14	315.13	2,317.42	2,002.29	2,024.34	12,779
3	747.18	747.18	1,470.57	723.39	761.74	28,333
4	899.67	394.02	428.22	34.20	8.30	49
5	920.00	530.07	641.71	111.64	0.00	0
Total	3,801.99	2,906.40	8,775.73	5,869.33	5,792.92	54,686

² These hours represent the total aggregated number of durational hours captured by the School from all sources and has been reduced to not exceed the enrollment period of a student.

³ Uncapped hours represent the total aggregated number of durational hours captured by the School from all sources before reducing the hours to not exceed a student’s enrollment period. These hours are adjusted from the raw time data to account for duplication and the 10-hour rule.

⁴ Total ActivTrak hours represents the number of hours captured by ActivTrak according to source data before the School adjusted these times to remove duplication and the 10-hour rule.

⁵ A unique line of data represents a row of data with an engagement date, start time, end time, and calculated duration in seconds.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Quality and Reliability of Learning Opportunities Documentation – Significant Deficiency (Continued)

While ECOT had procedures in place to capture durational time as well as to reduce and cap durational time, as applicable, the underlying source data presented during their FTE review did not provide sufficient detail in which the amount of educational learning opportunities participated in by any one student could be relied upon. The majority of ECOT's durational data was derived from the ActivTrak software. This software would have allowed for the detailed reporting of students' participation in learning opportunities, including the type of activity students participated in, the URL or application titles, and other identifying information. ECOT also could have detailed the amount of idle time students logged in ActivTrak and defined applications or websites as productive and unproductive based on internal policy. ECOT ultimately presented very limited data for students showing the minimum amount of information to calculate a durational component. While ODE did not require ECOT to present detailed data, the lack of data presented limits how much reliance can be placed on any student's duration record and that it represented actual participation in learning opportunities.

We recommend that ECOT capture, document, and report duration of time for participation in learning opportunities in a manner which could be relied upon in determining how much time a student spent participating in educational activities.

Officials' Response: We did not receive a response from Official's to the above finding.

FINDING NUMBER 2017-003

Financial Reporting for Pension Expense – Significant Deficiency

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

GASB 68, paragraph 158 states in part: "postemployment benefits (including pensions) arise from an exchange between an employer and employees of salaries and benefits for employee service each period." **GASB Cod. §2200.192** states in part: A consideration for defining a proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. **GASB Cod. §2450.115c** indicates cash outflows for operating activities include cash payments to employees for services.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-003 (Continued)

Financial Reporting for Pension Expense – Significant Deficiency (Continued)

Although the Statement of Revenues, Expenses and Changes in Net Position reports salaries and fringe benefits as operating expenses, the School reported pension expense as a non-operating expense in error. Based on GASB guidance provided above, pension expense should be recorded as operating expense. A reclassification of pension expense in the amount of \$11,761,700 from non-operating expenses to operating expenses was posted to the June 30, 2017 financial statements.

Lack or failure of controls over financial reporting can result in errors and irregularities that could go undetected and decrease the reliability of financial data.

We recommend the School enhance controls for preparing and reviewing financial statements in accordance with Generally Accepted Accounting Principles to help ensure proper reporting of the School's financial statements.

Officials' Response: We did not receive a response from Official's to the above finding.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-004

Finding for Recovery

Ohio Rev. Code § 117.01(C) defines public money as any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of a public office.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that government expenditures should serve a public purpose. Guidelines provided by the Ohio Supreme Court for determining a proper public purpose include:

1. Whether the expenditure promotes the public health, safety, morals, or general welfare;
2. Whether the primary objective is to promote a public purpose, although it may incidentally advance a private interest;
3. If there has been a prospective legislative determination of a proper public purpose.

ECOT and Third Wave Communications, LLC, entered into a consulting contract for the period of July 2016 through June 2018 for marketing services and media production.

Payment for these services was a \$45,000 monthly fee and \$4,950 per additional video referred to in the contract supported by an itemized monthly invoice. Multiple payments were made by ECOT to Third Wave Communications, LLC throughout fiscal year 2017 in accordance with the contract. Throughout fiscal year 2017 ECOT also made multiple payments to Midwest Communications & Media for the purpose of placement of various television advertisements. Between January 2017 and June 2017, numerous videos were produced for the benefit of ECOT by Third Wave Communications, LLC. ECOT directly paid for each of these other videos. Further, ECOT also paid Midwest Communications & Media for the broadcasting and distribution of each of these videos.

In June 2017, media advertisements regarding disputed matters between ECOT and the Ohio Department of Education occurred. While all other ECOT ads were designed to recruit students; these advertisements were in the nature of a political action with statements such as, "Ohio Department of Education, Keep Your Word. Keep ECOT open. Please Let Us Learn. Fix the Broken System. –Ohio's Children" and "ECOT Deserves to be Heard".

On June 13, 2017, an invoice in the amount of \$249,962.75 related to these political action advertisements was submitted to ECOT by Midwest Communications & Media. In an article published in *The Columbus Dispatch* on June 24, 2017, a spokesman for ECOT said public monies were being used to fund the advertisements. On that date, June 24, 2017, Auditor of State Dave Yost sent a letter to ECOT demanding it cease using tax dollars for the advertisements because the content was not a proper public purpose.

There is a familial relationship between the ownership of Third Wave Communications, LLC and the owner of Altair Learning Management, Inc., ECOT's management company. On June 28, 2017, Melissa Vasil, Director of Operations of Altair Learning Management, Inc. sent an email to Amy Davis, the Marketing & Project Coordinator of IQ Innovations, LLC requesting that the \$249,962.75 invoice be paid from Third Wave Communications, LLC. Contract records provided identify the same street address for IQ Innovations, LLC and Third Wave Communications, LLC.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-004 (Continued)

Finding for Recovery (Continued)

Additionally, Amy Davis, Marketing & Project Coordinator of IQ Innovations, LLC is also identified in the Third Wave Communications, LLC contract with ECOT as a consultant. The bank records of Third Wave Communications, LLC state that payment was made on June 28, 2017. This is a departure from the payment practice between January 2017 and June 2017. Third Wave Communications, LLC had no apparent reason to pay a large sum of money for this and only these advertisements. These events must be understood in the context of the Auditor of State's letter of objection. The invoice from the media buyer, Midwest Communications & Media, originally went directly to ECOT for payment, as had every other invoice for media advertisements. The only reasonable understanding of this process is that it was designed to disguise the use of public money to pay for the non-public purpose of the lobbying ad. The consulting payments paid by ECOT during fiscal year 2017 were a significant portion of Third Wave Communications, LLC available cash used to pay this invoice.

No evidence was discovered that any third party reimbursed Third Wave Communications, LLC for its payment to Midwest Communications & Media for the broadcasting costs associated with the video regarding the disputed matters between ECOT and the Ohio Department of Education. ECOT was the sole beneficiary of the expenditure of \$249,962.75 by Third Wave Communications, LLC. ECOT's sole source of funds was public money.

An agent may not lawfully do an act that the principal could not lawfully do for himself. The advertisement was invoiced by Midwest Communications & Media to ECOT. Altair Management, Inc. on behalf of ECOT, directed a related private entity, which received public dollars, to pay the invoice on behalf of ECOT.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Third Wave Communications, LLC, Altair Learning Management I, Inc., and IQ Innovations, LLC, jointly and severally, in the amount of \$249,962, and in favor of the Electronic Classroom of Tomorrow Enterprise Fund.⁶

The Auditor of State received a response from the attorney representing Third Wave Communications, LLC, Altair Management I, Inc. and IQ Innovations, LLC. The response did not result in modifications being made to the above finding.

Officials' Response: We did not receive a response from Official's to the above finding.

3. FINDINGS FOR FEDERAL AWARDS

None

⁶ ECOT assets are currently under the control of the Franklin County Common Pleas Court, case number 18CV-000324. The Special Master will be notified of this finding.



Electronic Classroom of Tomorrow

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Full-Time Equivalent (FTE) Reporting – Material Non-Compliance / Material Weakness	Not Corrected	Reissued as finding 2017-001.



Electronic Classroom of Tomorrow

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	No corrective action plan was provided.		
2017-002	No corrective action plan was provided.		
2017-003	No corrective action plan was provided.		
2017-004	No corrective action plan was provided.		

This page intentionally left blank.



Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

ecot

Electronic Classroom of Tomorrow
Columbus, OH

**ELECTRONIC CLASSROOM
OF TOMORROW**

Columbus, Ohio

Comprehensive Annual Financial Report

**For The Year Ended
June 30, 2017**

Prepared by the Fiscal Officer and the School Finance Office Staff

This page intentionally left blank.

