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FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR		Federal		
Pass Through Grantor		CFDA		
Program Title	Grant Year	Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Education Agencies	2010	84.010	\$ 1,130,733	\$ 824,241
Title I Grants to Local Education Agencies	2011	84.010	3,704,285	4,049,898
Title I School Improvement	2010	84.010	46,972	434
ARRA-Title I School Improvement	2011	84.389	55,832	60,182
ARRA - Title I Grants to Local Education Agenices	2010	84.389	147,353	1,751
ARRA - Title I Grants to Local Education Agenices	2011	84.389	2,804,272	2,925,515
Total - Title I Grants to Local Education Agencies Cluster			7,889,447	7,862,021
Special Education Grants to States	2010	84.027	316,514	303,430
Special Education Grants to States	2011	84.027	1,674,050	1,681,691
ARRA - Special Education Grants to States	2010	84.391	115,696	78,054
ARRA - Special Education Grants to States	2011	84.391	929,841	938,545
Total - Special Education Grants to States Cluster			3,036,101	3,001,720
Optional Programs From Option to and Optionally State Option	0040	04.400		0
Safe and Drug Free Schools and Communities State Grant	2010	84.186	-	9
Safe and Drug Free Schools and Communities State Grant	2011	84.186	12,321	12,738
Total - Safe and Drug Free Schools and Communities State Grant			12,321	12,747
ARRA - Education for Homeless Children and Youth	2010	84.387	6,516	-
ARRA - Education for Homeless Children and Youth	2011	84.387	<u> </u>	1,000
			6,516	1,000
Race to the Top	2011	84.395	1,833	14,685
Education Jobs	2011	84.410	1,195,438	1,203,974
Education Technology State Grant	2010	84.318	_	_
Education Technology State Grant	2011	84.318	6,210	10,269
Total - Education Technology State Grant			6,210	10,269
Improving Teacher Quality State Grants	2010	84.367	25,971	30,326
Improving Teacher Quality State Grants	2010	84.367	198,511	279,093
Total - Improving Teacher Quality State Grants	2011	04.507	224,482	309,419
Total Improving reacher Quality State Grants			224,402	309,419
ARRA - State Fiscal Stabilization Fund- Education State Grants	2011	84.394	5,312,880	5,312,880
Total			\$ 17,685,228	\$ 17,728,715

The accompanying notes are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE FISCAL YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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 S. 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, 2011, and have issued our report thereon dated November 30, 2011. 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*.

Electronic Classroom of Tomorrow
Franklin County
Independent Accountants' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*Page 2

We noted certain matters not requiring inclusion in this report that we reported to ECOT's management in a separate letter dated November 30, 2011.

We intend this report solely for the information and use of management, the finance 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.

Dave Yost Auditor of State

November 30, 2011

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 S. 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 could directly and materially affect each of ECOT's major federal programs for the year ended June 30, 2011. 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 the ECOT's compliance with those requirements.

In our opinion, ECOT complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-001.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over 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 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506 Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199 Electronic Classroom of Tomorrow
Franklin County
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
Page 2

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-001 to be a material weakness.

ECOT's response to the finding we identified is described in the accompanying schedule of findings. We did not audit ECOT's response and, accordingly, we express no opinion on it.

We also 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 November 30, 2011.

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, 2011, and have issued our report thereon dated November 30, 2011. Our audit was performed to form an opinion on the financial statements taken as a whole. The accompanying federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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, others within the entity, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost Auditor of State

November 30, 2011

SCHEDULE OF FINDINGS OMB CIRCULAR A -133 § .505 JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

reported at the financial statement level (GAGAS)? Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? (d)(1)(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)? (d)(1)(iv) Were there any material internal control weaknesses reported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion (d)(1)(vi) Are there any reportable findings under § .510(a)? ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds — Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.391)	(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
internal control reported at the financial statement level (GAGAS)? (d)(1)(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)? (d)(1)(iv) Were there any material internal control weaknesses reported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unqualified (d)(1)(vi) Are there any reportable findings under § .510(a)? (d)(1)(vii) Major Programs (list): ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(ii)	reported at the financial statement level	No
noncompliance at the financial statement level (GAGAS)? Were there any material internal control weaknesses reported for major federal programs? Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Ware there any reportable findings under § .510(a)? (d)(1)(vii) Major Programs (list): ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(ii)	internal control reported at the financial	No
weaknesses réported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Are there any reportable findings under § .510(a)? (d)(1)(vii) Major Programs (list): ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$531,861 Type B: all others	(d)(1)(iii)	noncompliance at the financial statement level	No
internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unqualified Yes 5.510(a)? (d)(1)(vii) Major Programs (list): ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(iv)	weaknesses reported for major federal	Yes
(d)(1)(vii) Are there any reportable findings under § .510(a)? (d)(1)(vii) Major Programs (list): ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(iv)	internal control reported for major federal	No
§ .510(a)? (d)(1)(vii) Major Programs (list): ARRA/Title I Grants to Local Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
Education Agencies Cluster (CFDA #84.010 & 84.389) Education Jobs Program (CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(vi)		Yes
(CFDA #84.410) ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others	(d)(1)(vii)	Major Programs (list):	•
Funds – Education State Grants (CFDA 84.394) ARRA/Special Education Grants to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others			_
to States Cluster (CFDA 84.027 & 84.391) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 531,861 Type B: all others			ARRA/State Fiscal Stabilization Funds – Education State Grants (CFDA 84.394)
Type B: all others			
(d)(1)(ix) Low Risk Auditee? Yes	(d)(1)(viii)	Dollar Threshold: Type A\B Programs	
	(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

SCHEDULE OF FINDINGS OMB CIRCULAR A -133 § .505 JUNE 30, 2011 (Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Material Weakness/Material Non-Compliance – Allowable Costs/Cost Principles – Semi Annual Certifications

Finding Number	2011-001	
CFDA Title and Number	84.010 – Title I Cluster 84.410 – Education Jobs Grant	
Federal Award Number / Year	2011	
Federal Agency	U.S. Department of Education	
Pass-Through Agency	Ohio Department of Education	

2 C.F.R. Part 225, Appendix B subsection 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).

In fiscal year 2011 an employee's salary and benefits of \$30,390 was charged solely to the Education Jobs Grant; another employee's salary and benefits of \$32,732 was charged solely to the Title I Grant. However, there were no certifications by these employees or their supervisors that the employees worked solely on those grants. These expenditures were determined to be allowable per the grant agreement based on the employee's position within ECOT.

Although ECOT has internal controls in place to ensure compliance with this certification requirement, the fact that those controls failed in these instances is an indication that controls are not functioning as management intended. We recommend ECOT examine its control process for documenting semi-annual certifications and ensure completeness for those employees whose salaries and benefits are charged solely to one federal grant, perhaps by performing periodic reconciliations of employees whose salaries and benefits are charged solely to a single cost objective and a listing of employees on the semi-annual certifications.

Official's Response and Corrective Action Plan:

ECOT is developing a work-flow for its on-line human resources system (HR.net) to enable the automation of the semi-annual certificates for those employees whose salaries and benefits are charged solely to one federal grant. Reports and certifications from this system will allow for ease of periodic reconciliations to ensure compliance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).

