

**Mary Taylor, CPA**  
Auditor of State



**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Federal Awards Receipts and Expenditures Schedule .....	1
Notes to the Federal Awards Receipts and Expenditures Schedule .....	2
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	3
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program, Internal Control Over Compliance in Accordance with OMB Circular A-133, and Federal Awards Receipts and Expenditures Schedule.....	5
Schedule of Findings .....	7
Schedule of Prior Audit Findings .....	8

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**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>		Federal CFDA Number	Receipts	Disbursements
Program Title	Grant Year			
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Education Agencies	2009	84.010	\$ 691,912	\$ 637,830
Title I Grants to Local Education Agencies	2010	84.010	3,668,681	3,975,174
Title I School Improvement	2010	84.010	11,877	58,415
ARRA - Title I Grants to Local Education Agencies	2010	84.389	<u>146,577</u>	<u>292,178</u>
Total - Title I Grants to Local Education Agencies Cluster			<u>4,519,047</u>	<u>4,963,597</u>
Special Education Grants to States	2009	84.027	334,355	296,450
Special Education Grants to States	2010	84.027	1,612,100	1,625,184
ARRA - Special Education Grants to States	2010	84.391	<u>862,575</u>	<u>900,217</u>
Total - Special Education Grants to States Cluster			<u>2,809,030</u>	<u>2,821,851</u>
Safe and Drug Free Schools and Communities State Grant	2009	84.186	3,400	747
Safe and Drug Free Schools and Communities State Grant	2010	84.186	<u>41,621</u>	<u>44,392</u>
Total - Safe and Drug Free Schools and Communities State Grant			<u>45,021</u>	<u>45,139</u>
ARRA - Education for Homeless Children and Youth	2010	84.387	-	6,516
Education Technology State Grant	2009	84.318	34,290	17,122
Education Technology State Grant	2010	84.318	<u>4,059</u>	-
Total - Education Technology State Grant			<u>38,349</u>	<u>17,122</u>
Improving Teacher Quality State Grants	2009	84.367	82,004	58,412
Improving Teacher Quality State Grants	2010	84.367	<u>215,350</u>	<u>210,995</u>
Total - Improving Teacher Quality State Grants			<u>297,354</u>	<u>269,407</u>
ARRA - State Fiscal Stabilization Fund- Education State Grants	2010	84.394	<u>3,834,215</u>	<u>3,834,215</u>
<b>Total</b>			<u><b>\$ 11,543,016</b></u>	<u><b>\$ 11,957,847</b></u>

*The accompanying notes are an integral part of this schedule.*

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of ECOT's federal award programs. The Schedule has been prepared on the cash basis of accounting.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 120  
Columbus, Ohio 43207

To the Board of Directors:

We have audited the basic financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio (ECOT) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of ECOT's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether ECOT's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to ECOT's management in a separate letter dated December 6, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, the Lucas County Educational Service Center, federal awarding agencies and pass-through entities, and others within ECOT. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 6, 2010





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, AND FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE

Electronic Classroom of Tomorrow  
Franklin County  
3700 South High Street, Suite 120  
Columbus, Ohio 43207

To the Board of Directors:

### Compliance

We have audited the compliance of the Electronic Classroom of Tomorrow, Franklin County, Ohio (ECOT) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies ECOT's major federal programs. ECOT's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on ECOT's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about ECOT's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ECOT's compliance with those requirements.

In our opinion, ECOT complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

ECOT's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ECOT's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of ECOT's internal control over compliance.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Federal Awards Receipts and Expenditures Schedule**

We have also audited the basic financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio (ECOT) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. Our audit was performed to form an opinion on the financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to ECOT's management in a separate letter dated December 6, 2010.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Lucas County Educational Service Center, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 6, 2010

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & #84.389)  ARRA/Special Education Grants to States Cluster (CFDA #84.027 & #84.391)  ARRA - State Fiscal Stabilization Fund - Education State Grants (CFDA #84.394)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 358,735 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Finding for Recovery Repaid Under Audit – a former employee was overpaid upon separation.	Yes	Finding No Longer Valid

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2010



Electronic Classroom of Tomorrow  
Columbus, Ohio



**ELECTRONIC CLASSROOM  
OF TOMORROW**

**Columbus, Ohio**

**Comprehensive Annual Financial Report**

**For The Year Ended  
June 30, 2010**

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





**ELECTRONIC CLASSROOM OF TOMORROW  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Year Ended June 30, 2010  
 TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i
Board of Directors.....	v
Organizational Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting.....	vii
Certificate of Excellence in Financial Reporting.....	viii
<b>FINANCIAL SECTION</b>	
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses, and Changes in Net Assets .....	9
Statement of Cash Flows.....	10
Notes to the Basic Financial Statements.....	12
(The notes are an integral part of the Basic Financial Statements)	
<b>STATISTICAL SECTION</b>	
Statistical Section - Contents .....	31
Operating Expenses - Last Ten Fiscal Years .....	32
Net Assets - Last Ten Fiscal Years .....	33
Full-Time Equivalent (FTE) Enrollment - Last Ten Fiscal Years .....	34
Operating and Non-Operating Revenue - Last Ten Fiscal Years .....	35
Grant Revenue By Source - Last Ten Fiscal Years .....	36
State Basic Aid - Per Pupil Funding Amount – Last Ten Fiscal Years .....	37
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years .....	38
Student Population by Resident District – 2010 Fiscal Year.....	39
Demographic And Economic Statistics - Calendar Years 2000 to 2008 .....	40
Miscellaneous Statistics.....	41



# Introductory Section



ecot

Electronic Classroom of Tomorrow

Columbus, Ohio





December 6, 2010

Electronic Classroom of Tomorrow  
Members of Board of Directors

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, 2010. The CAFR is designed to assist and guide the reader in understanding its contents.

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

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

As required by GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to compliment the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Accountants' Report and provides an assessment of the School's finances for fiscal year 2010 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 auditing standards (GAAS). The Auditor of State's Office rendered an opinion on the School's financial statements as of June 30, 2010 and the Independent Accountants' 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](http://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 Lucas County Educational Service Center. Lucas County Educational Service Center provides oversight and advisory services to 71 community schools throughout the State serving nearly 19,000 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 nine 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 our 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 six-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 two hundred twenty-eight (228) non-certified and four hundred forty-one (441) certificated full time teaching personnel who provide services to 9,214 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 and equipment and facilities.

### 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 (Lucas County Educational Service Center) does prescribe an annual budget requirement and sets forth a requirement to prepare a five-year forecast that is to be updated annually.

### Long Term Financial Planning

The School has prepared a five year forecast which has detailed operational goals. Items of significance in the plan include increasing enrollment as well as increasing staff. The School is also going to provide Supplemental Education Services tutoring to student who reside in other school districts. Funds are also being set-aside for the purchase of a building in the future.