**ELECTRONIC CLASSROOM OF TOMORROW
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2017
 TABLE OF CONTENTS**

TITLE	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Board of Directors.....	viii
Organizational Charts.....	ix
Certificate of Achievement for Excellence in Financial Reporting.....	x
Certificate of Excellence in Financial Reporting.....	xi
FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position.....	10
Statement of Revenues, Expenses, and Changes in Net Position.....	11
Statement of Cash Flows.....	12
Notes to the Basic Financial Statements.....	14
(The notes are an integral part of the Basic Financial Statements)	
REQUIRED SUPPLEMENTARY INFORMATION	
Pensions Contributions And Pension Liability.....	46
STATISTICAL SECTION	
Statistical Section – Contents.....	50
Operating Expenses - Last Ten Fiscal Years.....	51
Non-Operating Expenses - Last Ten Fiscal Years.....	52
Net Position - Last Ten Fiscal Years.....	53
Full-Time Equivalent (FTE) Enrollment - Last Ten Fiscal Years.....	54
Operating Revenue - Last Ten Fiscal Years.....	55
Non-Operating Revenue - Last Ten Fiscal Years.....	56
Grant Revenue By Source - Last Ten Fiscal Years.....	57
State Basic Aid - Per Pupil Funding Amount – Last Ten Fiscal Years.....	58
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years.....	59
Student Population by Resident District – 2016 Fiscal Year.....	60
Demographic And Economic Statistics - Calendar Years 2005 to 2014.....	61
Miscellaneous Statistics.....	62



Introductory Section

ecot

Electronic Classroom of Tomorrow
Columbus, OH



April 25, 2018

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, 2017. 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 complement 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 2017 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, 2017 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

3700 SOUTH HIGH STREET, SUITE 95, COLUMBUS, OHIO 43207-9902 TOLL-FREE (888) 326-8395 ●

COLUMBUS (614) 492-8884 ● FAX (614) 492-8894

WWW.ECOTOHIO.ORG

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 58 schools throughout the State serving nearly 30,175 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 fourteen 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 four hundred forty-eight (448) non-certified and seven hundred ten (710) certificated personnel who provide services to 14,216 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 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 end-of-course exams.

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 section of required testing 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 17 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.

ECOT graduates more students than any other school or school district in the state of Ohio each year. In fact, about 2% of all high school graduates in Ohio are ECOT graduates.

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 expenses 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 a ten 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, 2014, 2015 and 2016. ECOT also received the Ohio Auditor of State Award of Distinction for the fiscal years ended June 30, 2012, 2013 and 2015.

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 14,216 full-time equivalent students for fiscal year 2017 as compared to 15,322 in fiscal year 2016. The School has continued to experience strong enrollment.

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, 2016. This was the tenth 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, 2016. This was the tenth 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, 2015. This was the third 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, Jill Riggs and Chris Meister.

Sincerely,



Michele Smith
Treasurer
Electronic Classroom of Tomorrow



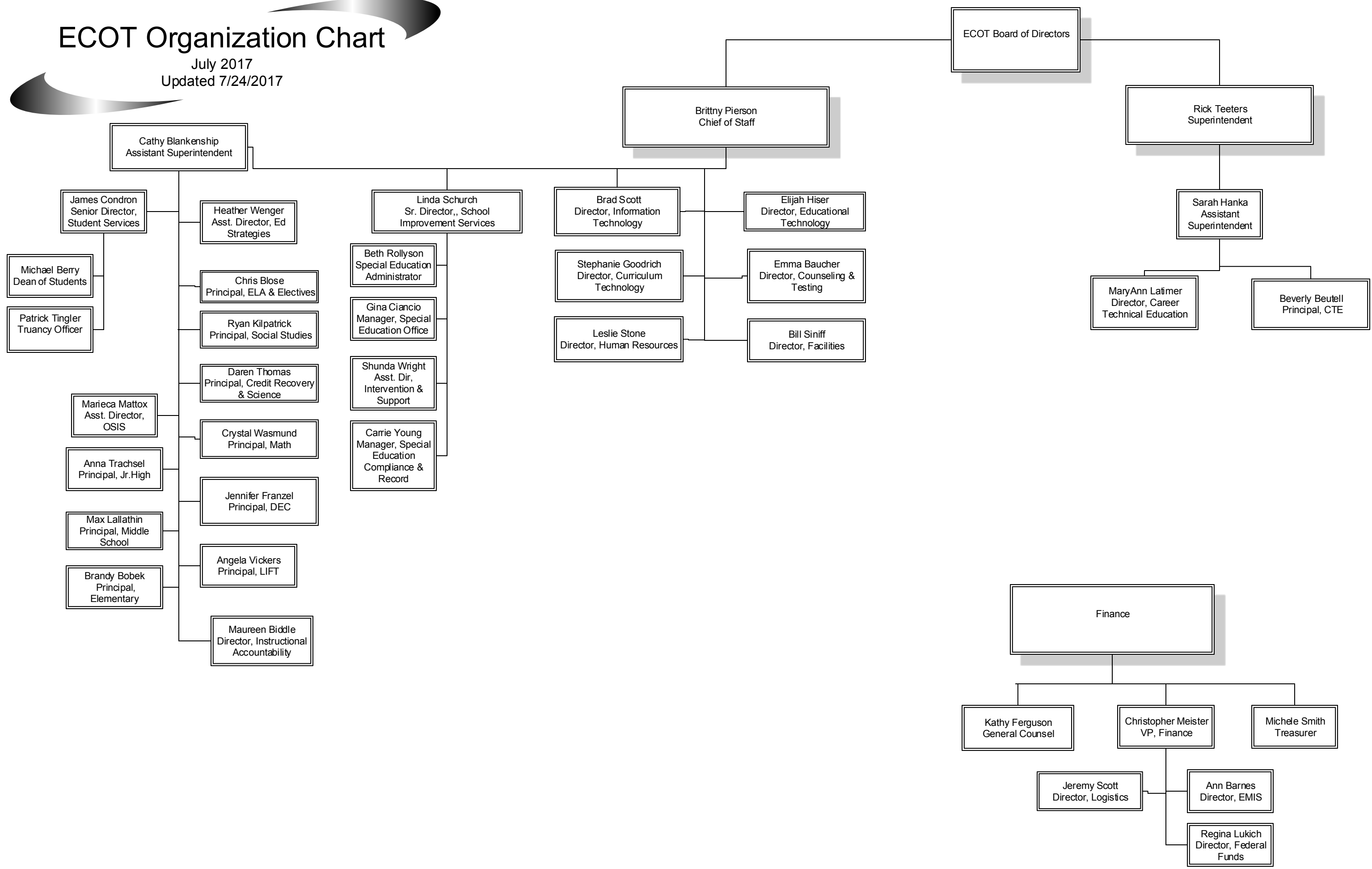
Brittny Pierson
Superintendent
Electronic Classroom of Tomorrow

**Electronic Classroom of Tomorrow
Board of Directors
June 30, 2017**

Andrew Brush	Board President
Christopher Stock	1 st Vice President
Matthew Ottiger	2 nd Vice President
Pam Bennett	Parliamentarian
Cynthia Oddi	Board Member
Vincent Resor	Board Member
Shirley Spellman	Board Member
Donna Wihl	Board Secretary
Rick Teeters	Superintendent
Brittny Pierson	Chief of Staff
Michele Smith	Treasurer

ECOT Organization Chart

July 2017
Updated 7/24/2017





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, 2016

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Electronic Classroom of Tomorrow

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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

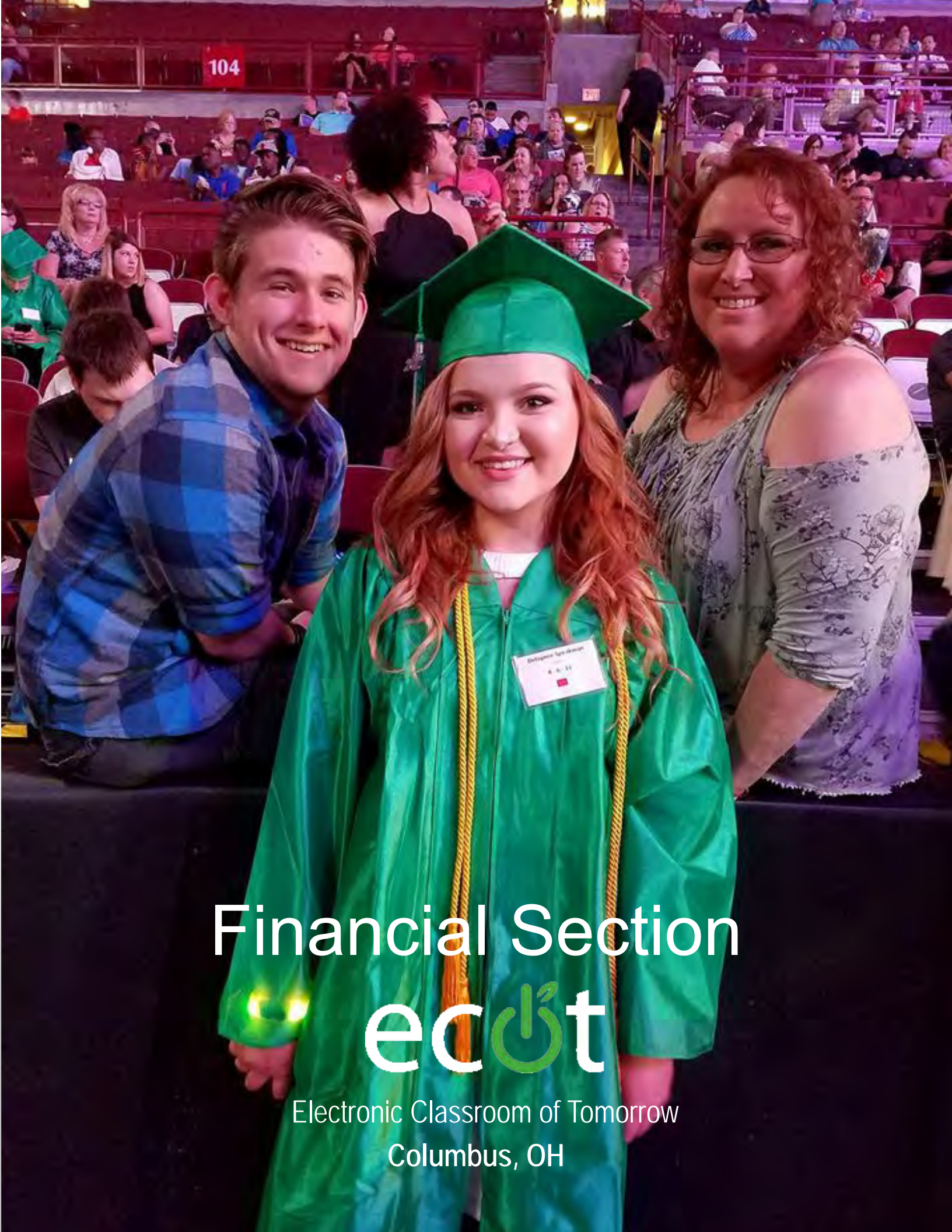


A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'. The signature is written in a cursive style and is positioned above a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE
Executive Director