Anticipated Completion Date: June 30, 2012

Responsible Contact: Michele D. Smith, Treasurer

Comprehensive Annual Financial Report

For the Year Ended June 30, 2011







ELECTRONIC CLASSROOM OF TOMORROW

Columbus, Ohio

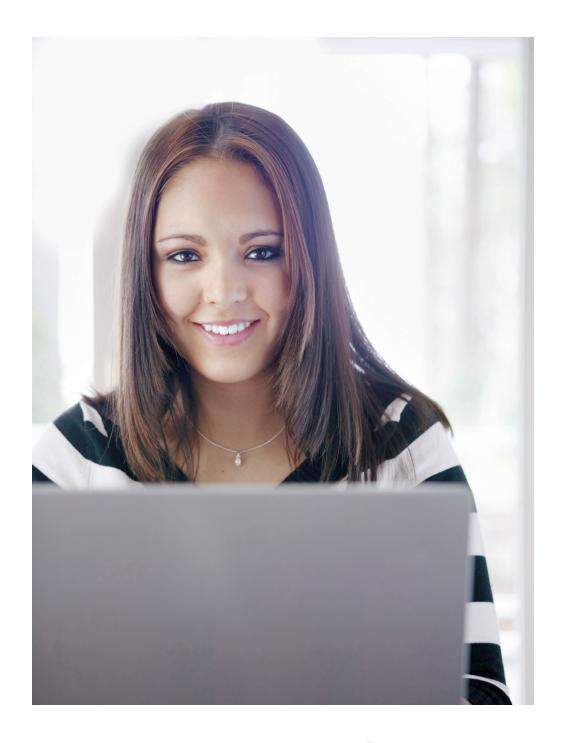
Comprehensive Annual Financial Report

For The Year Ended June 30, 2011

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Introductory Section









November 30, 2011

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, 2011. 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 2011 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, 2011 and the Independent Accountants' Report on the Basic Financial Statements is included in the Financial Section herein.

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

The School operates under the direction of a five-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 seventy nine (279) non-certified and five hundred thirty seven (537) certificated personnel who provide services to 10,404 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.

Major Initiatives of ECOT

Mission

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

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

Stakeholder Input

The need for a revised Mission, Vision and Guiding Principles surfaced in 2005 with the realization of low student performance and a state report card rating of "Academic Emergency." ECOT hired an outside consultant group to begin the strategic planning process with all stakeholders: Parents, students, teachers and administrators. Surveys were sent to parents and students, and focus groups were held with parents during parent-teacher conferences. Teachers engaged in surveys and then focus groups during a face-to-face professional development. With this data, approximately twenty-five stakeholders met during a three-day retreat to develop the mission, vision, goals and strategies to improve student achievement and engagement.

Realizing that typical ECOT students enter below grade level expectations, growth is a critical component of the mission. This process of gathering stakeholder input has been institutionalized every spring in reviewing the data and success of implementation of strategies. Due to ECOT's federal designation of "School Improvement" the strategic team has been replaced by the Ohio Improvement Process (OIP) District Leadership Team, and follows essentially the same process with Ohio Department of Education (ODE) data tools and online reporting processes. This team meets quarterly to review the progress and results of the implementation of the specific strategies to meet ECOT goals.

ECOT Community

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

This unique feature poses two of ECOT's challenges:

- 1.) Orienting and teaching students (and parents) how to navigate the technology, as well as the self-discipline of logging on each day and attending school (live-sessions) is critical. Successful participation in an online school requires a unique set of skills and attitudes; therefore, the process of transitioning students from a traditional "bricks and mortar" school to an online environment is crucial in order to ensure success within the program that, in turn, will impact academic achievement and sustainability.
- 2.) Conducting mandatory State face-to-face testing regionally, within 30 miles of a student's home, three times a year, convincing some students that they "must" attend is discussed in detail in the Challenges section.

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

This then presents the ultimate challenge for ECOT:

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

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

Vision

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

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

State Testing

The State of Ohio administers summative achievement tests in reading and mathematics in the spring of grades 3-8, as well as science tests at grades 5 and 8. In high school, the state provides the Ohio Graduation Test (OGT) in five content areas: reading, mathematics, writing, science, and social studies. All five high school tests must be passed to earn a diploma.

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

With respect to the measurement of academic growth, the state is committed to employing Sanders' value-added model. A year's growth in reading or mathematics for any student is defined as obtaining the same NCE from one year to the next. Improving one's NCE is defined as making growth of more than one year. The district contribution is measured by the difference in starting and ending NCE. Districts whose students grow in terms of mean NCE are said to add value.

Goals

Each year, ECOT's most basic goal is that its Performance Index improves over the previous year; that is to say, that the achievement of ECOT's current students exceeds the achievement of previous cohorts. This has been accomplished for each of the last seven years. In 2011, the district PI reached a new high: 82.6.

Value added has been computed in the state for the last five years. ECOT's goal is always that its students demonstrate significant growth, improving their relative position among students in Ohio. For three of the five years, the average ECOT student was found to have attained a full

year of academic growth in both reading and mathematics. In the remaining two years, ECOT students obtained growth that significantly exceeded one year, giving ECOT the designation of Value Added.

Formative Assessment and Intervention

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

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

Intervention Services

ECOT utilizes the majority of federal dollars to provide intervention services to students through the Federal Response to Intervention (RtI) program. The universal screening is first, failure on the OAA or OGT. Sixty-six highly qualified teachers, trained in intervention techniques and progress monitoring provide highly individualized services to students who do not have an IEP. Intervention is also provided through the Department of Exceptional Children (DEC) as over 20% of ECOT students arrive with an IEP.

Challenges

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

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

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

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

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

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

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

Conclusion

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

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

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

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

ECOT's founder was moved to open the school in response to the personal needs of his own two children. During the past 11 years, ECOT has attracted tens of thousands of students with unique needs who struggled in a traditional school environment. At ECOT, many of them have thrived in an online, non-traditional environment and were able to graduate from high school and contribute to their local communities and beyond.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code chapter 5705, unless specifically provided in the sponsor's contract with the School. The contract between the School and its Sponsor (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.

Financial Policies and Procedures

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

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

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

ECOT's adherence to policies and procedures is reflected by several earned awards. ECOT is a four year recipient of the Certificate of Achievement for Excellence in Financial Report from the Government Finance Officers Association and the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International for the fiscal years ended June, 30, 2007; 2008; 2009 and 2010.

Long Term Financial Planning

ECOT plans to maintain its current share of the e-school market through effective marketing and retention plans. While most of ECOT's enrollment results from word-of-mouth referrals from existing students, ECOT augments its growth as required to meet its goals through advertising, supported by data obtained through analytics. The introduction of ECOT's new website is expected to improve its enrollment yield. It is expected that its implementation of ECOT Connect along with increasing field trip opportunities will help improve student retention.