### 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 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 9,214 full-time equivalent students for fiscal year 2010 as compared to 8,742 in fiscal year 2009. The School has continued to experience strong enrollment. Based on the School's consistent enrollment, coupled with increases in State funding, it is expected that revenues for fiscal year 2011 will exceed those of fiscal year 2010.

### Awards and Acknowledgements

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, 2009. This was the third 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, 2009. 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 would like to acknowledge and thank the finance department staff for their assistance in the preparation of this report: Amy Elliott, Chris Meister and Marcia Speck.

Sincerely,



Michele Smith, MBA, CPA, CGFM  
Treasurer  
Electronic Classroom of Tomorrow



Lana Ruebel  
Chairman, Board of Directors  
Electronic Classroom of Tomorrow



Scott Kern, MBA  
President & Chief Financial Officer  
Electronic Classroom of Tomorrow



Janet Cadena, CPA  
Controller  
Electronic Classroom of Tomorrow

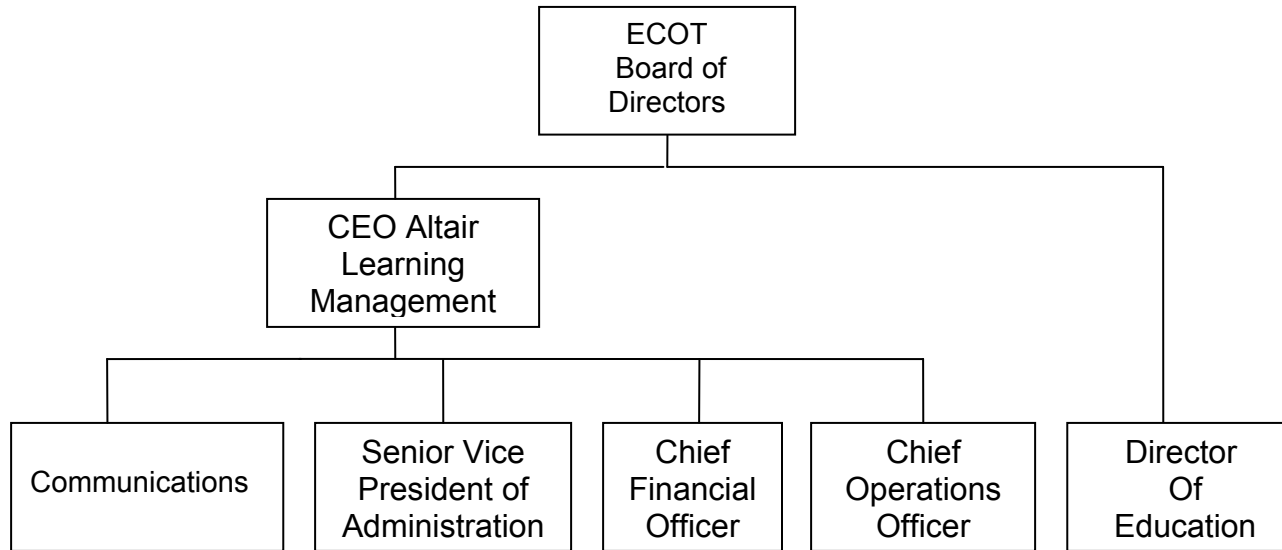


**Electronic Classroom of Tomorrow  
Board of Directors  
June 30, 2010**

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Kevin Miller	Board President
W. Scott Burke	1 <sup>st</sup> Vice President
Lana Ruebel	2 <sup>nd</sup> Vice President
Hubert Seifert	Board Member
Pam Bennett	Parliamentarian
Karen Arnold	Ex-Officio Board Member
Donna Wihl	Board Secretary
Jeff Forster	Superintendent
Scott Kern	President and Chief Financial Officer
Steve Sellers	Chief Operations Officer
Michele Smith	Treasurer

**Electronic Classroom of Tomorrow  
Organizational Chart  
June 30, 2010**



# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to be "J. H. H.", written in a cursive style.

President

A handwritten signature in black ink, reading "Jeffrey R. Emmer", written in a cursive style.

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This 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, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

*Erin Green*

President

*John D. Mueser*

Executive Director

# Financial Section



Electronic Classroom of Tomorrow  
Columbus, Ohio





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Electronic Classroom of Tomorrow  
Franklin County  
3700 South High Street, Suite 120  
Columbus, Ohio 43207

To the Board of Directors:

We have audited the accompanying basic financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio (ECOT), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of ECOT's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electronic Classroom of Tomorrow, Franklin County, Ohio, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of ECOT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
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We conducted our audit to opine on the financial statements that collectively comprise ECOT's basic financial statements. The introductory section and statistical tables provide additional information and are not a required part of the basic financial statements. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

**Mary Taylor, CPA**  
Auditor of State

December 6, 2010



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

*Management's Discussion and Analysis  
For the Year Ended June 30, 2010  
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, 2010. 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, 2010 are as follows:

Total Net Assets were \$21,354,570.

Total Operating Revenue was \$56,231,860.

Total Operating Expenses were \$65,646,989.

Change in Net Assets was \$4,794,223.

**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 Assets and Statement of Revenues, Expenses and Changes in Net Assets 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets*

The view of ECOT as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets 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 assets and changes in those assets. This change in net assets 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, 2010  
Unaudited*

**ECOT**

The Statement of Net Assets provides the perspective of ECOT as a whole. Table 1 provides a summary of ECOT's net assets for 2010 compared to 2009:

<b>Table 1 Statement of Net Assets</b>			
	2010	2009	Percentage Change
<b><u>Assets</u></b>			
Current Assets and Other Assets	\$ 24,946,827	\$ 19,687,036	27%
Capital Assets, Net of A/D	4,536,931	5,325,261	-15%
Total Assets	<u>29,483,758</u>	<u>25,012,297</u>	<u>18%</u>
<b><u>Liabilities</u></b>			
Current Liabilities	7,882,929	7,796,037	1%
Long Term Liabilities	246,259	655,913	-63%
Total Liabilities	<u>8,129,188</u>	<u>8,451,950</u>	<u>-4%</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	4,128,719	2,384,323	73%
Restricted	6,660,369	4,425,969	51%
Unrestricted	10,565,482	9,750,055	8%
Total Net Assets	<u>\$ 21,354,570</u>	<u>\$ 16,560,347</u>	<u>29%</u>

Total assets increased by \$4,471,461. While cash and cash equivalents increased by \$3,967,663, total receivables increased by \$1,017,254. Supplies Inventory increased by \$4,561. Prepaid items increased by \$254,699. Security deposits increased by \$15,614 due to interest earned on deposits.