Financial Section

ecôt

Electronic Classroom of Tomorrow
Columbus, OH

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Electronic Classroom of Tomorrow
Franklin County
3700 South High Street
Suite 95
Columbus, Ohio 43207

To the Board of Directors:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio (the School), as of and for the year ended June 30, 2017, 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 express an opinion on these financial statements based on conducting the audit 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.

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management has not provided the Auditor of State certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's accounting basis, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the School's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws,

regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all federal assistance programs, and compliance with federal grant requirements.

Disclaimer Opinion

Due to the significance of the matters discussed in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the School for the year ended June 30, 2017.

Emphasis of Matter – Ongoing Litigation

As discussed in Note 16 to the financial statements, the School has ongoing litigation with the Ohio Department of Education (ODE) in relation to the claw-back findings that have resulted from ODE's 2016 and 2017 Full-Time Equivalency (FTE) reviews. The liability resulting from the FTE reviews and the money owed back to ODE have been reported as liabilities on the financial statements. We did not modify our opinion regarding this matter.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 18 to the financial statements, the School has suffered recurring losses from operations and has a net position deficiency raising substantial doubt about its ability to continue as a going concern. Note 19 describes Management's plan regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Emphasis of Matter Regarding Suspension

Subsequent to our previously issued report dated December 21, 2017 in which we issued an unmodified opinion, the Sponsor suspended operations of the School effective January 18, 2018 and terminated the School's sponsorship agreement. Management revised their financial statements to include appropriate disclosures in Note 20. The financial statements do not include any adjustments that might result from this suspension. 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 engagement 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 April 25, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2017
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, 2017. 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, 2017 are as follows:

Total Net Position was \$(146,580,578).

Total Operating Revenue was \$85,740,931.

Total Operating Expenses were \$118,300,218.

Change in Net Position was \$(82,482,004).

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 2017?" 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, 2017
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 2017 compared to 2016:

Table 1 Statement of Net Position			
	2017	2016	Percentage Change
<u>Assets</u>			
Current Assets and Other Assets	\$ 46,440,876	\$ 38,172,517	22%
Capital Assets, Net of A/D - (See Note 5)	12,522,683	12,407,090	1%
Total Assets	58,963,560	50,579,607	17%
<u>Deferred Outflows of Resources</u>			
Pension	25,783,376	12,992,376	98%
Total Deferred Outflows of Resources	25,783,376	12,992,376	98%
<u>Liabilities</u>			
Current Liabilities	50,700,116	11,368,248	346%
Long Term Liabilities	180,627,398	110,007,013	64%
Total Liabilities	231,327,514	121,375,261	91%
<u>Deferred Inflows of Resources</u>			
Pension	0	6,295,296	-100%
Total Deferred Inflows of Resources	0	6,295,296	-100%
<u>Net Position</u>			
Investment in Capital Assets	12,522,684	12,407,090	1%
Restricted	6,701,736	7,985,826	-16%
Unrestricted	(165,804,998)	(84,491,490)	96%
Total Net Position	\$ (146,580,578)	\$ (64,098,574)	129%

Total assets increased by \$8,383,953. Capital assets increased by \$115,594 (see Note 5), cash and cash equivalents decreased by \$7,499,079, total receivables increased by \$15,110,210 primarily as a result of an estimated \$17,110,754 receivable attributable to the Ohio Department of Education's (ODE's) "Claw-back" payable for the vendors ECOT paid as a percentage of FY16 and FY17 Foundation payments (see Note 16), inventory supplies increased by \$1,149,919, and prepaid items decreased by \$500,920.

Total current liabilities increased by \$39,331,868. Accounts payable increased by \$220,558, accrued wages and benefits payable increased by \$115,106, notes payable decreased by \$770,117 (see Note 12), severance payable increased by \$568,695 and intergovernmental payable increased by \$38,952,409 primarily as a result of an estimated ODE "Claw-back" payable amounting to \$79,584,900 (See Note 16).

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2017
Unaudited*

Total long term liabilities increased by \$70,620,385. Net pension liability increased by \$30,847,996 (see Note 7), intergovernmental payable increased by \$39,792,450 representing one half of the estimated \$79,584,900 ODE "Claw-back" (See Note 16), notes payable decreased by \$5,978 and compensated absences decreased by \$14,083.

ECOT's 2017 unrestricted net position decreased by \$81,313,508 from current year activities. Restricted net position decreased by \$1,292,319, investment in capital assets increased by \$115,594.

Table 2 shows the changes in net position for fiscal year 2017 compared to 2016.

Table 2			
Statement of Revenues, Expenses and Changes in Net Position			
	2017	2016	Percentage Change
<u>Operating Revenue:</u>			
Foundation Payments	\$ 66,545,217	\$ 90,323,543	-26%
Special Education	17,499,682	17,555,184	0%
Extracurricular	15,576	14,428	8%
Other Operating Revenues	1,680,456	1,462,558	15%
Total Operating Revenues	<u>85,740,931</u>	<u>109,355,713</u>	-22%
<u>Operating Expenses:</u>			
Salaries	49,173,439	47,163,397	4%
Fringe Benefits	18,114,817	17,383,388	4%
Purchased Services	26,848,230	27,584,753	-3%
Materials and Supplies	8,084,924	25,013,349	-68%
Depreciation & Amortization Expense	4,223,287	2,084,392	103%
Merit Incentives	0	611,870	-100%
Pension Expense	11,761,700	6,500,620	81%
Other Operating Expenses	93,821	136,831	-31%
Total Operating Expenses	<u>118,300,218</u>	<u>126,478,600</u>	-6%
<u>Non-Operating Revenues and Expenses:</u>			
Non-Operating Grants	9,671,621	11,344,612	-15%
Casino Revenue	773,497	782,764	-1%
Interest Revenue	155,619	139,298	12%
Intergovernmental Expense	(60,350,791)	0	100%
Interest and Fiscal Charges	(172,663)	(203,765)	-15%
Total Non-Operating Revenues & Expenses	<u>(49,922,717)</u>	<u>12,062,909</u>	-514%
Change in Position	(82,482,004)	(5,059,978)	1,530%
Net Position at Beginning of Year	<u>(64,098,574)</u>	<u>(59,038,596)</u>	9%
Net Position at End of Year	<u><u>\$(146,580,578)</u></u>	<u><u>\$(64,098,574)</u></u>	129%

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2017
Unaudited*

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.

Total operating revenue decreased by 22% in fiscal year 2017. This was due to a decrease in State Aid primarily as a result of the Ohio Department of Education's 2017 "Claw-back" (see Note 16).

Salaries and Fringe Benefits comprise 57% of total operating expenses. Interest and fiscal charges expense was \$172,663, 0.10% of total expenses. Interest expense was attributable to notes payable for computers, peripherals and servers.

Total operating expenses decreased by 6% in fiscal year 2017. Salaries and fringe benefits increased by 4%, materials and supplies decreased by 68%, purchased services decreased by 3%. Depreciation and amortization expense increased by 103% (see Note 5). Pension Expense increased by 81% (see Note 7).

Capital Assets and Debt Administration

Capital Assets

At the end of 2017 ECOT had \$20,265,516 (less \$7,742,833 in accumulated depreciation and amortization) invested in buildings, building improvements, land improvements, vehicles, other computer equipment, furniture, equipment and software. See Note 5 for more detailed information.

Table 3 shows 2017 balances compared to 2016:

Table 3			
Capital Assets (net of depreciation & amortization) at June 30			
	2017	2016	Percentage Change
Buildings and Improvements	\$ 4,907,914	\$ 5,187,351	-5%
Land	1,120,000	1,120,000	- %
Land Improvements	748,795	798,009	-6%
Vehicles	20,180	28,741	-30%
Other Computer Equipment	2,152,881	2,302,150	-6%
Furniture & Equipment	752,921	903,628	-17%
Software	2,819,993	2,067,212	36%
Totals	\$ 12,522,684	\$ 12,407,091	1%

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2017
Unaudited*

Acquisitions were more than depreciation this year by \$108,497. For the fiscal year ended June 30, 2017, ECOT had \$4,331,784 in purchases of building improvements, land improvements, vehicles, furniture and equipment, software, and other computer equipment. Depreciation and amortization for the fiscal year 2017 was \$4,223,287.