ECOT provides Supplement Education Services (SES) tutoring to students who reside in other school districts. SES tutoring revenues will be derived by providing these services in the State of Georgia. Fiscal year 2011 was ECOT's first year in that state and revenue from this endeavor was minimal. ECOT hopes that a full year of presence in the State plus a better understanding of how to make a foot print in Georgia will lead to increased revenues in fiscal year 2012.

Funds are being set-aside for the purchase of a building in the future. The estimated amount of funding for a building purchase could approach \$3 million. During fiscal year 2012, the finance team, operations team and Management Company plan to analyze the best approach for the school to pursue. Four possible options are: (1) purchase current location; (2) extend lease at current location; (3) move and lease at another location; or (4) purchase and move to another location.

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 10,404 full-time equivalent students for fiscal year 2011 as compared to 9,214 in fiscal year 2010. 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 2012 will exceed those of fiscal year 2011.

Awards and Acknowledgements

As mentioned previously, the Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School for its comprehensive annual financial report for the year ended June 30, 2010. This was the fourth 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, 2010. 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

Matt Ottiger

Chairman, Board of Directors Electronic Classroom of Tomorrow

Steve Sellers

Chief Operating Officer

Electronic Classroom of Tomorrow

Electronic Classroom of Tomorrow Board of Directors June 30, 2011

Matt Ottiger Board Chairman

Shirley Spellman 1st Vice Chairman

Vince Resor 2nd Vice Chairman

Andy Brush Parliamentarian

Greg Randall Board Member

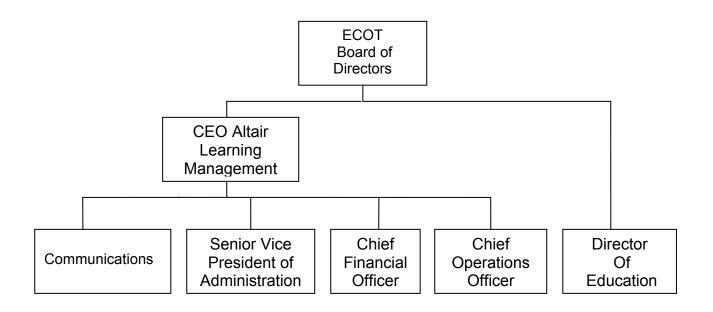
Donna Wihl Board Secretary

Jeff Forster Superintendent

Steve Sellers Chief Operations Officer

Michele Smith Treasurer

Electronic Classroom of Tomorrow Organizational Chart June 30, 2011



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, 2010

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.

President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OF INTERNATIONAL OFFICIALS



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, 2010

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

President

Charle Kinden

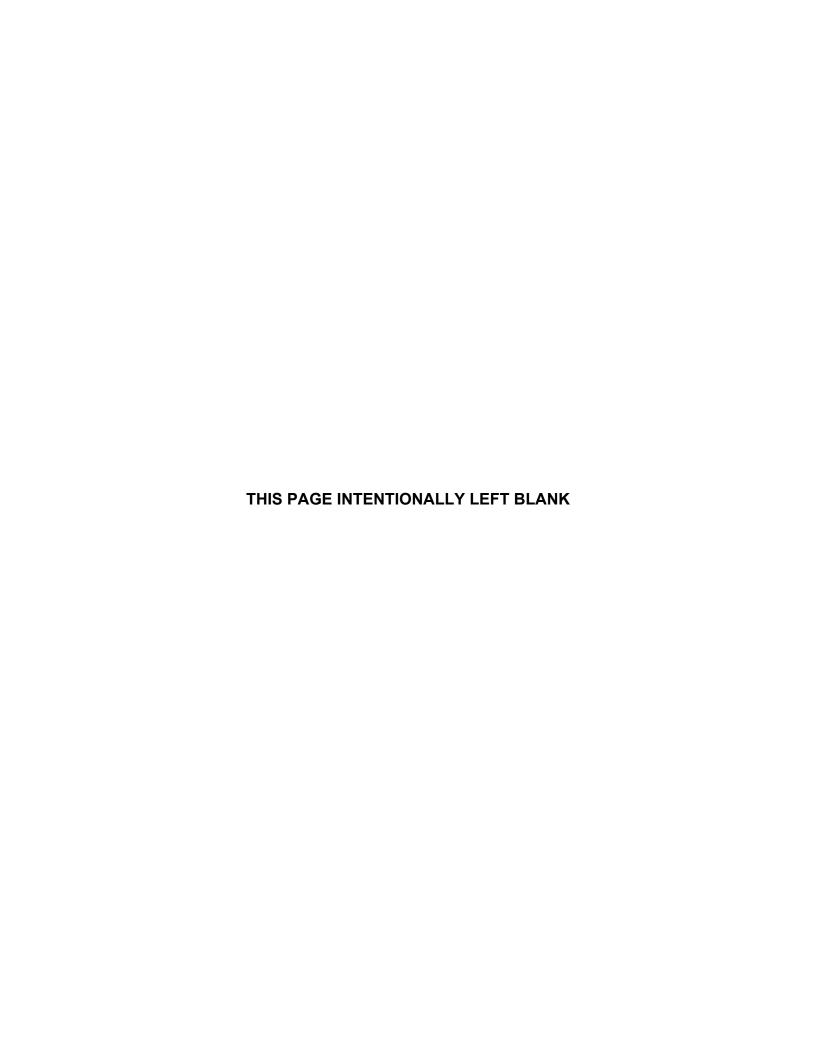
Executive Director

John D. Musso

Financial Section







INDEPENDENT ACCOUNTANTS' REPORT

Electronic Classroom of Tomorrow Franklin County 3700 S. 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, 2011, 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 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 the Electronic Classroom of Tomorrow, Franklin County, Ohio, as of June 30, 2011, 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 November 30, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Electronic Classroom of Tomorrow Franklin County Independent Accountants' Report Page 2

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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.

Dave Yost Auditor of State

November 30, 2011

Management's Discussion and Analysis For the Year Ended June 30, 2011 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, 2011. 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, 2011 are as follows:

Total Net Assets were \$26,164,583.

Total Operating Revenue was \$63,928,714.

Total Operating Expenses were \$78,470,976.

Change in Net Assets was \$4,810,013.

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 2011?" 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.

FRANKLIN COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended June 30, 2011 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 2011 compared to 2010:

Table 1				
Statem	ent of Net Assets			
			Percentage	
	2011	2010	Change	
<u>Assets</u>				
Current Assets and Other Assets	\$ 29,466,506	\$ 24,946,827	18%	
Capital Assets, Net of A/D	6,726,457	4,536,931	48%	
Total Assets	36,192,963	29,483,758	23%	
<u>Liabilities</u>				
Current Liabilities	7,147,987	7,882,929	-9%	
Long Term Liabilities	2,880,393	246,259	1,070%	
Total Liabilities	10,028,380	8,129,188	23%	
Net Assets				
Invested in Capital Assets, Net of				
Related Debt	5,940,970	4,128,719	44%	
Restricted	8,514,791	6,660,369	28%	
Unrestricted	11,708,822	10,565,482	11%	
Total Net Assets	\$ 26,164,583	\$ 21,354,570	23%	

Total assets increased by \$6,709,205. While cash and cash equivalents increased by \$2,206,443, total receivables increased by \$1,685,654. Supplies Inventory decreased by \$5,787. Prepaid items increased by \$627,020. Security deposits increased by \$6,349 due to interest earned on deposits.