Total liabilities decreased by (\$322,762). Long term liabilities decreased by (\$409,654) due to a decrease in leases payable in the current audit period.

ECOT's 2010 net assets increased by \$4,794,223 from current year activities. Restricted net assets increased by \$2,234,400 due to increases in security deposits and intergovernmental receivables and decreases in intergovernmental payables. Invested in Capital Assets, Net of Related Debt increased by \$1,744,396 due to the decrease in leases payable.

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

*Management's Discussion and Analysis  
For the Year Ended June 30, 2010  
Unaudited*

Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009.

<b>Table 2 Statement of Revenues, Expenses and Changes in Net Assets</b>			
	2010	2009	Percentage Change
<b><u>Operating Revenue:</u></b>			
Foundation Payments	\$ 49,302,474	\$ 50,401,427	-2%
Special Education	6,519,598	7,141,838	-9%
Extracurricular	15,718	9,193	71%
Other Operating Revenues	394,070	212,980	85%
Total Operating Revenues	56,231,860	57,765,438	-3%
<b><u>Operating Expenses:</u></b>			
Salaries	24,985,760	23,414,937	7%
Fringe Benefits	8,538,126	7,108,112	20%
Purchased Services	15,187,314	13,937,395	9%
Materials and Supplies	12,601,919	12,930,344	-3%
Depreciation & Amortization Expense	2,439,126	3,105,639	-21%
Judgment	1,311,373	0	100%
Other Operating Expenses	583,371	405,389	44%
Total Operating Expenses	65,646,989	60,901,816	8%
<b><u>Non-Operating Revenues and Expenses:</u></b>			
Non-Operating Grants	14,414,911	6,446,335	124%
Interest Revenue	86,874	137,216	-37%
Gain (Loss) on Disposal of Assets	(155,657)	11,020	-1,512%
Interest and Fiscal Charges	(136,776)	(187,216)	-27%
Total Non-Operating Revenues & Expenses	14,209,352	6,407,355	122%
Change in Net Assets	<u>\$ 4,794,223</u>	<u>\$ 3,207,977</u>	<u>49%</u>

***Operating Activities***

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

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

*Management's Discussion and Analysis  
For the Year Ended June 30, 2010  
Unaudited*

Total operating revenue decreased by 3% in fiscal year 2010. This was due to a decrease in State Aid which was attributable to the decrease in the per pupil funding amount at the State level.

Salaries and Fringe Benefits comprise 51% of total operating expenses. Interest and fiscal charges expense was \$136,776, 0.2% of total expenses. Interest expense was attributable to capital leases for computers and equipment.

Total operating expenses increased by 8% in fiscal year 2010. ECOT increased facility staff by 33 employees and increased teaching personnel by 82 employees resulting in an increase in Salaries and Fringe Benefits. Purchased services increased by 9% due to an increase in service provider contracts. A judgment in the amount of \$1,311,373 also increased operating expenses.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2010 ECOT had \$13,356,401 (less \$8,819,470 in accumulated depreciation and amortization) invested in computers, furniture, equipment and software. See Note 5 for more detailed information.

Table 3 shows 2010 balances compared to 2009:

<b>Table 3</b>			
<b>Capital Assets (net of depreciation &amp; amortization) at June 30</b>			
	2010	2009	Percentage Change
Computer Equipment	\$ 1,046,696	\$ 2,201,896	-52%
Laptops	485,718	445,780	9%
Other Computer Equipment	1,600,362	1,444,811	11%
Furniture & Equipment	623,831	615,447	1%
Software	780,324	617,327	26%
Totals	\$ 4,536,931	\$ 5,325,261	-15%

Acquisitions were less than depreciation this year by (\$621,967). For the fiscal year ended June 30, 2010, ECOT had \$1,817,159 in purchases of laptops, furniture and equipment, software, and other computer equipment. Depreciation and amortization for the fiscal year 2010 was \$2,439,126.

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

*Management's Discussion and Analysis  
For the Year Ended June 30, 2010  
Unaudited*

**Debt**

At June 30, 2010 ECOT had \$670,190 in Capital Leases and Compensated Absences. At June 30 \$423,931 of this debt was due within one year. Table 4 summarizes the debt outstanding. Please refer to Note 11 for more detailed information.

<b>Table 4</b>			
<b>Outstanding Debt, at June 30</b>			
	2010	2009	Percentage Change
Capital Leases	\$ 408,212	\$ 2,940,938	-86%
Compensated Absences	261,978	247,701	6%
Totals	\$ 670,190	\$ 3,188,639	-79%

**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 9,214 students enrolled. ECOT receives its finances mostly from state aid. State per pupil aid for this period amounted to \$5,718 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 of the Electronic Classroom of Tomorrow, 3700 South High Street, Suite 120, Columbus, OH 43207 or e-mail at [michele.smith@ecotoh.org](mailto:michele.smith@ecotoh.org).

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 16,031,642
Intergovernmental Receivable	4,798,782
Prepaid Items	873,449
Inventory Supplies	<u>77,597</u>
 Total Current Assets	 21,781,470
Noncurrent Assets:	
Security Deposits	3,165,357
Capital Assets, Net	<u>4,536,931</u>
 Total Noncurrent Assets	 <u>7,702,288</u>
 Total Assets	 <u><u>29,483,758</u></u>

Liabilities

Current Liabilities:	
Accounts Payable	885,245
Accrued Wages & Benefits Payable	4,030,175
Unclaimed Monies Payable	203,977
Intergovernmental Payable	1,028,228
Judgment Payable	1,311,373
Capital Leases Payable – Current	408,212
Compensated Absences Payable – Current	<u>15,719</u>
 Total Current Liabilities	 7,882,929
Noncurrent Liabilities:	
Compensated Absences Payable	<u>246,259</u>
 Total Noncurrent Liabilities	 <u>246,259</u>
 Total Liabilities	 <u>8,129,188</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	4,128,719
Restricted for Security Deposits	3,165,357
Restricted for Grants	3,495,012
Unrestricted	<u>10,565,482</u>
 Total Net Assets	 <u><u>\$ 21,354,570</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 ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

Operating Revenues:

Foundation Payments	\$ 49,302,474
Special Education	6,519,598
Extracurricular	15,718
Other Operating Revenues	<u>394,070</u>
Total Operating Revenues	56,231,860

Operating Expenses:

Salaries	24,985,760
Fringe Benefits	8,538,126
Purchased Services	15,187,314
Materials and Supplies	12,601,919
Depreciation and Amortization	2,439,126
Judgments	1,311,373
Other Operating Expenses	<u>583,371</u>
Total Operating Expenses	<u>65,646,989</u>
Operating (Loss)	(9,415,129)

Non-Operating Revenues and (Expenses):