Debt

At June 30, 2017 ECOT had \$4,613,479 in Notes Payable. At June 30, \$1,618,740 of this debt was due within one year. Table 4 summarizes the debt outstanding. Please refer to Note 12 for more detailed information.

Table 4 Outstanding Debt, at June 30			
	<u>2017</u>	<u>2016</u>	Percentage Change
Notes Payable	<u>4,613,479</u>	<u>5,389,634</u>	-14%

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 14,216 students enrolled. ECOT receives its finances mostly from state aid. State per pupil aid for this period amounted to \$6,000 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, 2017**

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 18,227,860
Intergovernmental Receivable	3,636,520
Prepaid Items	765,932
Inventory Supplies	1,958,945
Accounts Receivable	16,434,599
Total Current Assets	<u>41,023,856</u>
Noncurrent Assets:	
Security Deposits	5,417,020
Non-Depreciable Capital Assets	1,120,000
Capital Assets, Net	11,402,684
Total Noncurrent Assets	<u>17,939,704</u>
Total Assets	<u>58,963,560</u>

Deferred Outflows of Resources

Pension	25,783,376
Total Deferred Outflows of Resources	<u>25,783,376</u>

Liabilities

Current Liabilities:	
Accounts Payable	794,242
Accrued Wages & Benefits Payable	6,764,536
Unclaimed Monies Payable	220,248
Intergovernmental Payable	40,661,636
Notes Payable – Current	1,618,740
Severance Payable	568,695
Compensated Absences Payable – Current	72,019
Total Current Liabilities	<u>50,700,116</u>
Noncurrent Liabilities:	
Net Pension Liability	137,390,193
Intergovernmental Payable	39,792,450
Notes Payable	2,994,739
Compensated Absences Payable	450,016
Total Noncurrent Liabilities	<u>180,627,398</u>
Total Liabilities	<u>231,327,514</u>

Deferred Inflows of Resources

Pension	0
Total Deferred Inflows of Resources	<u>0</u>

Net Position

Investment in Capital Assets	12,522,684
Restricted for Security Deposits	5,417,020
Restricted for Grants	1,284,716
Unrestricted	(165,804,998)
Total Net Position	<u><u>\$(146,580,578)</u></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, 2017**

Operating Revenues:

Foundation Payments	\$ 66,545,217
Special Education	17,499,682
Extracurricular	15,576
Other Operating Revenues	<u>1,680,456</u>
 Total Operating Revenues	 85,740,931

Operating Expenses:

Salaries	49,173,439
Fringe Benefits	18,114,817
Purchased Services	26,848,230
Materials and Supplies	8,084,924
Depreciation and Amortization	4,223,287
Pension Expense	11,761,700
Other Operating Expenses	<u>93,821</u>
 Total Operating Expenses	 <u>118,300,218</u>

Operating (Loss)	(32,559,287)
------------------	--------------

Non-Operating Revenues and (Expenses):

Non-Operating Grants	9,671,621
Casino Revenue	773,497
Interest Revenue	155,619
Intergovernmental Expense	(60,350,791)
Interest and Fiscal Charges	<u>(172,663)</u>
 Total Non-Operating Revenues and (Expenses)	 <u>(49,922,717)</u>

Change in Net Position	(82,482,004)
------------------------	--------------

Net Position at Beginning of Year	<u>(64,098,574)</u>
Net Position at End of Year	<u><u>\$(146,580,578)</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, 2017**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 103,925,555
Cash Received from Extracurricular Activities	15,576
Cash Received from Other Operating Sources	6,426,237
Cash Payments to Suppliers for Goods and Services	(51,167,455)
Cash Payments to Employees for Services	(49,123,529)
Cash Payments for Employee Benefits	(18,056,769)
Cash Payments for Other Operating Uses	<u>(5,036,080)</u>

Total Cash Flows used for Operating Activities	<u>(13,016,465)</u>
--	---------------------

Cash Flows from Non-Capital Financing Activities

Payment of Notes Payable	(2,388,917)
Non-Operating Grants	11,489,863
Casino Revenue	773,497
Interest on Notes Payable	<u>(172,663)</u>

Total Cash Flows from Non-capital Financing Activities	<u>9,701,780</u>
--	------------------

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(4,336,262)</u>
-----------------------------------	--------------------

Total Cash Flows used for Capital and Related Financing Activities	<u>(4,336,262)</u>
--	--------------------

Cash Flows from Investing Activities

Interest on Investments	<u>151,868</u>
-------------------------	----------------

Total Cash Flows from Investing Activities	<u>151,868</u>
--	----------------

Net Increase in Cash and Cash Equivalents	(7,499,079)
Cash and Cash Equivalents at Beginning of Year	<u>25,726,939</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 18,227,860</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, 2017**

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

Operating Loss	\$ (32,559,287)
----------------	-----------------

Adjustments to Reconcile Operating
Loss to Net Cash Used for Operating Activities:

Depreciation & Amortization	4,223,287
Intergovernmental Non-Operating Expense	(60,350,791)
Change in Assets and Liabilities:	
Increase in Account Receivable	(15,734,678)
Increase in Intergovernmental Receivable	(1,193,774)
Decrease in Prepaid Items	500,920
Change in Inventory of Supplies	455,746
Increase in Accounts Payable	220,558
Increase in Accrued Wages & Benefits	115,106
Decrease in Unclaimed Monies Payable	(29,777)
Increase in Intergovernmental Payable	79,614,044
Decrease in Merit Incentives Payable	(611,870)
Increase in Net Pension Liability	30,847,996
Increase in Severance Payable	568,695
Increase in Compensated Absences Payable	3,656
Change in Deferred Outflows of Resources – Pension	(12,791,000)
Change in Deferred Inflows of Resources – Pension	(6,295,296)
Total Adjustments	19,542,822
Net Cash Used for Operating Activities	\$ (13,016,465)

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 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 ECOT's one instructional/support facility staffed by four hundred forty-eight (448) non-certified and seven hundred ten (710) certificated teaching personnel who provide services to 14,216 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 15).

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(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, 2017
(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 expense 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 2017, ECOT's investments were limited to repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio), and federal agency securities. Except for STAR Ohio, discussed below, investments are reported at fair value which is based on quoted market prices.

During fiscal year 2017, ECOT invested in STAR Ohio (the State Treasurer Asset Reserve of Ohio), which 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." ECOT measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue credited during fiscal year 2017 amounted to \$155,619, which includes \$151,868 non-operating interest revenue, \$8,229 security deposits' interest, and \$(4,478) cash equivalent and accounts receivable adjustment.

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 2017 school year totaled \$93,716,520.

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, 2017, 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 acquisition value. 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, 2017
(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 7.

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 7.

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, 2017
(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 \$5,417,020.

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 \$(146,580,578) as net position. 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 2017.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(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 - NEW PRONOUNCEMENTS

The GASB issued **Statement 73**, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pension that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

The GASB issued **Statement 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

The GASB issued **Statement 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 2 - NEW PRONOUNCEMENTS (Continued)

The GASB issued **Statement 77**, *Tax Abatement Disclosures* in August 2015. The requirements of this Statement require the disclosure of information about the nature and magnitude of tax abatements. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The GASB issued **Statement No. 78**, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* in December 2015. This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominate state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of the pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The GASB issued **Statement No. 79**, *Certain External Investment Pools and Pool Participants* in December 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 except for certain provisions, which are effective for reporting periods beginning after December 15, 2015.

The GASB issued **Statement No. 80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* in January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

The GASB issued **Statement No. 81**, *Irrevocable Split-Interest Agreements* in March 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 2 - NEW PRONOUNCEMENTS (Continued)

The GASB issued **Statement No. 82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements 67, 68, and 73. The requirements of this Statement are effective for reporting periods after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

NOTE 3 - 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, 2017, the carrying amount of all ECOT deposits was \$6,308,962. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$4,956,140 of ECOT's bank balance of \$18,232,649 was exposed to custodial risk as discussed below, while \$13,887,856 was covered by the Federal Deposit Insurance Corporation.