Total liabilities increased by \$1,899,192. Long term liabilities increased by \$2,634,134 due to a new merit incentive program implemented in the current audit period.

ECOT's 2011 net assets increased by \$4,810,013 from current year activities. Restricted net assets increased by \$1,854,422 due to increases in security deposits and intergovernmental receivables. Invested in Capital Assets, Net of Related Debt increased by \$1,812,251 due to the increase in capital assets.

ELECTRONIC CLASSROOM OF TOMORROW FRANKLIN COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended June 30, 2011 Unaudited

Table 2 shows the changes in net assets for fiscal year 2011 compared to 2010.

Table 2					
Statement of Revenues, Expenses and Changes in Net Assets Percentage					
	2011	2010	Change		
Operating Revenue:					
Foundation Payments	\$ 55,143,440	\$ 49,302,474	12%		
Special Education	7,280,627	6,519,598	12%		
Judgment	1,217,373	0	-		
Extracurricular	17,871	15,718	14%		
Other Operating Revenues	269,403	394,070	-32%		
Total Operating Revenues	63,928,714	56,231,860	14%		
Operating Expenses:					
Salaries	28,463,938	24,985,760	14%		
Fringe Benefits	8,776,774	8,538,126	3%		
Purchased Services	19,276,657	15,187,314	27%		
Materials and Supplies	14,729,058	12,601,919	17%		
Depreciation & Amortization Expense	3,609,120	2,439,126	48%		
Merit Incentives	3,247,243	0	-		
Judgment	0	1,311,373	-100%		
Other Operating Expenses	368,186	583,371	-37%		
Total Operating Expenses	78,470,976	65,646,989	20%		
Non-Operating Revenues and Expenses:					
Non-Operating Grants	19,348,755	14,414,911	34%		
Interest Revenue	68,497	86,874	-21%		
Gain (Loss) on Disposal of Assets	9,748	(155,657)	-106%		
Interest and Fiscal Charges	(74,725)	(136,776)	-46%		
Total Non-Operating Revenues & Expenses	19,352,275	14,209,352	36%		
	10,002,210	11,200,002			
Change in Net Assets	4,810,013	4,794,223	0%		
Net Assets at Beginning of Year	21,354,570	16,560,347	29%		
Net Assets at End of Year	\$ 26,164,583	\$ 21,354,570	22%		

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, 2011 Unaudited

Total operating revenue increased by 14% in fiscal year 2011. This was due to an increase in State Aid which was attributable to the increased student enrollment. A judgment reduction in the amount of \$1,217,373 also increased operating revenue.

Salaries and Fringe Benefits comprise 47% of total operating expenses. Interest and fiscal charges expense was \$74,275, 0.09% of total expenses. Interest expense was attributable to capital leases for computers and equipment.

Total operating expenses increased by 20% in fiscal year 2011. ECOT increased non-certificated staff by 44 employees and increased certificated personnel by 96 employees resulting in an increase in Salaries and Fringe Benefits. Purchased services increased by 27% due to an increase in service provider contracts.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011 ECOT had \$17,318,185 (less \$10,591,728 in accumulated depreciation and amortization) invested in computers, furniture, equipment and software. See Note 5 for more detailed information.

Table 3 shows 2011 balances compared to 2010:

Capital Assets (ne	Table 3 et of depreciation & am	ortization) at June 30)
(**	2011	2010	Percentage Change
Computer Equipment	\$ 3,380,924	\$ 1,046,696	223%
Laptops	430,128	485,718	-11%
Other Computer Equipment	1,400,859	1,600,362	-12%
Furniture & Equipment	614,820	623,831	-1%
Software	899,726	780,324	15%
Totals	\$ 6,726,457	\$ 4,536,931	48%

Acquisitions were more than depreciation this year by 2,189,526. For the fiscal year ended June 30, 2011, ECOT had \$5,436,769 in purchases of laptops, furniture and equipment, software, and other computer equipment. Depreciation and amortization for the fiscal year 2011 was \$3,247,243.

ELECTRONIC CLASSROOM OF TOMORROW FRANKLIN COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended June 30, 2011 Unaudited

Debt

At June 30, 2010 ECOT had \$4,678,854 in Merit Incentives, Capital Leases and Compensated Absences. At June 30, \$1,798,461 of this debt was due within one year. Table 4 summarizes the debt outstanding. Please refer to Note 11 for more detailed information.

	Table 4 Outstanding Debt, at Jur	ne 30	
	2011	2010	Percentage Change
Merit Incentives	\$ 3,609,120	\$ 0	-
Capital Leases	785,487	408,212	-92%
Compensated Absences	284,247	261,978	9%
Totals	\$ 4,678,854	\$ 670,190	-598%

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 10,404 students enrolled. ECOT receives its finances mostly from state aid. State per pupil aid for this period amounted to \$5,703 per student.

Contacting ECOT's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of ECOT's finances and to show ECOT's accountability for the money it receives. If you have questions about this report or need additional information contact Michele Smith, Treasurer of the Electronic Classroom of Tomorrow, 3700 South High Street, Suite 120, Columbus, OH 43207 or e-mail at michele.smith@ecotoh.org.

ELECTRONIC CLASSROOM OF TOMORROW FRANKLIN COUNTY, OHIO STATEMENT OF NET ASSETS JUNE 30, 2011

Assets Current Assets: Cash and Cash Equivalents Intergovernmental Receivable	\$ 18,238,085 6,462,308
Prepaid Items Inventory Supplies Accounts Receivable	 1,500,469 71,810 22,128
Total Current Assets	26,294,800
Noncurrent Assets: Security Deposits Capital Assets, Net	3,171,706 6,726,457
Total Noncurrent Assets	 9,898,163
Total Assets	36,192,963
<u>Liabilities</u> Current Liabilities:	
Accounts Payable Accrued Wages & Benefits Payable	507,896 3,920,096
Unclaimed Monies Payable	162,984
Intergovernmental Payable Marit Incentives Bayable Current	664,550
Merit Incentives Payable – Current Capital Leases Payable	991,456 785,487
Judgment Payable	94,000
Compensated Absences Payable – Current	 21,518
Total Current Liabilities	7,147,987
Noncurrent Liabilities:	2,617,664
Merit Incentives Payable Compensated Absences Payable	262,729
Total Noncurrent Liabilities	2,880,393
Total Liabilities	10,028,380
Net Assets	5.040.0 7 0
Invested in Capital Assets, Net of Related Debt Restricted for Security Deposits	5,940,970 3,171,706
Restricted for Grants	5,343,085
Unrestricted	 11,708,822
Total Net Assets	\$ 26,164,583