Non-Operating Grants	14,414,911
Interest Revenue	86,874
Loss on Disposal of Capital Assets	(155,657)
Interest and Fiscal Charges	<u>(136,776)</u>
Total Non-Operating Revenues and (Expenses)	<u>14,209,352</u>
Change in Net Assets	4,794,223
Net Assets at Beginning of Year	<u>16,560,347</u>
Net Assets at End of Year	<u><u>\$ 21,354,570</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, 2010**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 55,822,072
Cash Received from Extracurricular Activities	15,718
Cash Received from Other Operating Sources	308,373
Cash Payments to Suppliers for Goods and Services	(27,891,032)
Cash Payments to Employees for Services	(24,847,281)
Cash Payments for Employee Benefits	(8,013,622)
Cash Payments for Other Operating Uses	(419,526)

Total Cash Flows used for Operating Activities (5,025,298)

Cash Flows from Non-capital Financing Activities

Non-Operating Grants	<u>11,593,157</u>
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Total Cash Flows from Non-capital Financing Activities 11,593,157

Cash Flows from Capital and Related Financing Activities

Lease Proceeds	2,645,398
Proceeds from Sale of Capital Assets	10,706
Payments for Capital Acquisitions	(1,817,159)
Principal Payments	(3,373,624)
Interest Payments	(136,776)

Total Cash Flows used for Capital and Related Financing Activities (2,671,455)

Cash Flows from Investing Activities

Interest on Investments	<u>71,259</u>
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Total Cash Flows from Investing Activities 71,259

Net Increase in Cash and Cash Equivalents 3,967,663

Cash and Cash Equivalents at Beginning of Year 12,063,979

Cash and Cash Equivalents at End of Year \$ 16,031,642

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, 2010**

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

Operating Loss	\$ (9,415,129)
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Adjustments to Reconcile Operating  
Loss to Net Cash Used for Operating Activities:

Depreciation & Amortization	2,439,126
Change in Assets and Liabilities:	
(Increase) in Prepaid Items	(254,698)
(Increase) in Inventory of Supplies	(4,561)
Increase in Accounts Payable	206,562
Increase in Accrued Wages & Benefits	344,449
Increase in Intergovernmental Payable	333,303
Increase in Judgment Payable	1,311,373
Increase in Compensated Absences Payable	14,277
Total Adjustments	4,389,831
Net Cash Used for Operating Activities	\$ (5,025,298)

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 Lucas County Educational Service Center (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 for an additional three year term expiring on June 30, 2012.

ECOT operates under the direction of a six-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 two hundred twenty-eight (228) non-certified and four hundred forty-one (441) certificated full time teaching personnel who provide services to 9,214 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, 2010  
(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 insure 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. ECOT also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of ECOT's accounting policies.

**C. Basis of Presentation**

ECOT's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and statement of cash flows.

**Financial Statements**

The statement of net assets and the statement of revenues, expenses, and changes in net assets 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 Assets. The Statement of Revenue, Expenses, and Changes in Net Assets presents increases and decreases in net assets. 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, 2010  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues - Exchange and Non-exchange Transactions**

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

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

**Expenses/Expenditures**

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 annually.

**G. Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. All cash received by the School is maintained in demand deposit accounts and sweep investment accounts.

During fiscal year 2010, ECOT's investments were limited to repurchase agreements, negotiable certificates of deposit and State Treasury Asset Reserve of Ohio (STAR Ohio). These investments are reported at fair value.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2010.

Interest revenue credited during fiscal year 2010 amounted to \$86,874.

**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 Assets. Revenue 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 2010 school year totaled \$59,656,287.

**I. Inventory of Supplies**

Inventories are stated at lower of cost or market. Cost is determined using the FIFO method and are determined by physical count. Inventories consist of consumable supplies.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by ECOT. An expense is reported in the year in which services are consumed.

**K. Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. ECOT maintains a capitalization threshold of \$1,000. All computers are capitalized regardless of cost. ECOT does

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

All reported capital assets 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>
Furniture and Other Equipment	5-7
Computers	3-5
Software	3

**L. 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 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.

**M. 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 \$3,165,357.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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 \$6,660,369 of restricted net assets, all of which is imposed by external restrictions. ECOT applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. 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.

**P. 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 2010.

**Q. 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 has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of ECOT.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of ECOT.

The GASB has issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." This Statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of ECOT.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**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, 2010, the carrying amount of all ECOT deposits was \$10,601,052. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$12,522,943 of ECOT's bank balance of \$13,025,293 was exposed to custodial risk as discussed below, while \$500,000 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 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.



**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

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

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

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

Investments of ECOT as of June 30, 2010 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 3 Months or Less</u>	<u>Investment Maturity 3 to 6 Months</u>
Repurchase Agreements	\$ 4,924,940	\$ 4,924,940	0
STAR Ohio	\$ 505,650	\$ 505,650	0

*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.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Credit Risk:* The Collateralized Mortgage Obligations, underlying securities for Repurchase Agreements, carry a rating of AAA by Moody's and Standard and Poor's. ECOT has no policy regarding credit risk. Standard and Poor's assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* ECOT places no limit on the amount it may invest in any one issuer. ECOT's investment in the Repurchase Agreements represents 100 percent of ECOT's total investments. The following table includes the percentage of each investment type held by ECOT at June 30, 2010.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 4,924,940	90.69%
STAR Ohio	<u>505,650</u>	<u>9.31%</u>
Total	<u>\$ 5,430,590</u>	<u>100.00%</u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2010, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
IDEA B	\$ 719,555
ARRA IDEA B	244,353
Title II Tech First	42,522
Title I School Improvement	48,123
Title I	1,950,609
ARRA Title I	1,652,475
ARRA McKinney-Vento Homeless Assistance Program	7,681
Title IV	12,321
Title IIA	<u>121,143</u>
Total Intergovernmental Receivables	<u>\$ 4,798,782</u>

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b>Capital Assets, Net</b>				
Computer Equipment	\$ 5,844,918	\$ 0	(\$1,171,940)	\$ 4,672,978
Laptops	993,000	311,596	(257,183)	1,047,413
Other Computer Equipment	2,820,601	816,040	(116,639)	3,520,002
Furniture & Equipment	1,282,380	172,399	(5,839)	1,448,940
Software	2,149,944	517,124	(0)	2,667,068
Total at Historical Cost	<u>13,090,843</u>	<u>1,817,159</u>	<u>(1,551,601)</u>	<u>13,356,401</u>
<b>Less Accumulated Depreciation and Amortization:</b>				
Computer Equipment	3,643,022	994,220	1,010,960	3,626,282
Laptops	547,220	271,658	257,183	561,695
Other Computer Equipment	1,375,790	657,247	113,397	1,919,640
Furniture & Equipment	666,933	161,874	3,698	825,109
Software	1,532,617	354,127	0	1,886,744
Total Accumulated Depreciation	<u>7,765,582</u>	<u>2,439,126</u>	<u>1,385,238</u>	<u>8,819,470</u>
Capital Assets, Net	<u>\$ 5,325,261</u>	<u>(\$ 621,967)</u>	<u>(\$ 166,363)</u>	<u>\$ 4,536,931</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 2010, ECOT contracted with Midwest Indemnity for property and general liability insurance. This policy is protected by Midwestern Indemnity, with a \$1,000,000 each occurrence limit and a \$2,000,000 general aggregate limit. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

The School Leaders Errors and Omissions policy covers errors and omissions. This policy is protected by Midwestern Indemnity, with a \$1,000,000 single occurrence limit, a \$1,000,000 aggregate limit and a \$10,000 deductible.