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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. United States Treasury bills, 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, 2017
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments of ECOT as of June 30, 2017 were as follows:

Investment Type	Measurement Amount	Investment Maturities	
		6 Months or Less	7 to 12 Months
FHLB	\$ 499,086	\$ 0	\$ 499,086
FHLMC	498,705	0	498,705
FNMA	498,291	0	498,291
Repurchase Agreements	1,375,294	1,375,294	0
STAR Ohio	9,047,522	9,047,522	0
	<u>\$11,918,898</u>	<u>\$10,422,816</u>	<u>\$1,496,082</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 and Federal Agency Securities, 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, 2017:

<u>Investment Type</u>	<u>Measurement Amount</u>	<u>Percent of Total</u>
STAR Ohio	\$ 9,047,522	75.91%
Repurchase Agreement	1,375,294	11.54
FHLB	499,086	4.19
FHLMC	498,705	4.18
FNMA	498,291	4.18
Total	<u>\$11,918,898</u>	<u>100.00%</u>

For fiscal year 2017, Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", was effective. These GASB pronouncements had no effect on beginning net position. Accordingly, ECOT has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies ECOT's recurring fair value measurements as of June 30, 2017. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts receivable and intergovernmental receivable. All receivables are considered collectable in full. A summary of the principal items of accounts receivable follows:

<u>Accounts Receivables</u>	<u>Amount</u>
IQ Innovations, LLC	\$12,733,584
Altair Learning Management I, Inc.	3,183,396
Refunds	370,072
Medicaid	136,787
Other	<u>10,760</u>
Total Accounts Receivables	<u>\$16,434,599</u>

ECOT payments to IQ Innovations, LLC and Altair Learning Management I, Inc. are based on a percentage of funds received. The IQ Innovations, LLC receivable represent 16% and the Altair Learning Management I, Inc. represent 4% of the \$79,584,900 FY16 and FY17 Ohio Department of Education FTE review adjustment. (See Note 16)

Intergovernmental receivables arise from grants, entitlement and shared revenues. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
ESCLEW	\$ 1,193,774
IDEA B	1,060,819
School Improvement Grant	117,113
Title III	26,832
Title I	1,237,888
Title IIA	<u>94</u>
Total Intergovernmental Receivables	<u>\$ 3,636,520</u>

ECOT pays the Educational Service Center of Lake Erie West (ESCLEW) sponsorship fees based on a percentage of foundation payments. The ESCLEW receivable represents 1.5% of the \$79,584,900 FY16 and FY17 Ohio Department of Education FTE review adjustment. (See Note 16)

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets				
Buildings and Improvements	\$ 5,639,073	\$ 43,681	\$ (0)	\$ 5,682,754
Land Improvements	984,284	0	(0)	984,284
Vehicles	51,367	0	(0)	51,367
Other Computer Equipment	4,396,453	611,033	(598,035)	4,409,451
Furniture & Equipment	1,553,852	65,941	(83,975)	1,535,818
Software	3,684,573	3,611,128	(813,860)	6,481,841
Total at Historical Cost	<u>16,309,602</u>	<u>4,331,783</u>	<u>(1,495,870)</u>	<u>19,145,515</u>
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	451,722	323,118	(0)	774,840
Land Improvements	186,275	49,214	(0)	235,489
Vehicles	22,626	8,561	(0)	31,187
Other Computer Equipment	2,094,303	760,302	(598,035)	2,256,570
Furniture & Equipment	650,224	216,647	(83,974)	782,897
Software	1,617,361	2,865,444	(820,957)	3,661,848
Total Accumulated Depreciation and Amortization	<u>5,022,511</u>	<u>4,223,286</u>	<u>(1,502,966)</u>	<u>7,742,831</u>
Capital Assets, Net	<u>\$ 11,287,091</u>	<u>\$ 108,497</u>	<u>\$ 7,096</u>	<u>\$ 11,402,684</u>

Non-depreciable capital asset activity for fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Non-Depreciable Capital Assets				
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 6 - RISK MANAGEMENT

A. 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 2017, 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 four owned vehicles, a 2002 Chevrolet Cavalier and a 2011 Toyota Sienna, a 2003 Chevrolet Silverado 3500 and a 2009 Dodge Charger. The automobile insurance

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 6 - RISK MANAGEMENT (Continued)

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.

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 Kentucky, three employees in Michigan and one employee in South Carolina, ECOT maintains a Workers Compensation and Employers Liability Policy through The Hartford.

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.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - 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.

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.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

The School's contractually required contribution to SERS was \$1,858,592 for fiscal year 2017. Of this amount \$106,099 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-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 is 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 increased 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.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2015, and increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$4,997,010 for fiscal year 2017. Of this amount \$656,427 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, 2016, 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:

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$30,668,059	\$106,722,133	\$137,390,192
Proportion of the Net Pension			
Liability	0.3886338%	0.33114038%	
Pension Expense	\$3,411,381	\$8,350,319	\$11,761,700

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$383,649	\$4,478,576	\$4,862,225
Differences between projected and actual investment earnings	2,346,251	9,202,919	11,549,170
Changes of assumptions	2,516,379	0	2,516,379
School contributions subsequent to the measurement date, June 30, 2016	1,858,592	4,997,010	6,855,602
Total Deferred Outflows of Resources	\$7,104,871	\$18,678,505	\$25,783,376
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$0	\$0	\$0
Total Deferred Inflows of Resources	\$0	\$0	\$0

\$6,855,602 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	(\$1,744,636)	(\$2,006,261)	(\$3,750,897)
2019	(1,744,636)	(\$2,006,261)	(3,750,897)
2020	(2,446,676)	(5,357,829)	(7,804,505)
2021	\$689,668	(\$4,311,145)	(3,621,477)
Total	(\$5,246,279)	(\$13,681,495)	(\$18,927,774)

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.5 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 RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back 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, 2015.

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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 Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$40,602,599	\$30,668,059	\$22,352,436

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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, 2016, 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, 2016. 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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

this purpose, only employer contributions that are intended to fund benefits of current 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, 2016. 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, 2016.

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	\$141,825,043	\$106,722,133	\$77,110,759

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the School's net pension liability is expected to be significant.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 8 - 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 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 2016, zero (0) 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 2017, this amount was \$23,500. 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 2017, the School's surcharge obligation was \$43,740.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, and were \$0, \$0, and \$15,868, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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 2017, zero (0) percent of covered payroll was allocated to health care. The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were \$0, \$0, \$335,550, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

NOTE 9 - 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).

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 9 - OTHER EMPLOYEE BENEFITS (Continued)

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, 2017, no ECOT employees contributed to Social Security.

D. Severance

On June 27, 2017 the Board of Directors approved a severance package which was offered to 243 employees on July 5, 2017. Payment terms were two (2) weeks of pay for all eligible employees, 75% of paid time off (PTO) balance as of July 1, 2017 for non-certificated employees and 25% of paid sick time balance for certificated employees. Of the 243 eligible employees, 84 were non-certificated and 159 were certificated.

NOTE 10 - PURCHASED SERVICES

For the period July 1, 2016 through June 30, 2017, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional & Technical Services	\$ 11,372,674
Property Services	3,737,813
Travel Mileage/Meeting Expenses	472,597
Communications	9,816,494
Utilities	294,936
Contracted Trade Services	35,156
Tuition and Other Similar Payments	294,898
Pupil Transportation	3,447
Other Purchased Services	820,215
Total Purchased Services	\$ 26,848,230

NOTE 11 - LONG-TERM LIABILITIES

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

	Balance			Balance	Amounts
	June 30, 2016	Additions	Reductions	June 30, 2017	Due Within
					One Year
Intergovernmental Payable	\$ 840,042	\$ 80,454,085	(\$ 840,042)	\$ 80,454,085	\$40,661,635
Net Pension Liability	106,542,197	43,840,372	(12,992,376)	137,390,193	0
Compensated Absences	518,379	57,936	(54,280)	522,035	72,019
Notes Payable	5,389,634	2,453,500	(3,229,655)	4,613,479	1,618,740
Total Long-Term Liabilities	\$113,290,252	\$126,805,893	(\$17,116,353)	\$ 222,979,792	\$42,352,394

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 11 - LONG-TERM LIABILITIES (Continued)

The intergovernmental payable represents ECOT's calculated share of ODE's "Claw-back" payable amounting to \$79,584,900 (See Note 16) in addition to the proportional share of benefits (STRS, SERS, Medicare) pertaining to accrued wages and benefits.

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 7).

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 \$72,019.

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 \$3,141,233 security deposit with PNC Bank. The guidance line renewal period was from June 30, 2016 through June 30, 2017. At June 30, 2017 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 construction work on the building and property at 3700 South High Street. The line of credit is secured by a \$2,265,231 security deposit with PNC Bank. On October 15, 2015 ECOT borrowed \$3,000,000 on the line of credit.

NOTE 12 - 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, 2017, including interest are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$1,618,740	124,003
2019	714,510	88,302
2020	670,542	66,405
2021	<u>1,609,687</u>	<u>27,128</u>
Total annual requirements	<u>\$4,613,479</u>	<u>\$305,838</u>

NOTE 13 - 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 lease extension commenced July 1, 2016 and matured June 30, 2017. For fiscal year 2017, ECOT paid \$49,276 in operating leases for office space and extra storage. The lease was extended on July 1, 2017 for an additional period of one year.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 13 - OPERATING LEASES (Continued)

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 2017, ECOT paid \$241,362 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 2017, ECOT paid \$34,689 in operating leases for office space and extra storage.

ECOT also entered into several lease agreements with Xerox, ABS, and ComDoc 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>	
2018	\$ 117,013
2019	108,256
2020	72,936
2021	60,493
2022	7,672
Total Minimum Lease Payments	\$ 366,370

NOTE 14 - TAX EXEMPT STATUS

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

NOTE 15 - 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.

Per the management agreement with ECOT, Altair is entitled to 4% of all funds received except federal funding. Altair is also entitled to .5% interest on any outstanding balance. The management fee for the fiscal year ended 2017 was \$4,261,644. As of June 30, 2017, all fees had been paid to Altair.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 16 - 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. ECOT is presently unaware of any such disallowed claims and/or the prospect of the same. Moreover, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements or on the overall financial position of ECOT at June 30, 2017.