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, 2011

Operating Revenues:	
Foundation Payments Special Education Judgments Extracurricular Other Operating Revenues	\$ 55,143,440 7,280,627 1,217,373 17,871 269,403
Total Operating Revenues	63,928,714
Operating Expenses:	
Salaries Fringe Benefits Purchased Services Materials and Supplies Merit Incentives Depreciation and Amortization Other Operating Expenses	28,463,938 8,776,774 19,276,657 14,729,058 3,609,120 3,247,243 368,186
Total Operating Expenses	78,470,976
Operating (Loss)	(14,542,262)
Non-Operating Revenues and (Expenses):	
Non-Operating Grants Interest Revenue Gain on Disposal of Capital Assets Interest and Fiscal Charges	19,348,755 68,497 9,748 (74,725)
Total Non-Operating Revenues and (Expenses)	19,352,275
Change in Net Assets	4,810,013
Net Assets at Beginning of Year	21,354,570

Net Assets at End of Year

\$ 26,164,583

ELECTRONIC CLASSROOM OF TOMORROW FRANKLIN COUNTY, OHIO STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities Cash Received from State of Ohio Cash Received from Extracurricular Activities Cash Received from Other Operating Sources Cash Payments to Suppliers for Goods and Services Cash Payments to Employees for Services Cash Payments for Employee Benefits Cash Payments for Other Operating Uses	\$ 62,551,992 17,871 439,649 (34,977,346) (28,535,548) (9,227,504) (644,584)
Total Cash Flows used for Operating Activities	(10,375,470)
Cash Flows from Non-capital Financing Activities Non-Operating Grants	17,690,229
Total Cash Flows from Non-capital Financing Activities	17,690,229
Cash Flows from Capital and Related Financing Activities Lease Proceeds Proceeds from Sale of Capital Assets Payments for Capital Acquisitions Capital Lease Payments Interest Payments	1,512,380 9,748 (4,077,977) (2,531,474) (74,725)
Total Cash Flows used for Capital and Related Financing Activities	(5,162,048)
Cash Flows from Investing Activities Interest on Investments	53,732
Total Cash Flows from Investing Activities	53,732
Net Increase in Cash and Cash Equivalents Cash and Cash Equivalents at Beginning of Year	2,206,443 16,031,642
Cash and Cash Equivalents at End of Year	\$ 18,238,085

ELECTRONIC CLASSROOM OF TOMORROW FRANKLIN COUNTY, OHIO STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

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

Operating Loss	\$ (14,542,262)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation & Amortization Change in Assets and Liabilities:	3,247,243
(Increase) in Account Receivable	(22,128)
(Increase) in Prepaid Items	(627,020)
Decrease in Inventory of Supplies	5,787
(Decrease) in Accounts Payable	(377,349)
(Decrease) in Accrued Wages & Benefits	(110,079)
(Decrease) in Intergovernmental Payable	(363,678)
Increase in Merit Incentives Payable	3,609,120
(Decrease) in Judgment Payable	(1,217,373)
Increase in Compensated Absences Payable	 22,269
Total Adjustments	4,166,792
Net Cash Used for Operating Activities	\$ (10,375,470)

Non Cash Transaction

On December 3, 2010, ECOT entered into a lease payable in the amount of \$804,768, of which \$727,500 was used to purchase student computers.

On March 20, 2011, ECOT entered into a lease payable in the amount of \$591,600, of which \$582,000 was used to purchase student computers.

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 five-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 seventy nine (279) non-certified and five hundred thirty seven (537) certificated teaching personnel who provide services to 10.404 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).

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.

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 2011, ECOT's investments were limited to repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio). These investments are reported at fair value.

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, 2011.

Interest revenue credited during fiscal year 2011 amounted to \$68,497, which includes \$53,732 non-operating interest revenue in addition to \$6,516 interest included in accounts receivable and \$8,249 security deposits' interest.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program and Special Education which are reflected on the Statement of Revenues, Expenses, and Changes in Net 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 2011 school year totaled \$62,424,067.

I. <u>Inventory of Supplies</u>

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, 2011, 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

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>	Estimated Lives
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 \$3,171,706.

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 \$8,514,791 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.

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 2011.

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 issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in February 2009. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2010. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of ECOT.

The GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions". Provisions related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information on OPEB plan financial statements for periods beginning after June 15, 2011. The early implementation of GASB Statement No. 57 did not have an effect on the financial statements of ECOT.

NOTE 2 - NEW PRONOUNCEMENTS (Continued)

The GASB issued Statement No. 59, "Financial Instrument Omnibus" in June 2010. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of ECOT.

The GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" in November 2010. Statement 60 addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The early implementation of GASB Statement No. 60 did not have an effect on the financial statements of ECOT.

The GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34" in November 2010. Statement 61 is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, "The Financial Reporting Entity, and No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments", to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2012. The early implementation of GASB Statement No. 61 did not have an effect on the financial statements of ECOT.

The GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" in December 2010. The Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The early implementation of GASB Statement No. 62 did not have an effect on the financial statements of ECOT.

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, 2011, the carrying amount of all ECOT deposits was \$14,004,086. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$16,521,748 of ECOT's bank balance of \$17,021,748 was exposed to custodial risk as discussed below, while \$553,744 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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

- 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;
- 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, 2011 were as follows:

Investment Type	Fair Value	Investment Maturity 3 Months or Less	Investment Maturity 3 to 6 Months
Repurchase Agreements STAR Ohio	\$ 3,727,804	\$ 3,727,804	0
	\$ 506,195	\$ 506,195	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.

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, 2011.

Investment Type	Fair Value	Percent of Total
Repurchase Agreements	\$ 3,727,804	88.03%
STAR Ohio	<u>506,915</u>	<u>11.97%</u>
Total	<u>\$4,234,719</u>	<u>100.00%</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, 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:

Intergovernmental Receivables	<u>Amount</u>
Education Jobs	\$ 2,400,786
Race to the Top	99,379
IDEA B	800,931
ARRA IDEA B	305,743
Title II Tech First	52,785
Title I School Improvement	80,319
Title I	2,059,067
ARRA Title I	499,902
ARRA McKinney-Vento Homeless Assistance Program	1,165
Title IIA	162,231
Total Intergovernmental Receivables	\$ 6,462,308

NOTE 5 - CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30,2011
Capital Assets, Net				
Computer Equipment	\$ 4,672,978	\$ 3,766,558	(\$1,195,324)	\$ 7,244,212
Laptops	1,047,413	190,000	(279,661)	957,752
Other Computer Equipment	3,520,002	608,186	(0)	4,128,188
Furniture & Equipment	1,448,940	282,268	(0)	1,731,208
Software	2,667,068	589,757	(0)	3,256,825
Total at Historical Cost	13,356,401	5,436,769	(1,474,985)	17,318,185
Less Accumulated Depreciation and Amortization:				
Computer Equipment	3,626,282	1,432,330	(1,195,324)	3,863,288
Laptops	561,695	245,590	(279,661)	527,624
Other Computer Equipment	1,919,640	807,689	(0)	2,727,329
Furniture & Equipment	825,109	291,279	(0)	1,116,388
Software	1,886,744	470,355	(0)	2,357,099
Total Accumulated Depreciation	8,819,470	3,247,243	(1,474,985)	10,591,728
Capital Assets, Net	\$ 4,536,931	\$ 2,189,526	\$ 0	\$ 6,726,457

NOTE 6 - RISK MANAGEMENT

A. <u>Insurance Coverage</u>

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 2011, 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. Capitol Specialty Insurance Corporation protects this policy with a \$3,000,000 single occurrence limit, a \$5,000,000 aggregate limit, and a \$100,000 deductible.