The Miscellaneous Professional Insurance policy covers claims arising from ECOT's cyberspace activities. Allied World Insurance Company protects this policy with a \$3,000,000 single occurrence limit, a \$5,000,000 aggregate limit, and a \$100,000 deductible.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 6 - RISK MANAGEMENT (Continued)**

ECOT also has an additional Miscellaneous Professional Liability policy for the coverage of Employed Lawyer's. This policy is protected by Philadelphia Indemnity Insurance Company, with a \$1,000,000 aggregate limit and a \$10,000 deductible.

Hartford Fire Insurance Company provides insurance on ECOT's student computers and other electronic equipment. The coverage provides \$7,000,000 total maximum values with a maximum any one location of \$20,000 with a \$50,000 deductible.

**B. Workers' Compensation**

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

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - ECOT contributes to the School Employees Retirement System (SERS), a cost sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and ECOT is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. ECOT's required contributions for pension obligations to SERS for fiscal years June 30, 2010, 2009, and 2008 were \$951,104, \$527,258, and \$319,181, respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement Systems of Ohio**

Plan Description - ECOT participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888)227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For the fiscal year ended June 30, 2010 plan members were required to contribute 10 percent of their annual covered salaries. ECOT was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent of members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

ECOT's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$2,528,576, \$2,385,916, and \$1,859,082, respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$94,006 made by ECOT and \$67,147 made by the plan members.

**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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, no members of the Board of Directors have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - ECOT participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than and actuarially determined amount; for 2010, this amount was \$87,812.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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.

ECOT's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$28,365, \$242,097, and \$222,613 respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$46,864, \$43,647, and \$35,150, respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$180,613, \$170,423, and \$140,590 respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**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. ECOT assumes no liability for sick leave payout when an employee leaves service.

**B. Employee Medical, Dental and Vision Benefits**

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

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System/State Teachers Retirement System have an option to choose Social Security. As of June 30, 2010, ECOT has no employees or members of the governing board, which contribute to Social Security.

**NOTE 10 - PURCHASED SERVICES**

For the period July 1, 2009 through June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional & Technical Services	\$ 6,415,313
Property Services	676,248
Travel Mileage/Meeting Expenses	460,142
Communications	5,934,294
Utilities	103,254
Contracted Trade Services	158,130
Tuition and Other Similar Payments	88,039
Pupil Transportation	4,560
Other Purchased Services	1,347,334
Total Purchased Services	<u>\$ 15,187,314</u>



**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 11 - LONG-TERM LIABILITIES**

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

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2010</b>	<b>Amounts Due Within One Year</b>
Compensated Absences	\$ 247,701	\$ 631,149	(\$616,872)	\$ 261,978	\$ 15,719
Capital Leases Payable	2,940,938	840,898	(3,373,624)	408,212	408,212
Total Long-Term Liabilities	<u>\$ 3,188,639</u>	<u>\$ 1,472,047</u>	<u>(\$3,990,496)</u>	<u>\$670,190</u>	<u>\$ 423,931</u>

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 \$15,719.

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 was secured by a \$3,110,179 security deposit with National City Bank. The guidance line renewal period was from June 30, 2010 through June 30, 2011. At June 30, 2010 ECOT had not borrowed on the line of credit.

**NOTE 12 - CAPITAL LEASES**

ECOT entered into numerous capital leases for the purchase of student computers, computer equipment and telephone systems. The lease terms range from three to five years and the amounts paid represent more than 90% of the fair market value of the equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded at the present value of the future minimum lease payments as of the inception date. ECOT has also purchased non-capitalized assets with lease proceeds which have been disclosed with capital leases payable. Capital assets purchased at inception of lease with lease proceeds for outstanding leases payable were:

	<b>Cost</b>	<b>Depreciation</b>	<b>Carrying Value</b>
Student computers	\$1,062,000	(\$354,000)	\$ 708,000
Laptops	<u>118,500</u>	<u>(39,500)</u>	<u>79,000</u>
Total	<u>\$1,180,500</u>	<u>(\$393,500)</u>	<u>\$ 787,000</u>

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**NOTE 12 - CAPITAL LEASES (Continued)**

The annual requirements to amortize all leases outstanding as of June 30, 2010, including interest are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Capital Lease June 30, 2010</u>
2011	\$ 417,695
Total Minimum Lease Payments	417,695
Less Amount Representing Interest	(9,482)
Total Capital Lease Payable	<u>\$ 408,212</u>

**NOTE 13 - OPERATING LEASES**

ECOT entered into lease agreements with Bob Evans Farms, Inc. for the use of space in the property commonly known as Southland Mall. The term of the leases commenced on January 1, 2008 and will expire on December 31, 2010. For fiscal year 2010, ECOT paid \$318,167 in operating leases for the Southland Mall properties.

ECOT also entered into a lease agreement with St. Vincent DePaul for the use of property as office space and extra storage. The term of the leases commenced July 1, 2006 and matures June 30, 2010. For fiscal year 2010, ECOT paid \$28,170 in operating leases for office space and extra storage. The lease was extended on July 1, 2010 for an additional period of one year.

ECOT also entered into a lease agreement with SCG Services, LLC 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 2010, ECOT paid \$160,488 in operating leases for server equipment space. In January 2010 additional space was leased for additional server equipment storage at a rate of \$7,110 per month.

ECOT also entered into several lease agreements with Xerox Corporation, Toshiba Financial Services and Pitney Bowes for the use of copiers and office equipment. The terms of these leases are from 12 to 36 months.

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

<u>Fiscal Year Ending June 30</u>	
2011	\$ 282,619
2012	50,306
2013	20,515
2014	4,116
2015	686
Total Minimum Lease Payments	<u>\$ 358,242</u>

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**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 revenues received except federal funding. Altair is also entitled to .5% interest on any outstanding balance. The management fee for the fiscal year ended 2010 was \$2,392,656. As of June 30, 2010, all fees had been paid to Altair.