B. School Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Prior to FY16, the FTE Reviews were conducted by ODE based on documentation supporting dates of enrollment and withdrawal for a selected sample of students. In July 2016, the Ohio Department of Education (ODE) was scheduled to and eventually conducted an “FTE Review” to evaluate ECOT’s funding for the 2015-2016 school year. ECOT did not receive definitive communication from ODE until July 5, 2016, in which ODE notified ECOT that it planned on discontinuing prior practice (which was performed in a manner consistent with both a signed Funding Agreement between ODE and ECOT and, ECOT submits, the plain language of Ohio Revised Code § 3314.08(H)(3)) and would instead review and adjust ECOT’s FTEs based upon documentation of student login durations along with certification of offline time students spent on educational activities.

Ultimately, ODE issued a “Final Determination” letter, in which it sought to claw back approximately 59-percent of ECOT’s funding for 2015-2016. ODE filed an administrative “appeal” from that Determination, and ODE’s self-appointed Hearing Officer recommended that the Ohio State Board of Education authorize ODE to claw back \$60,350,791 of such funding via prospective funding reductions. The State Board of Education voted to approve the \$60,350,791 clawback at its June 2017 meeting, and such clawbacks—amortized over 24 months—began in July 2017.

Subsequently, due to the circumstances surrounding the June 2017 Board meeting and vote, ECOT filed an action against the Board for violating the Ohio Open Meetings Act. Electronic Classroom of Tomorrow v. Ohio State Board of Education, Franklin County, Ohio Common Pleas Court Case No. 17-CVH06-5315 The trial court granted a motion for judgment on the pleadings in favor of the Board, finding that the Board’s action was “quasi-judicial,” and thus, not subject to the OMA. However, ECOT appealed that decision to the Tenth District Court of Appeals, and the case is now awaiting decision. Electronic Classroom of Tomorrow v. Ohio State Board of Education, Tenth District Court of Appeals Case No. 17AP00510.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 16 - CONTINGENT LIABILITIES (Continued)

Given the inconsistent positions taken by ODE and the Board, ECOT also filed a separate, R.C. Chapter 119 appeal from the Board's June 2017 vote with the Franklin County Common Pleas Court. The trial court dismissed that appeal, finding that no Chapter 119 appeal rights exist even though the Board's action was purportedly "quasi-judicial." Electronic Classroom of Tomorrow v. The Ohio State Board of Education, et al., Franklin County, Ohio Common Pleas Court Case No. 167CV005773. ECOT has appealed that decision to the Tenth District, as well. Electronic Classroom of Tomorrow v. The Ohio State Board of Education, et al., Tenth District Court of Appeals Case No. 17AP000767. That appeal remains pending. ECOT separately filed an action for writ of mandamus with the Ohio Supreme Court, however, the Court dismissed that action without explanation.

As for the 2016-2017 school year, ODE advised ECOT that it would be subject to an FTE review again in 2017, and that ODE would again be imposing a durational funding standard. However, ODE failed to comply with the notification/meeting provisions included in its own 2017 FTE Handbook. Ultimately, ODE in May 2017 provided ECOT with a tool/spreadsheet for reporting/calculating durational FTEs. In addition, at the urging of the State Auditor, ODE elected to unilaterally begin reducing ECOT's monthly funding, starting in July 2017, based on ODE's estimate of ODE's additional FTE shortfall for 2016-2017, and 2017-2018, even before completing its FTE review in July 2017. ODE unilaterally increased that additional withholding beginning in October 2017.

Moreover, in conjunction with its July 2017 FTE review of ECOT, ODE rejected the results compelled by application of the tool it provided to ECOT in May 2017—100-percent funding. Upon realizing that ECOT would be entitled to full funding, ODE changed its guidance and repeatedly asked ECOT to complete different calculations using different assumptions. Ultimately, in September 2017, ODE issued a "final determination" in which it determined that ECOT was entitled to only 81.5-percent of its claimed FTE funding for 2016-2017, and that it would seek to claw back the same.

ECOT timely filed an appeal from that "determination," and the matter has been set for an "informal hearing" to begin in early December 2017.

C. Litigation

ECOT brought suit in the Franklin County Common Pleas Court against the ODE on July 8, 2016, to prevent ODE from imposing, as part of its review and evaluation of ECOT's state funding for the 2015-2016 school year, a duration requirement. This action was taken in response to an improperly promulgated FTE Handbook that ties such funding to new uncommunicated documentation requirements of the actual time ECOT students spent participating in learning opportunities, in violation of the plain and unambiguous language of various statutes, including R.C. 3314.08. On September 30, 2016, the trial court rejected ECOT's request for a preliminary injunction. The trial court issued a final decision and judgment against ECOT on

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 16 - CONTINGENT LIABILITIES (Continued)

December 14, 2016. The court's decision simply reiterated, with the exception of certain preliminary injunction factors, the findings and conclusions that supported its earlier decision denying ECOT's motion for preliminary injunction.

ECOT filed a notice of appeal from that decision on December 15, 2016. On June 29, 2017, the Tenth District Court of Appeals issued a decision affirming the Trial Court's decision, based on the same analysis employed by the Trial Court.

ECOT thereafter filed a jurisdictional appeal of the Tenth District's decision with the Ohio Supreme Court. Although the Supreme Court declined to enjoin ODE's claw back of funds pending the appeal, on September 13, 2017 the Ohio Supreme Court agreed to accept ECOT's appeal on the issue of whether ODE was statutorily authorized, under Ohio Revised Code § 3314.08, to impose a durational requirement or standard as a basis for calculation an e-school's FTE funding. That appeal has now been fully briefed. If ECOT succeeds in this appeal, the funding claw back imposed by ODE for 2015-16, the "Final Determination" for 2016-2017, and the unilateral claw backs implemented at the urging of the Auditor would all be deemed unlawful.

Separately, as described above in the context of funding, ECOT has initiated litigation against the State Board of Education arising from its June 2017 vote to adopt the hearing officer's report and recommendation.

In the meantime, while these appeals remain pending, ODE's monthly claw backs of ECOT's foundation funding—both based on the results of the 2015-2016 FTE review, and ODE's unilateral action at the urging of the Auditor—will continue.

NOTE 17 - 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 2017 was \$20,048,901. As of June 30, 2017, \$0 was outstanding and payable. Included in the cost was a perpetual intellectual property license ECOT purchased for the SmartFusion™ product for a onetime fee of \$3 million dollars for offline learning opportunity for students. In addition to other benefits, this option allows for an increase in student participation in learning opportunities required by the Ohio Department of Education. IQ Innovations, LLC and ECOT's management company, Altair Learning Management I, Inc., have common ownership.

ECOT has a consulting agreement with Third Wave Communications, LLC for consulting, videos, social media and graduation services. The cost of services in all four areas for fiscal year ending June 2017 was \$1,643,960. As of June 30, 2017 \$108,940 was outstanding and payable. Third Wave ownership has a familial relationship to the owner of the management company.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**

NOTE 18 – FISCAL DISTRESS

The Ohio Department of Education’s imposition of substantial funding “claw backs,” due solely to its decision to impose a duration-based and eschool-specific funding standard beginning in the middle of the 2015-2016 school year, has placed ECOT in a situation of financial distress due to a declining cash balance (and the concomitant depletion of its cash reserves). Specifically, because ODE has begun reducing ECOT’s monthly funding by well over \$2-million as a part of its claw back efforts, and despite substantial cuts by ECOT to its expenditures, ECOT has been forced to dip into its cash reserves to fund its ongoing expenditures throughout the 2017-2018 school year. Absent some type of relief as to ODE’s ongoing claw backs, ECOT projects that its month-end cash balance could turn negative before the end of the 2017-2018 school year.

NOTE 19 – MANAGEMENT PLAN

In an effort to minimize, to the extent possible, the impact of ODE’s ongoing funding “claw backs,” ECOT management has implemented a number of cost-saving measures, including but not limited to the reduction of more than 200 staff and professional positions. In addition, ECOT management has implemented numerous expenditure-related cuts, apart from staffing. However, even with these efforts, the school still faces potential closure, in the short term, given the magnitude of the funding reductions imposed by ODE coupled with the expenses the school cannot avoid in making educational opportunities available to all of its enrolled students. As a result, ECOT’s long-term viability is dependent upon some type of relief from the ongoing funding claw backs, whether via a favorable ruling from the Ohio Supreme Court or otherwise.

NOTE 20 - SUBSEQUENT EVENTS

On August 22, 2017, ECOT’s Board of Directors approved a modification to the Ohio Community School contract by and between the Education Service Center of Lake Erie West (ESCLEW) and the Electronic Classroom of Tomorrow (ECOT) effective the beginning of the 2017-18 school year and is subject to an eligibility determination by the Ohio Department of Education in or around December of 2017, and each year thereafter. This modification is necessary because ECOT seeks a dropout prevention and recovery designation effective the opening of the 2017-18 school year.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)**


NOTE 20 - SUBSEQUENT EVENTS (continued)

In January 2018, ESCLEW's board voted to suspend ECOT's operations, effective as of the end of the school's then-current semester on January 18, 2018. ESCLEW also filed an action against ECOT in Franklin County Common Pleas Court, Board of Education of the Educational Service Center of Lake Erie West v. Electronic Classroom of Tomorrow, case No. 18CV324 (Holbrook, J) (the "ESCLEW Action"), in which it sought the appointment of a Receiver of ECOT. ECOT ceased educating students on January 19, 2018. After that date, ECOT ceased receiving FTE funding from ODE, and thus, the prior year FTE funding "claw backs" imposed by ODE also ceased.