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, standalone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and ECOT is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B funds. ECOT's contribution to SERS for the years ended June 30, 2011, 2010, and 2009 were \$877,966, \$951,104 and \$527,258, respectively, which equaled the required contributions each year. A total of 97.6% of contributions were paid for fiscal year 2011. 100% of contributions have been paid for fiscal year 2010 and 2009.

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.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems of Ohio (continued)

lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan. All member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employee money among various investment choices. 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. Employer contributions into the members' accounts are vested at the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

The defined benefit and combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

The defined benefit and combined plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the defined benefit plan. Death benefit coverage up to \$2,000 can be purchased by participants in the defined benefit, defined contribution and combined plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2011 plan members were required to contribute 10 percent of their annual covered salaries. ECOT was required to contribute 14 percent. Contribution rates are established by the State

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems of Ohio (continued)

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. Benefits are increased annually by 3% of the original base amount for defined benefit plan participants. A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

ECOT's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$2,820,521, \$2,528,576, and \$2,385,916, respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$117,287 made by ECOT and \$86,777made 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, 2011, 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

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Health Care Plan

Ohio Revised Code (ORC) 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (continued)

types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrations and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to the service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. ECOT's contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were \$106,308, \$28,356 and \$242,077, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in ORC 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statue to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2011, the actuarially required allocation is 0.76%. ECOT's contributions for the years ended June 30, 2011, 2010 and 2009 were \$56,499, \$46,864 and \$43,647 respectively, which equaled the required contributions each year.

The financial reports of SERS' Health Care and Medicare Part B Plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS's website at www.ohsers.org under Employers/Audit Resources.

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 or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The 14% employer contribution rate is the maximum rate established under Ohio law. Active employee members do not contribute to the Plan. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$201,466, \$180,613 and \$170,423 respectively; 88 percent has been contributed for fiscal years 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

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%

NOTE 9 - OTHER EMPLOYEE BENEFITS (Continued)

A. Compensated Absences (continued)

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 have an option to choose Social Security. As of June 30, 2011, ECOT employees who provide out-of-state tutoring services contribute to Social Security.

NOTE 10 - PURCHASED SERVICES

For the period July 1, 2010 through June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional & Technical Services	\$ 7,938,279
Property Services	1,058,683
Travel Mileage/Meeting Expenses	324,618
Communications	6,931,254
Utilities	69,437
Contracted Trade Services	219,495
Tuition and Other Similar Payments	109,757
Pupil Transportation	3,220
Other Purchased Services	2,621,914
Total Purchased Services	\$ 19,276,657

NOTE 11 - LONG-TERM LIABILITIES

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Compensated Absences	\$ 261,978	\$ 37,988	\$ (15,719)	\$ 284,247	\$ 21,518
Capital Leases	408,212	2,908,748	(2,531,473)	785,487	785,487
Merit Incentives	0	3,609,120	0	3,609,120	991,456
Total Long-Term Liabilities	\$ 670,190	\$ 6,555,856	(\$2,547,192)	\$ 4,678,854	\$ 1,798,461

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 \$21,518.

On May 24, 2011, ECOT established a merit incentive program which awards a portion of annual earnings to eligible employees based on ECOT students' academic performance and goal achievements. Merit incentives due within one year are \$991,456.

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, 2011 through June 30, 2012. At June 30, 2011 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 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:

	Cost	Depreciation	Carrying Value
Student computers	\$1,309,500	(\$436,500)	\$873,000

NOTE 12 - CAPITAL LEASES (Continued)

The annual requirements to amortize all leases outstanding as of June 30, 2011, including interest are as follows:

	Capital Lease
Fiscal Year Ending June 30	June 30, 2011
2012	\$ 803,771
Total Minimum Lease Payments	803,771
Less Amount Representing Interest	(18,284)
Total Capital Lease Payable	\$ 785,487

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, 2011 and will expire on December 31, 2012. For fiscal year 2011, ECOT paid \$331,092 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, 2010 and matures June 30, 2011. For fiscal year 2011, ECOT paid \$27,048 in operating leases for office space and extra storage. The lease was extended on July 1, 2011 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 2011, ECOT paid \$227,036 in operating leases for server equipment space. The lease was extended on July 1, 2011 for an additional period of one year.

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:

Fiscal Year Ending June 30	
2012	699,274
2013	20,515
2014	4,116
2015	686
Total Minimum Lease Payments	\$ 724,591

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 2011 was \$2,717,882. As of June 30, 2011, 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, 2011.

B. School Funding

The Ohio Department of Education conducts reviews of 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 had a judgment that was entered by the Cuyahoga County Court of Common Pleas on May 11, 2010 in the amount of \$1,311,373, which included the judgment plus pre-judgment interest. This damage award arose out of a breach of contract action filed by an SES/related services provider. During the reporting year, amount was reduced to \$94,000 and is on appeal.

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 2011 was \$10,871,530. As of June 30, 2011, \$0 was outstanding and payable. IQ Innovations, LLC and Altair Learning Management I, Inc. have the same principal owner.

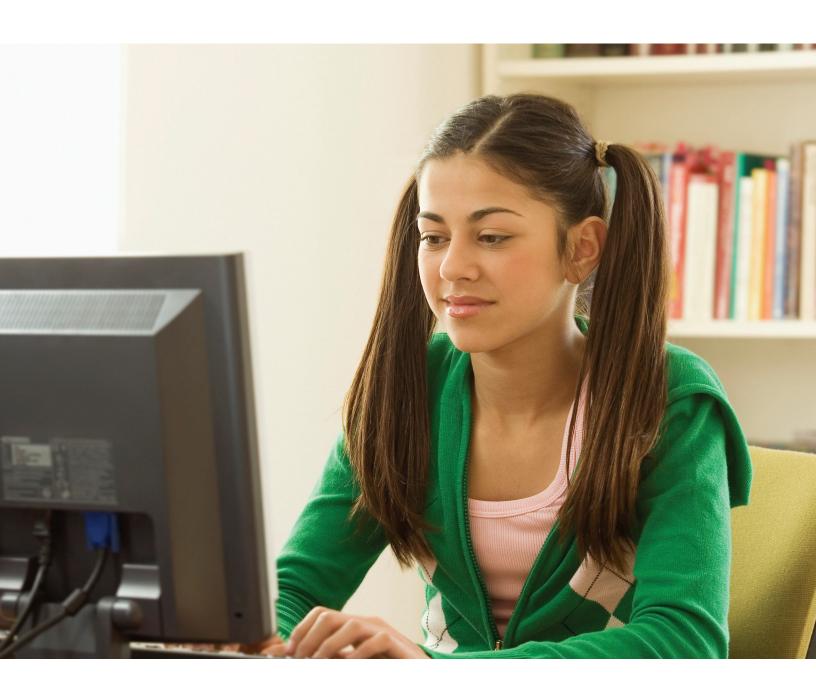
NOTE 18 - SUBSEQUENT EVENTS

On July 1, 2011, ECOT extended the lease agreement with St. Vincent DePaul for the use of property as office space in Dayton, Ohio.