**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. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of ECOT at June 30, 2010.

**B. School Funding**

The Ohio Department of Education conducts reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**C. Judgments**

ECOT has a judgment that was entered by the Cuyahoga County Court of Common Pleas on May 11, 2010 in the amount of \$1,311,733, which included the judgment plus pre-judgment interest. This damage award arises out of a breach of contract action filed by an SES/related services provider.

**ELECTRONIC CLASSROOM OF TOMORROW  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)**

**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 2010 was \$9,570,623. As of June 30, 2010, \$0 was outstanding and payable. IQ Innovations, LLC and Altair Learning Management I, Inc. have the same principal owner.

**NOTE 18 - SUBSEQUENT EVENTS**

On July 1, 2010, ECOT extended the lease agreement with St. Vincent DePaul for the use of property as office space in Dayton, Ohio.

On July 13, 2010, ECOT entered into a Sale and Leaseback Agreement with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$1,512,380 for the purchase of student computers and software licenses.

# Statistical Section



Electronic Classroom of Tomorrow

Columbus, Ohio



# 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.

<b>Contents</b>	<b>Page(s)</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the School's financial position has changed over time.	32-34
<b>Revenue Capacity</b>	
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.	35-37
<b>Debt Capacity</b>	
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.	38
<b>Demographic and Economic Information</b>	
This schedule offers 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.	39-40
<b>Operating Information</b>	
This schedule contains data to help the reader understand how the School's financial report relates to the services the School provides and the activities it performs.	41

**Electronic Classroom of Tomorrow  
Operating Expenses  
Fiscal Years 2001 to 2010**

<b>Year</b>	<b>Salaries</b>	<b>Fringe Benefits</b>	<b>Purchased Services</b>	<b>Materials &amp; Supplies</b>	<b>Depreciation &amp; Amortization</b>	<b>Judgments</b>	<b>Other</b>	<b>Total</b>	<b>FTE Enrollment</b>	<b>Per Pupil Expense</b>
2010	\$24,985,760	\$ 8,538,126	\$15,187,314	\$12,601,919	\$ 2,439,126	\$ 1,311,373	\$583,371	\$65,646,989	9,214	\$7,125
2009	\$23,414,937	\$ 7,108,112	\$13,937,395	\$12,930,344	\$ 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	\$ 3,234,316	0	\$393,316	\$55,841,957	7,954	\$7,021
2007	\$15,623,636	\$ 4,662,075	\$14,888,917	\$ 9,709,871	\$ 2,511,356	0	\$274,375	\$47,670,230	7,165	\$6,653
2006	\$13,288,012	\$ 3,672,413	\$19,440,520	\$ 2,072,635	\$ 2,199,468	0	\$342,923	\$41,015,971	6,597	\$6,217
2005	\$11,197,208	\$ 3,023,087	\$21,062,010	\$ 1,322,854	\$ 2,365,288	0	\$629,549	\$39,599,996	6,167	\$6,421
2004	\$ 7,884,746	\$ 1,930,406	\$16,243,804	\$ 1,645,256	\$ 1,877,980	0	\$228,706	\$29,810,898	4,824	\$6,180
2003	\$ 5,285,256	\$ 1,420,948	\$10,092,931	\$ 2,953,082	\$ 1,060,987	0	\$172,836	\$20,986,040	4,038	\$5,197
2002	\$ 3,536,068	\$ 760,132	\$ 5,832,514	\$ 2,678,057	\$ 862,630	0	\$164,613	\$13,834,014	2,799	\$4,942
2001	\$ 3,079,414	\$ 726,584	\$ 6,923,822	\$ 510,236	\$ 743,053	0	\$ 81,867	\$12,064,976	2,461	\$4,902

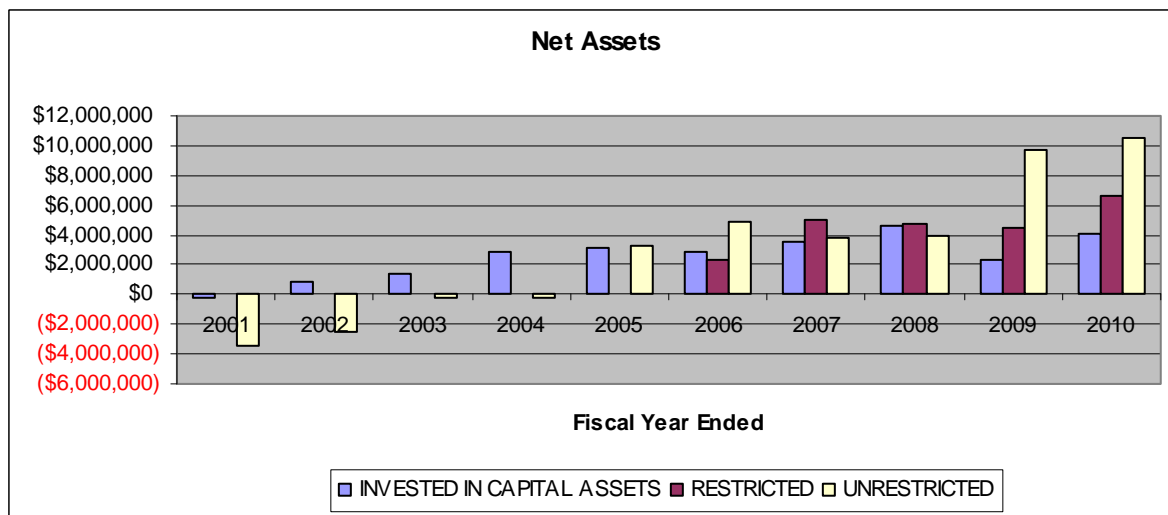
Source: School Financial Records.