Also in January 2018, ESCLEW's board separately gave ECOT notice of its intent to terminate its sponsorship agreement with ECOT, effective June 30, 2018. ECOT appealed that decision. However, on February 15, 2018, ESCLEW issued a decision affirming its decision to terminate the agreement, albeit on fewer grounds than stated in its original notice.

As part of the Governing Board Action, ESCLEW and ECOT reached agreement on an Agreed Interim Order Appointing Interim Master For The Electronic Classroom of Tomorrow (the "Interim Master Order"), which the Court approved and entered on January 24, 2018. That Order appointed an Interim Master and an Assistant Interim Master, who were charged with, among other things, taking control over, overseeing, preserving, and to the extent necessary, liquidating ECOT's assets following its suspension of educational operations. The Interim Master and Assistant Interim Master continue to serve in that capacity today. The Interim Master Order, however, also charged the Interim Master with maintaining ECOT's corporate existence as a going concern, in the event of a favorable ruling from the Ohio Supreme Court—the intent being to preserve ECOT's ability to reopen if the Supreme Court holds ODE's actions to be unlawful.

As of April 25, 2018, the Ohio Supreme Court has not yet issued a decision with respect to ECOT's appeal.



Electronic Classroom of Tomorrow

Supplementary Information Section

ec^ot

Electronic Classroom of Tomorrow
Columbus, OH

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

	2016	2015	2014	2013
ECOT's Proportion of Net Pension Liability	0.3886338%	0.3764891%	0.360793%	0.360793%
ECOT's Proportionate Share of the Net Pension Liability	\$30,668,059	\$24,275,845	\$16,644,223	\$18,259,528
ECOT's Covered-Employee Payroll	\$12,069,521	\$11,334,286	\$10,483,929	\$9,072,936
ECOT's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	254.09%	214.18%	158.76%	201.25%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

Note 1: This schedule is intended to show information for ten years. Additional years' will be displayed as it becomes 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 Four Fiscal Years (1)**

	2016	2015	2014	2013
ECOT's Proportion of Net Pension Liability	0.33114038%	0.31672402%	0.3142759%	0.3142759%
ECOT's Proportionate Share of the Net Pension Liability	\$106,722,133	\$82,266,351	\$66,698,913	\$76,442,776
ECOT's Covered-Employee Payroll	\$34,842,332	\$33,044,845	\$32,110,312	\$30,458,636
ECOT's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	306.30%	248.95%	207.72%	250.97%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

Note 1: This schedule is intended to show information for ten years. Additional years' will be displayed as it becomes 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 Nine Fiscal Years

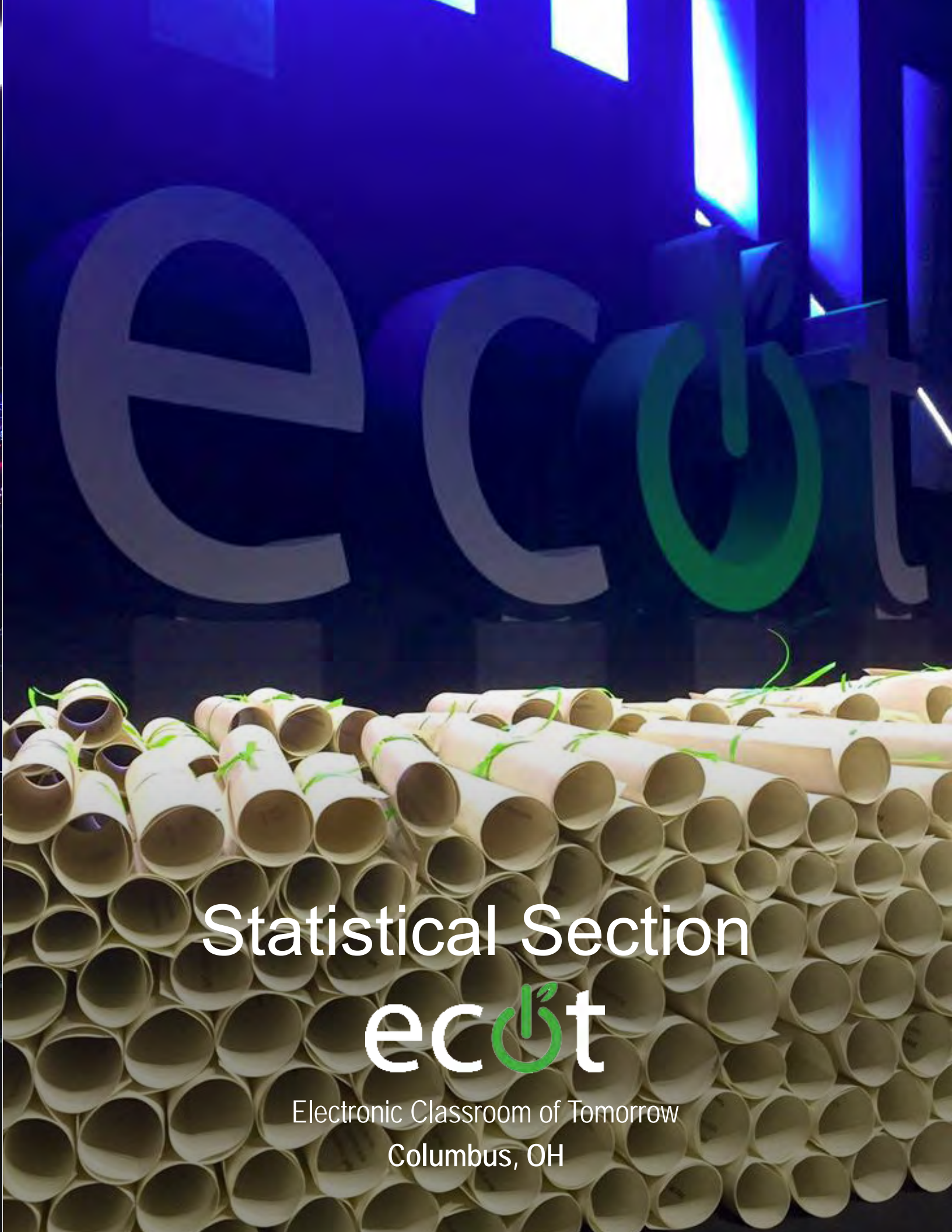
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contribution	\$ 1,858,592	\$ 1,689,733	\$ 1,586,800	\$ 1,467,750	\$ 1,270,211	\$ 1,147,336	\$ 1,040,773	\$ 863,292	\$ 814,748
Contributions in Relation to the Contractually Required Contribution	<u>(1,858,592)</u>	<u>(1,689,733)</u>	<u>(1,586,800)</u>	<u>(1,467,750)</u>	<u>(1,270,211)</u>	<u>(1,147,336)</u>	<u>(1,040,773)</u>	<u>(863,292)</u>	<u>(814,748)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$13,275,657	\$12,069,521	\$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%	14.00%	14.00%

Note 1: This schedule is intended to show information for ten years. Additional years' will be displayed as it becomes 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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 4,997,010	\$ 4,877,926	\$ 4,626,278	\$ 4,495,444	\$ 4,264,209	\$ 3,388,527	\$ 2,946,367	\$ 2,608,741	\$ 2,385,916	\$ 1,859,082
Contributions in Relation to the Contractually Required Contribution	<u>(4,997,010)</u>	<u>(4,877,926)</u>	<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>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$35,692,929	\$34,842,332	\$33,044,845	\$32,110,312	\$30,458,636	\$24,203,767	\$21,045,480	\$18,633,862	\$17,042,261	\$13,279,156
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

THIS PAGE INTENTIONALLY LEFT BLANK

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.	51-54
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.	55-58
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.	59
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.	60-61
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.	62-63

**Electronic Classroom of Tomorrow
Operating Expenses
Fiscal Years 2008 to 2017**

Year	Salaries	Fringe Benefits	Purchased Services	Materials & Supplies	Merit Incentives	Depreciation/Amortization	Pension	Other	Total	FTE Enrollment	Per Pupil Expense
2017	\$49,173,439	\$18,114,817	\$26,848,230	\$ 8,084,924	\$ 0	\$4,223,287	\$11,761,700	\$ 93,821	\$118,300,218	14,216	\$8,322
2016	\$47,163,397	\$17,383,388	\$27,584,753	\$25,013,349	\$ 611,870	\$2,084,392	\$ 6,500,620	\$ 136,831	\$126,478,600	15,322	\$8,255
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	\$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
As Restated											
2010	\$24,985,760	\$ 8,538,126	\$15,187,314	\$12,601,919	\$ 0	\$2,439,126	\$ 0	\$1,894,744	\$ 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

Note: Other for 2010 includes judgments totaling \$1,311,373.