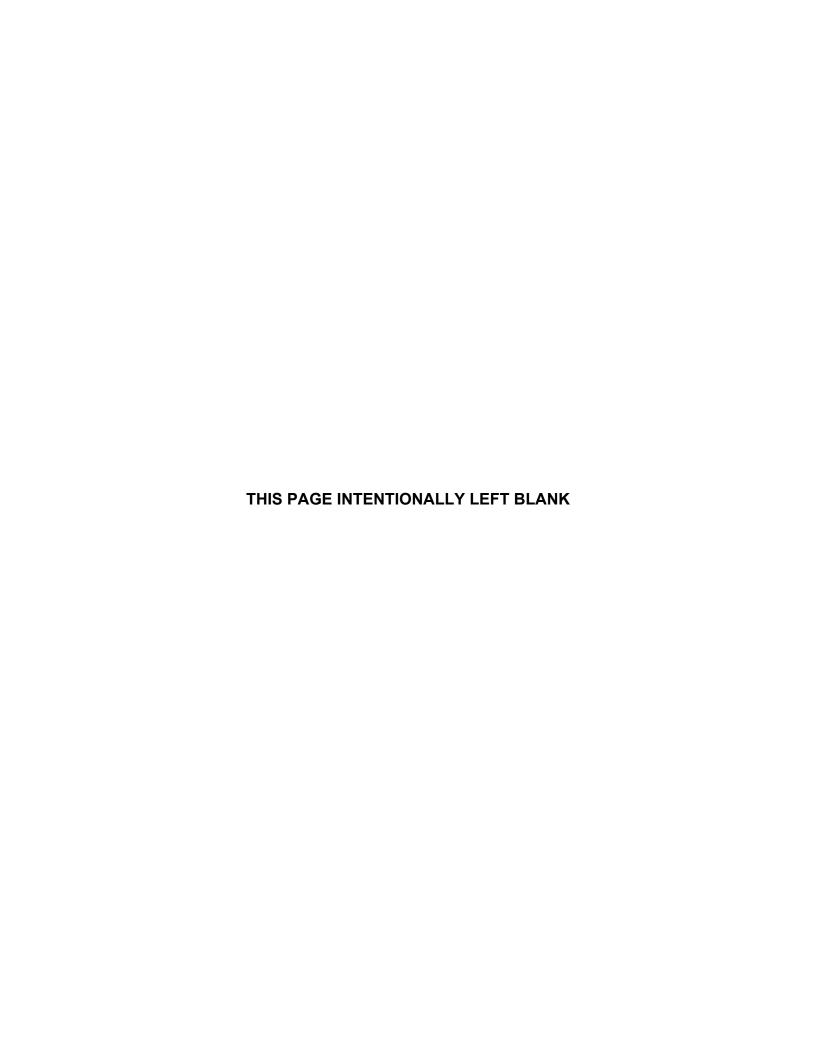
On July 1, 2011, ECOT extended the lease agreement with DataCenter.BZ, LLC for server storage in Columbus, Ohio.

On August 17, 2011, ECOT entered into a Lease Agreement with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$1,233,000 for the purchase of student computers.

Statistical Section







Statistical Section

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

Contents	Page(s)
Financial Trends	
These schedules contain trend information to help the reader understand how the School's financial position has changed over time.	35-38
Revenue Capacity	
These schedules contain information to help the reader understand and access the factors affecting the School's ability to generate its most significant revenue sources.	39-42
Debt Capacity	
This schedule presents information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	43
Demographic and Economic Information	
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.	44-45
Operating Information	
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.	46

Electronic Classroom of Tomorrow Operating Expenses Fiscal Years 2002 to 2011

Year	Salaries	Fringe Benefits	Purchased Services	Materials & Supplies	Merit Incentives	Depreciation & Amortization	Judgments	Other	Total	FTE Enrollment	Per Pupil Expense
2011	\$28,463,938	\$ 8,776,774	\$19,276,657	\$14,729,058	\$3,609,120	\$3,247,243	\$ 0	\$368,186	\$78,470,976	10,404	\$7,542
2010	\$24,985,760	\$ 8,538,126	\$15,187,314	\$12,601,919	\$ 0	\$2,439,126	\$1,311,373	\$583,371	\$65,646,989	9,214	\$7,125
2009	\$23,414,937	\$ 7,108,112	\$13,937,395	\$12,930,344	\$ 0	\$3,105,639	\$ 0	\$405,389	\$60,901,816	8,742	\$6,967
2008	\$19,644,908	\$ 5,947,555	\$14,297,000	\$12,324,862	\$ 0	\$3,234,316	\$ 0	\$393,316	\$55,841,957	7,954	\$7,021
2007	\$15,623,636	\$ 4,662,075	\$14,888,917	\$ 9,709,871	\$ 0	\$2,511,356	\$ 0	\$274,375	\$47,670,230	7,165	\$6,653
2006	\$13,288,012	\$ 3,672,413	\$19,440,520	\$ 2,072,635	\$ 0	\$2,199,468	\$ 0	\$342,923	\$41,015,971	6,597	\$6,217
2005	\$11,197,208	\$ 3,023,087	\$21,062,010	\$ 1,322,854	\$ 0	\$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	\$ 0	\$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	\$ 0	\$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	\$ 0	\$ 862,630	\$ 0	\$164,613	\$13,834,014	2,799	\$4,942

Source: School Financial Records.

Electronic Classroom of Tomorrow Non-Operating Expenses Fiscal Years 2002 to 2011

	Interest and Fiscal	Loss on Disposal of Capital	
Year	Charges	Assets	Total
2011	\$ 74,725	\$ 0	\$ 74,725
2010	\$ 136,776	\$ 155,657	\$ 292,433
2009	\$ 187,216	\$ 0	\$ 187,216
2008	\$ 236,014	\$ 0	\$ 236,014
2007	\$ 285,388	\$ 0	\$ 285,388
2006	\$ 258,715	\$ 103,913	\$ 362,628
2005	\$ 351,661	\$ 517,874	\$ 869,535
2004	\$ 151,919	\$ 0	\$ 151,919
2003	\$ 157,288	\$ 0	\$ 157,288
2002	\$ 327,211	\$ 0	\$ 327,211

Source: School Financial Records

Electronic Classroom of Tomorrow Net Assets Fiscal Years 2002 to 2011

	Invested in Capital Assets, Net of			Total End of Year	Fiscal Year Change in
<u>Year</u>	Related Debt	Restricted	Unrestricted	Net Assets	Net Assets
2011	\$ 5,940,970	\$ 8,514,791	\$ 11,708,822	\$26,164,583	\$ 4,810,013
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