**Electronic Classroom of Tomorrow  
Net Assets  
Fiscal Years 2001 to 2010**

<b>Year</b>	<b>Invested in Capital Assets, Net of Related Debt</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total End of Year Net Assets</b>	<b>Fiscal Year Change in Net Assets</b>
2010	\$ 4,128,719	\$ 6,660,369	\$ 10,565,482	\$21,354,570	\$ 4,794,223
2009	\$ 2,384,323	\$ 4,425,969	\$ 9,750,055	\$16,560,347	\$ 3,270,977
2008	\$ 4,552,501	\$ 4,774,790	\$ 3,962,079	\$13,289,370	\$ 887,598
2007	\$ 3,551,690	\$ 4,983,180	\$ 3,866,902	\$12,401,772	\$ 2,447,742
2006	\$ 2,845,586	\$ 2,268,409	\$ 4,840,035	\$ 9,954,030	\$ 3,661,934
2005	\$ 3,087,440	\$ 0	\$ 3,204,656	\$ 6,292,096	\$ 3,621,763
2004	\$ 2,916,899	\$ 0	\$ (246,566)	\$ 2,670,333	\$ 1,497,975
2003	\$ 1,337,081	\$ 0	\$ (164,723)	\$ 1,172,358	\$ 2,830,249
2002	\$ 809,226	\$ 0	\$ (2,467,117)	\$ (1,657,891)	\$ 1,983,357
2001	\$ (211,716)	\$ 0	\$ (3,429,532)	\$ (3,641,248)	\$ (3,641,248)

Source: School Financial Records

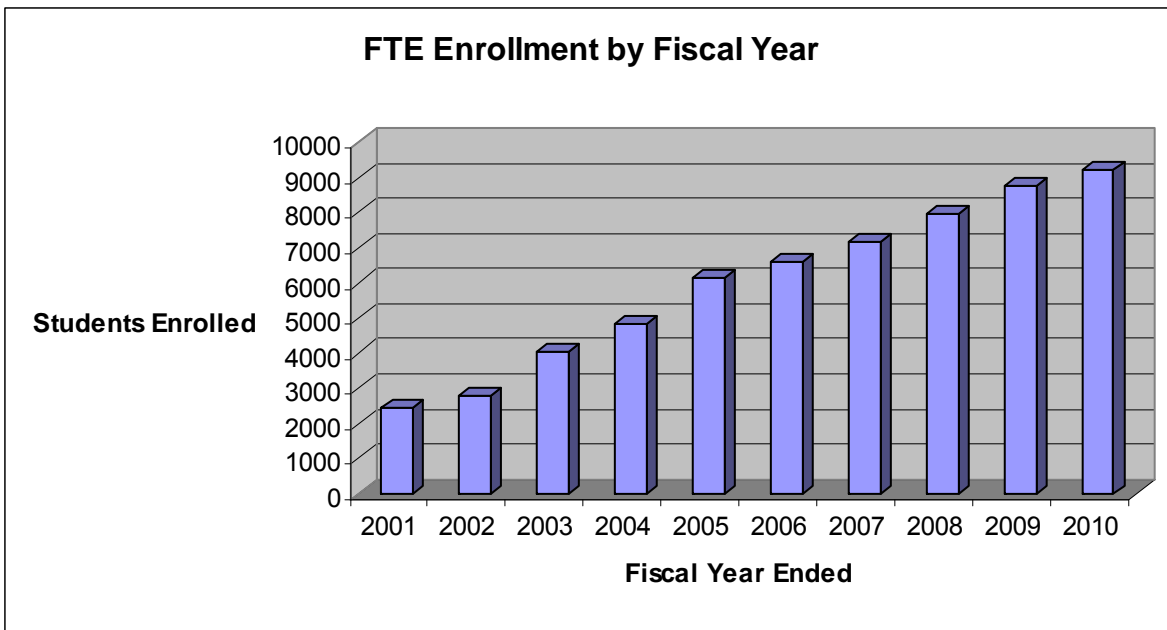


**Electronic Classroom of Tomorrow  
Full-Time Equivalent (FTE) Enrollment  
Fiscal Years 2001 to 2010**

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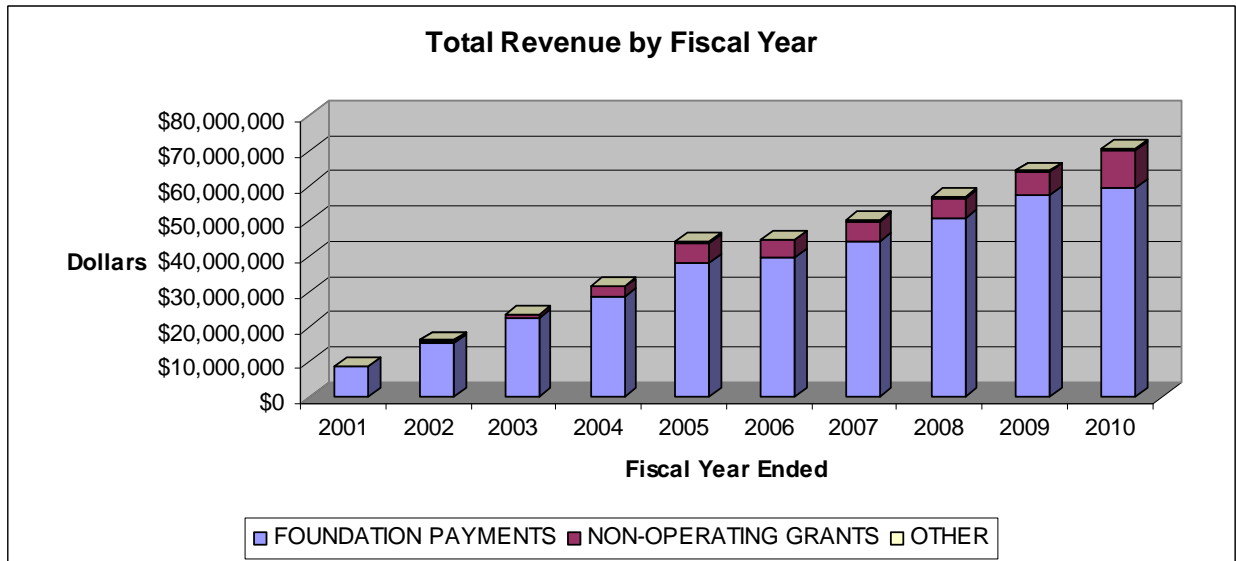
<u>YEAR</u>	<u>FTE Enrollment</u>
2010	9,214
2009	8,742
2008	7,954
2007	7,165
2006	6,597
2005	6,167
2004	4,824
2003	4,038
2002	2,799
2001	2,461

Source: Ohio Department of Education



**Electronic Classroom of Tomorrow  
Operating and Non-Operating Revenues  
Fiscal Years 2001 to 2010**

<b>Year</b>	<b>Foundation Payments &amp; Special Education</b>	<b>Non-Operating Grants</b>	<b>Other</b>	<b>Total</b>
2010	\$ 55,822,072	\$ 14,414,911	\$ 496,662	\$ 70,733,645
2009	\$ 57,543,265	\$ 6,446,335	\$ 370,409	\$ 64,360,009
2008	\$ 50,730,455	\$ 5,526,700	\$ 708,414	\$ 56,965,569
2007	\$ 44,258,877	\$ 5,465,808	\$ 678,675	\$ 50,403,360
2006	\$ 39,843,766	\$ 4,854,435	\$ 342,332	\$ 45,040,533
2005	\$ 38,384,828	\$ 5,363,512	\$ 342,954	\$ 44,091,294
2004	\$ 28,698,245	\$ 2,685,009	\$ 77,538	\$ 31,460,792
2003	\$ 22,389,601	\$ 1,232,963	\$ 15,437	\$ 23,638,001
2002	\$ 15,460,245	\$ 647,115	\$ 37,222	\$ 16,144,582
2001	\$ 8,784,285	\$ 113,750	\$ 55,259	\$ 8,953,294



Source: School Financial Records.