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Expenses
Fiscal Years 2008 to 2017**

Year	Intergovernmental Expense	Pension Expense	Interest and Fiscal Charges	Loss on Disposal of Capital Assets	Total
2017	\$60,350,791	\$11,761,700	\$ 172,663	\$ 0	\$72,285,154
2016	\$ 0	\$ 6,500,620	\$ 203,765	\$ 0	\$ 6,704,385
2015	\$ 0	\$ 4,605,396	\$ 124,088	\$ 0	\$ 4,729,484
2014	\$ 0	\$ 0	\$ 128,614	\$ 0	\$ 128,614
2013	\$ 0	\$ 0	\$ 126,159	\$ 0	\$ 126,159
2012	\$ 0	\$ 0	\$ 87,972	\$ 0	\$ 87,972
2011	\$ 0	\$ 0	\$ 74,725	\$ 0	\$ 74,725
2010	\$ 0	\$ 0	\$ 136,776	\$ 155,657	\$ 292,433
2009	\$ 0	\$ 0	\$ 187,216	\$ 0	\$ 187,216
2008	\$ 0	\$ 0	\$ 236,014	\$ 0	\$ 236,014

Source: School Financial Records

**Electronic Classroom of Tomorrow
Net Position
Fiscal Years 2008 to 2017**

Year	Investment in Capital Assets	Restricted	Unrestricted	Total End of Year Net Position	Fiscal Year Change in Net Position
2017	\$ 12,522,684	\$ 6,701,736	\$(165,804,998)	\$(146,580,578)	\$(82,482,004)
2016	\$ 12,407,090	\$ 7,985,826	\$(84,491,490)	\$(64,098,574)	\$(5,059,978)
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

Source: School Financial Records

**Electronic Classroom of Tomorrow
Full-Time Equivalent (FTE) Enrollment
Fiscal Years 2008 to 2017**

<u>YEAR</u>	<u>FTE Enrollment</u>
2017	14,216
2016	15,322
2015	15,087
2014	14,561
2013	13,721
2012	12,208
2011	10,404
2010	9,214
2009	8,742
2008	7,954

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Operating Revenues
Fiscal Years 2008 to 2017**

Year	Foundation Payments	Special Education	Other	Total
2017	\$ 66,545,217	\$ 17,499,682	\$ 1,696,032	\$ 85,740,931
2016	\$ 90,323,543	\$ 17,555,184	\$ 1,476,986	\$ 109,355,713
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

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Revenue
Fiscal Years 2008 to 2017**

Year	Non-Operating Grants	Casino Revenue	Interest	Other	Total
2017	\$ 9,671,621	\$ 773,497	\$ 155,619	\$ 0	\$ 10,600,737
2016	\$ 11,344,612	\$ 782,764	\$ 139,298	\$ 0	\$ 12,266,674
2015	\$ 11,970,364	\$ 0	\$ 92,017	\$ 0	\$ 12,062,381
2014	\$ 14,659,743	\$ 0	\$ 76,327	\$ 0	\$ 14,736,070
2013	\$ 12,065,892	\$ 0	\$ 73,947	\$ 0	\$ 12,139,839
2012	\$ 9,304,276	\$ 0	\$ 70,131	\$ 0	\$ 9,374,407
2011	\$ 19,348,755	\$ 0	\$ 68,497	\$ 9,748	\$ 19,427,000
2010	\$ 14,414,911	\$ 0	\$ 86,874	\$ 0	\$ 14,501,785
2009	\$ 6,446,335	\$ 0	\$ 137,216	\$ 11,020	\$ 6,594,571
2008	\$ 5,526,700	\$ 0	\$ 480,010	\$ 559	\$ 6,007,269

Source: School Financial Records

**Electronic Classroom of Tomorrow
Grant Revenue By Source
Fiscal Years 2008 to 2017**

Year	TITLE I	TITLE II	TITLE IV	TITLE V	IDEA-B GRANT	OTHER	SFSF Funds	ARRA Funds	TOTAL
2017	\$ 5,788,347	\$ 66,976	\$ 0	\$ 0	\$ 3,501,371	\$ 314,927	\$ 0	\$ 0	\$ 9,671,621
2016	\$ 7,563,087	\$ 98,629	\$ 0	\$ 0	\$ 3,456,976	\$ 225,920	\$ 0	\$ 0	\$11,344,612
2015	\$ 8,147,369	\$ 146,661	\$ 0	\$ 0	\$ 3,318,301	\$ 358,033	\$ 0	\$ 0	\$11,970,364
2014	\$ 7,244,471	\$ 119,309	\$ 0	\$ 0	\$ 3,078,838	\$ 4,217,125	\$ 0	\$ 0	\$ 14,659,743
2013	\$ 7,018,703	\$ 170,814	\$ 0	\$ 0	\$ 3,817,754	\$ 1,197,597	\$ 0	\$ (138,976)	\$ 12,065,892
2012	\$ 6,452,570	\$ 149,047	\$ 0	\$ 0	\$ 2,146,640	\$ 701,484	\$ 0	\$ (145,465)	\$ 9,304,276
2011	\$ 4,943,477	\$ 265,570	\$ 0	\$ 0	\$ 2,071,940	\$ 3,848,909	\$ 5,312,880	\$ 2,905,979	\$ 19,348,755
2010	\$ 5,262,019	\$ 327,232	\$ 52,488	\$ 0	\$ 1,977,319	\$ 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	\$ 6,446,335
2008	\$ 3,075,394	\$ 229,244	\$ 60,489	\$ 13,906	\$ 2,009,755	\$ 137,912	\$ 0	\$ 0	\$ 5,526,700

Note: 2017 Other includes \$294,660 for School Improvement Grant, and \$20,267 for Title III.

Source: School Financial Records

**Electronic Classroom of Tomorrow
State Basic Aid – Per Pupil Funding Amount
Fiscal Years 2008 to 2017**

Year	Per Pupil Funding	Total Per Pupil Funding
2017	\$ 6,000	\$ 6,000
2016	\$ 5,900	\$ 5,900
2015	\$ 5,800	\$ 5,800
2014	\$ 5,745	\$ 5,745
2013	\$ 5,653	\$ 5,653
2012	\$ 5,653	\$ 5,653
2011	\$ 5,703	\$ 5,703
2010	\$ 5,718	\$ 5,718
2009	\$ 5,732	\$ 5,732
2008	\$ 5,565	\$ 5,565

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Ratios of Outstanding Debt by Type
Fiscal Years 2008 to 2017**

<u>Fiscal Year</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Per ADM</u>
2017	\$ 4,613,479	\$ 0	\$ 325
2016	\$ 5,389,634	\$ 0	\$ 352
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

Source: School Financial Records

**Electronic Classroom of Tomorrow
Student Population by Resident District
2017 Fiscal Year**

Resident District	Percent
Columbus City	10.60%
Cleveland	6.26%
Dayton	4.39%
Cincinnati Public	2.85%
South-Western	2.67%
Toledo	1.83%
Akron	1.53%
Hamilton	1.18%
Lorain	1.10%
Parma	1.06%
Elyria	1.01%
Warren	1.00%
All Other Districts	64.52%

Note 1: The School draws its student population from 591 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 2006 to 2015**

Calendar Year	Population (in thousands)				Per Capita Personal Income			Civilian Labor Force			
	U.S.	Change From Prior Period	Ohio	Change From Prior Period	U.S.	Ohio	Ohio As a Percentage Of U.S.	Ohioans Employed (in thousands)	Ohio's Unemployment Rate	Public School Enrollment In Ohio (in thousands)	Motor Vehicles Registered In Ohio (in thousands)
2015	321,419	2,562	11,613	19	\$48,112	\$43,566	90.6%	6,886	4.9%	1,784	13,039
2014	318,857	2,728	11,594	23	\$46,049	\$42,236	91.7%	6,753	5.7%	1,799	11,443
2013	316,129	2,215	11,571	27	\$44,543	\$40,865	91.7%	6,663	7.4%	1,845	11,998
2012	313,914	2,322	11,544	(1)	\$42,693	\$40,057	93.8%	6,617	7.2%	1,850	11,840
2011	311,592	2,242	11,545	9	\$41,663	\$37,791	90.7%	6,521	8.6%	1,860	11,788
2010	309,350	2,343	11,536	(7)	\$39,945	\$36,180	90.6%	6,454	10.1%	1,872	12,027
2009	307,007	2,947	11,543	57	\$39,138	\$35,381	90.4%	6,469	10.2%	1,893	11,792
2008	304,060	2,439	11,486	19	\$39,751	\$35,511	89.3%	6,819	6.5%	1,882	11,945
2007	301,621	2,223	11,467	(11)	\$38,611	\$34,874	90.3%	6,829	5.6%	1,890	12,022
2006	299,398	2,988	11,478	14	36,276	33,338	91.9%	6,894	5.5%	1,835	12,128

Source: State of Ohio 2016 Comprehensive Annual Financial Statement. Calendar Year 2015 is the most current data available.

**Electronic Classroom of Tomorrow
Miscellaneous Staff and Student Statistics
Fiscal Years 2008 to 2017**

<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>
2017	710	1,158	20:1	2,058	21,631
2016	728	1,166	21:1	2,493	19,573
2015	691	1,085	21:1	2,386	17,080
2014	680	1,078	21:1	2,394	14,694
2013	642	987	21:1	2,577	12,300
2012	560	885	22:1	2,266	9,723
2011	537	816	19:1	1,718	7,457
2010	458	682	20:1	1,565	5,739
2009	432	639	20:1	1,251	4,174
2008	379	576	21:1	955	2,923

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

This page intentionally left blank.



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
MAY 10, 2018**