Source: School Financial Records

Electronic Classroom of Tomorrow Full-Time Equivalent (FTE) Enrollment Fiscal Years 2002 to 2011

YEAR	FTE Enrollment
2011	10,404
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

Source: Ohio Department of Education

Electronic Classroom of Tomorrow Operating Revenues Fiscal Years 2002 to 2011

Year	Foundation Payments	Special Education	Other	Total
2011	\$ 55,143,440	\$ 7,280,627	\$ 1,504,647	\$ 63,928,714
2010	\$ 49,302,474	\$ 6,519,598	\$ 409,788	\$ 56,231,860
2009	\$ 50,401,427	\$ 7,141,838	\$ 222,173	\$ 57,765,438
2008	\$ 44,655,229	\$ 6,075,226	\$ 227,845	\$ 50,958,300
2007	\$ 39,390,237	\$ 4,868,640	\$ 146,104	\$ 44,404,981
2006	\$ 36,071,852	\$ 3,771,914	\$ 98,523	\$ 39,942,289
2005	\$ 35,093,512	\$ 3,125,147	\$ 452,192	\$ 38,670,851
2004	\$ 26,378,832	\$ 1,619,695	\$ 763,550	\$ 28,762,077
2003	\$ 20,542,533	\$ 1,351,206	\$ 497,136	\$ 22,390,875
2002	\$ 14,769,818	\$ 0	\$ 694,159	\$ 15,463,977

Source: School Financial Records.

Electronic Classroom of Tomorrow Non-Operating Revenues Fiscal Years 2002 to 2011

Year	Non-Operating Grants	Interest	Other	Total
2011	\$ 19,348,755	\$ 68,497	\$ 9,748	\$ 19,427,000
2010	\$ 14,414,911	\$ 86,874	\$ 0	\$ 14,501,785
2009	\$ 6,446,335	\$ 137,216	\$ 11,020	\$ 6,594,571
2008	\$ 5,526,700	\$ 480,010	\$ 559	\$ 6,007,269
2007	\$ 5,465,808	\$ 531,086	\$ 1,485	\$ 5,998,379
2006	\$ 4,854,435	\$ 243,809	\$ 0	\$ 5,098,244
2005	\$ 5,363,512	\$ 56,244	\$ 687	\$ 5,420,443
2004	\$ 2,685,009	\$ 11,556	\$ 2,150	\$ 2,698,715
2003	\$ 1,232,963	\$ 13,695	\$ 468	\$ 1,247,126
2002	\$ 647,115	\$ 31,337	\$ 2,153	\$ 680,605

Source: School Financial Records.

Electronic Classroom of Tomorrow Grant Revenue By Source Fiscal Years 2002 to 2011

Year	TITLE I	TITLE II	TITLE IV	TITLE V	IDEA-B GRANT	SUBGRANT	OTHER	SFSF Funds	ARRA Funds	TOTAL
2011	\$ 4,943,477	\$ 265,570	\$ 0	\$ 0	\$ 2,071,940	\$ 0	\$ 3,848,909	\$ 5,312,880	\$ 2,905,979	\$ 19,348,755
2010	\$ 5,262,019	\$ 327,232	\$ 52,488	\$ 0	\$ 1,977,319	\$ 0	\$ 47,977	\$ 3,834,215	\$ 2,913,661	\$ 14,414,911
2009	\$ 4,284,443	\$ 283,400	\$ 44,439	\$ 4,461	\$ 1,829,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,446,335
2008	\$ 3,075,394	\$ 229,244	\$ 60,489	\$ 13,906	\$ 2,009,755	\$ 0	\$ 137,912	\$ 0	\$ 0	\$ 5,526,700
2007	\$ 3,331,459	\$ 105,909	\$ 90,226	\$ 218,995	\$ 1,719,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,465,808
2006	\$ 2,810,173	\$ 37,922	\$ 72,835	\$ 209,802	\$ 1,454,698	\$ 0	\$ 269,004	\$ 0	\$ 0	\$ 4,854,434
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

Note: 2011 Other includes \$3,596,224 for Education Jobs, \$101,212 for Race to the Top, \$16,473 for Title II-D and \$135,000 for Title I SI.

Source: School Financial Records

Electronic Classroom of Tomorrow State Basic Aid – Per Pupil Funding Amount Fiscal Years 2002 to 2011

Year	Per Pupi	l Funding	Cost of Doing Business Factor	Per Pupil unding
2011	\$ 5	5,703	N/A	\$ 5,703
2010	\$ 5	5,718	N/A	\$ 5,718
2009	\$ 5	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

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 2002 to 2011

Fiscal Year	Capital Leases	Per ADM		
2011	\$ 785,487	\$ 75		
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		

Source: School Financial Records

Electronic Classroom of Tomorrow Student Population by Resident District 2011 Fiscal Year

Resident District	Percent
Columbus City	11.24%
Cleveland	7.21%
South-Western	3.30%
Cincinnati Public	2.96%
Dayton	2.84%
Parma	1.35%
Toledo	1.21%
Akron	1.07%
All Other Districts	68.82%

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 2009

Population (in thousands) Per Capita Personal Income Civilian Labor Force Public Change Change Ohio School Motor From From As a Ohio's Enrollment Vehicles Calendar Prior Prior Percentage Ohioans Unemployment In Ohio Registered Year U.S. Period Ohio Period U.S. Ohio Of U.S. **Employed** Rate In Ohio (in thousands) 2009 307,007 2,947 11,543 57 \$39,138 \$35,381 90.4% 6,468,901 10.2% 1,893 11,792,455 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 36,276 33,338 91.9% 6,893,966 5.5% 1,835 12,127,645 14 2005 11,464 34,495 31,867 92.4% 6,792,314 5.9% 1,845 12,017,517 296,410 2,755 6,732,896 2004 31,135 94.2% 6.1% 293,655 2,866 11,459 21 33,041 1,844 12,192,202 29,947 2,848 2003 290,789 11,438 28 31,487 95.1% 6,668,862 6.1% 1,838 12,083,529 2002 1,831 287,941 2,839 11,410 22 30,814 29,094 94.4% 6,688,303 5.7% 12,064,420 2001 1,835 285,102 2,910 11,388 24 30,575 28,602 93.5% 6,757,667 4.3% 11,888,533 2000 6,835,688 1,836 11,740,513 282,192 3,152 11,364 29 29,845 28,602 95.1% 4.1%

Source: State of Ohio 2010 Comprehensive Annual Financial Statement. Calendar Year 2009 is the most current data available.

Electronic Classroom of Tomorrow Miscellaneous Statistics

School Address: 3700 S. High Street

Columbus, OH

Square Footage: 44,271

Date of Incorporation: February 11, 2000

Number of FY11

Instructional Staff: 537

Total FY11 Staff: 816

Instructional Staff/

Student Ratio: 20:1

Number of current

Graduates 1,721

Number of Graduates

since inception: 7,737

Source: School Records



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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED DECEMBER 27, 2011