**Electronic Classroom of Tomorrow  
Grant Revenue By Source  
Fiscal Years 2001 to 2010**

Year	TITLE I	TITLE II	TITLE IV	TITLE V	IDEA-B GRANT	SUBGRANT	OTHER	SFSF Funds	ARRA Funds	TOTAL
2010	\$ 5,262,019	\$ 327,232	\$ 52,488	\$ 0	\$ 1,977,319	\$ 0	\$ 47,977	\$ 3,834,215	\$ 2,913,661	\$ 14,414,911
2009	\$ 4,284,443	\$ 283,400	\$ 44,439	\$ 4,461	\$ 1,829,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,446,335
2008	\$ 3,075,394	\$ 229,244	\$ 60,489	\$ 13,906	\$ 2,009,755	\$ 0	\$ 137,912	\$ 0	\$ 0	\$ 5,526,700
2007	\$ 3,331,459	\$ 105,909	\$ 90,226	\$ 218,995	\$ 1,719,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,465,808
2006	\$ 2,810,173	\$ 37,922	\$ 72,835	\$ 209,802	\$ 1,454,698	\$ 0	\$ 269,004	\$ 0	\$ 0	\$ 4,854,434
2005	\$ 3,218,062	\$ 100,641	\$ 43,103	\$ 213,010	\$ 1,156,655	\$ 150,000	\$ 632,040	\$ 0	\$ 0	\$ 5,513,511
2004	\$ 1,697,682	\$ 138,086	\$ 20,676	\$ 96,084	\$ 357,156	\$ 150,000	\$ 375,325	\$ 0	\$ 0	\$ 2,835,009
2003	\$ 708,543	\$ 19,008	\$ 7,218	\$ 231,595	\$ 241,697	\$ 0	\$ 24,902	\$ 0	\$ 0	\$ 1,232,963
2002	\$ 434,994	\$ 6,004	\$ 0	\$ 19,014	\$ 103,632	\$ 0	\$ 83,471	\$ 0	\$ 0	\$ 647,115
2001	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Source: School Financial Records.

**Electronic Classroom of Tomorrow  
State Basic Aid – Per Pupil Funding Amount  
Fiscal Years 2001 to 2010**

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Year	Per Pupil Funding	Cost of Doing Business Factor	Total Per Pupil Funding
2010	\$ 5,718	N/A	\$ 5,718
2009	\$ 5,732	N/A	\$ 5,732
2008	\$ 5,565	N/A	\$ 5,565
2007	\$ 5,403	1.0161	\$ 5,490
2006	\$ 5,283	1.0318	\$ 5,451
2005	\$ 5,169	1.0476	\$ 5,415
2004	\$ 5,058	1.0466	\$ 5,294
2003	\$ 4,949	1.0459	\$ 5,176
2002	\$ 4,814	1.0468	\$ 5,039
2001	\$ 4,294	1.0832	\$ 4,651

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

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow  
Ratios of Outstanding Debt by Type  
Fiscal Years 2001 to 2010**

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<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Per ADM</u>
2010	\$ 408,212	\$ 44
2009	\$ 2,940,938	\$ 336
2008	\$ 1,549,268	\$ 195
2007	\$ 3,106,674	\$ 434
2006	\$ 3,043,780	\$ 461
2005	\$ 2,635,014	\$ 427
2004	\$ 2,066,936	\$ 428
2003	\$ 2,732,764	\$ 677
2002	\$ 2,114,392	\$ 755
2001	\$ 3,669,798	\$ 1,491

Source: School Financial Records

**Electronic Classroom of Tomorrow  
Student Population by Resident District  
2010 Fiscal Year**

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<b>Resident District</b>	<b>Percent</b>
Columbus City	11.19%
Cleveland	6.67%
South-Western	3.98%
Dayton	3.08%
Cincinnati Public	2.82%
Parma	1.39%
Toledo	1.03%
All Other Districts	69.85%

Note 1: The School draws its student population from 577 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 2000 to 2008**

Calendar Year	Population (in thousands)				Per Capita Personal Income		Civilian Labor Force			Public School Enrollment In Ohio (in thousands)	Motor Vehicles Registered In Ohio
	U.S.	Change From Prior Period	Ohio	Change From Prior Period	U.S.	Ohio	Ohio As a Percentage Of U.S.	Ohioans Employed	Ohio's Unemployment Rate		
2008	304,060	2,439	11,486	19	\$39,751	\$35,511	89.3%	6,819,050	6.5%	1,882	11,944,527
2007	301,621	2,223	11,467	(11)	\$38,611	\$34,874	90.3%	6,828,905	5.6%	1,890	12,021,879
2006	299,398	2,988	11,478	14	36,276	33,338	91.9%	6,893,966	5.5%	1,835	12,127,645
2005	296,410	2,755	11,464	5	34,495	31,867	92.4%	6,792,314	5.9%	1,845	12,017,517
2004	293,655	2,866	11,459	21	33,041	31,135	94.2%	6,732,896	6.1%	1,844	12,192,202
2003	290,789	2,848	11,438	28	31,487	29,947	95.1%	6,668,862	6.1%	1,838	12,083,529
2002	287,941	2,839	11,410	22	30,814	29,094	94.4%	6,688,303	5.7%	1,831	12,064,420
2001	285,102	2,910	11,388	24	30,575	28,602	93.5%	6,757,667	4.3%	1,835	11,888,533
2000	282,192	3,152	11,364	29	29,845	28,602	95.1%	6,835,688	4.1%	1,836	11,740,513

Source: State of Ohio 2009 Comprehensive Annual Financial Statement. Calendar Year 2008 is the most current data available.



**Electronic Classroom of Tomorrow  
Miscellaneous Statistics**

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<b>School Address:</b>	3700 S. High Street Columbus, OH
<b>Square Footage:</b>	46,052
<b>Date of Incorporation:</b>	February 11, 2000
<b>Number of FY10 Instructional Staff:</b>	441
<b>Total FY10 Staff:</b>	653
<b>Instructional Staff/ Student Ratio:</b>	22:1
<b>Number of current Graduates</b>	1,472
<b>Number of Graduates since inception:</b>	5,794

Source: School Records

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**Mary Taylor, CPA**  
Auditor of State

**ELECTRONIC CLASSROOM OF TOMORROW**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 28, 2010**