



Dave Yost • Auditor of State

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Education Agencies	2013	84.010	\$ 4,997,800	\$ 5,373,520
Title I Grants to Local Education Agencies	2012	84.010	1,748,142	1,387,176
ARRA-Title I School Improvement	2012	84.389	41,936	40,486
Total - Title I Grants to Local Education Agencies Cluster			<u>6,787,878</u>	<u>6,801,182</u>
Special Education Grants to States	2013	84.027	2,649,916	2,708,663
Special Education Grants to States	2012	84.027	3,324	3,324
Total - Special Education Grants to States Cluster			<u>2,653,240</u>	<u>2,711,987</u>
ARRA-Race to the Top	2013	84.395	839,267	833,052
ARRA-Race to the Top	2012	84.395	56,893	39,162
Total - Race to the Top			<u>896,160</u>	<u>872,214</u>
Education Jobs	2012	84.410	337,149	334,392
Education Technology State Grant	2012	84.318	7,083	-
Improving Teacher Quality State Grants	2013	84.367	155,792	165,273
Improving Teacher Quality State Grants	2012	84.367	34,684	19,843
Total - Improving Teacher Quality State Grants			<u>190,476</u>	<u>185,116</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 10,871,986</u>	<u>\$ 10,904,891</u>

The accompanying notes are an integral part of this schedule.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 25, 2013



Dave Yost • Auditor of State

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

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

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Electronic School of Tomorrow's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Electronic Classroom of Tomorrow's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Electronic Classroom of Tomorrow complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

We have also audited the financial statements of the Electronic Classroom of Tomorrow (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our unmodified report thereon dated November 25, 2013. We conducted our audit to opine on the Schools' basic financial statements. The accompanying federal awards receipts and expenditures schedule presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements.

Electronic Classroom of Tomorrow
Franklin County
Independent Auditor's Report on Compliance With Requirements Applicable
to Each Major Federal Program, Internal Control Over Compliance Required by
With OMB Circular A-133, and Schedule of Federal Awards Receipts and Expenditures
Page 2

The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Dave Yost
Auditor of State
Columbus, Ohio

November 25, 2013

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**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA/Title 1 Par A Cluster – CFDA #84.010/84.389 ARRA/Race to the Top Incentive Grants - CFDA #84.395
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 327,147 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

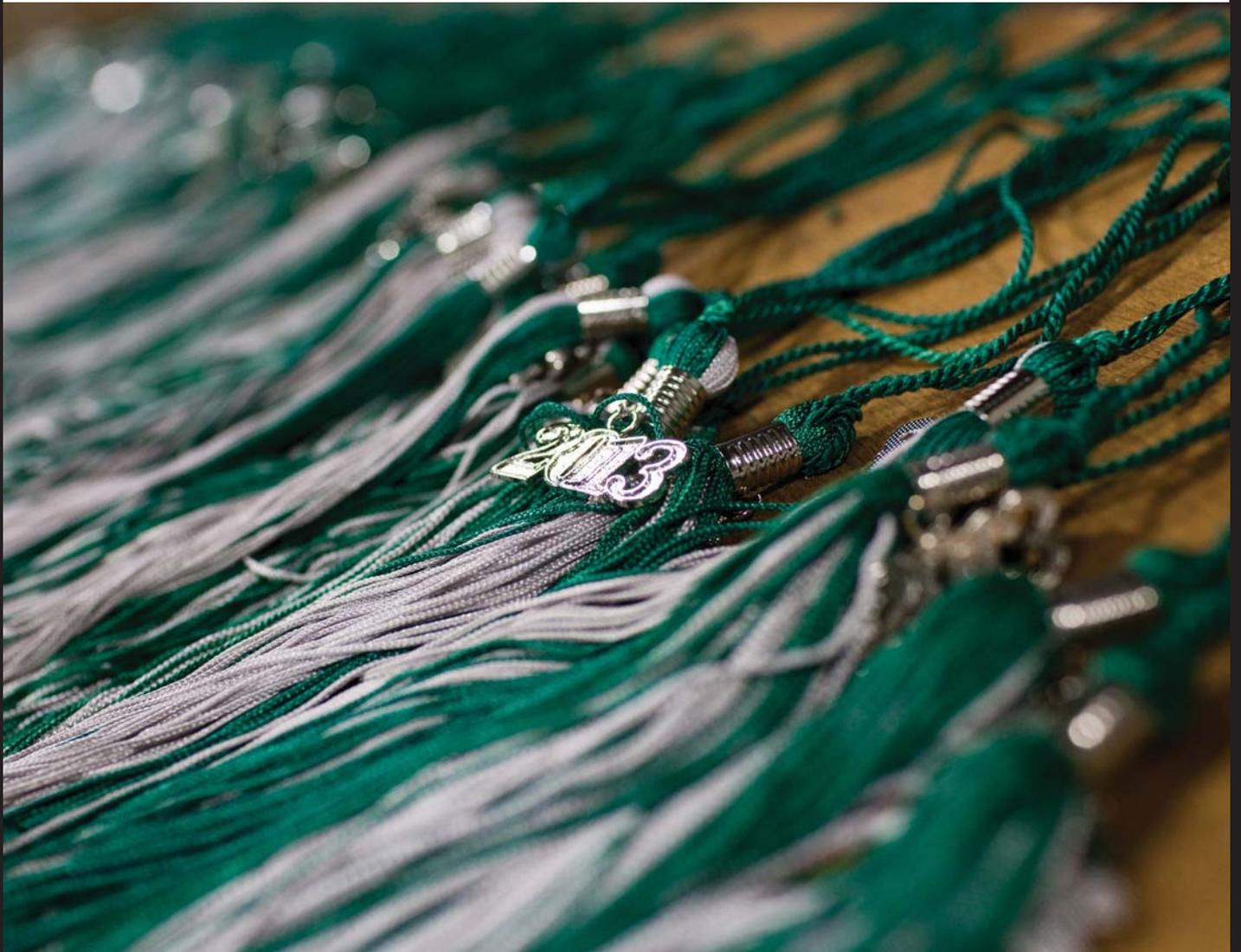
3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Comprehensive Annual Financial Report

For the Year Ended June 30, 2013



Electronic Classroom of Tomorrow
Columbus, Ohio

**ELECTRONIC CLASSROOM
OF TOMORROW**

Columbus, Ohio

Comprehensive Annual Financial Report

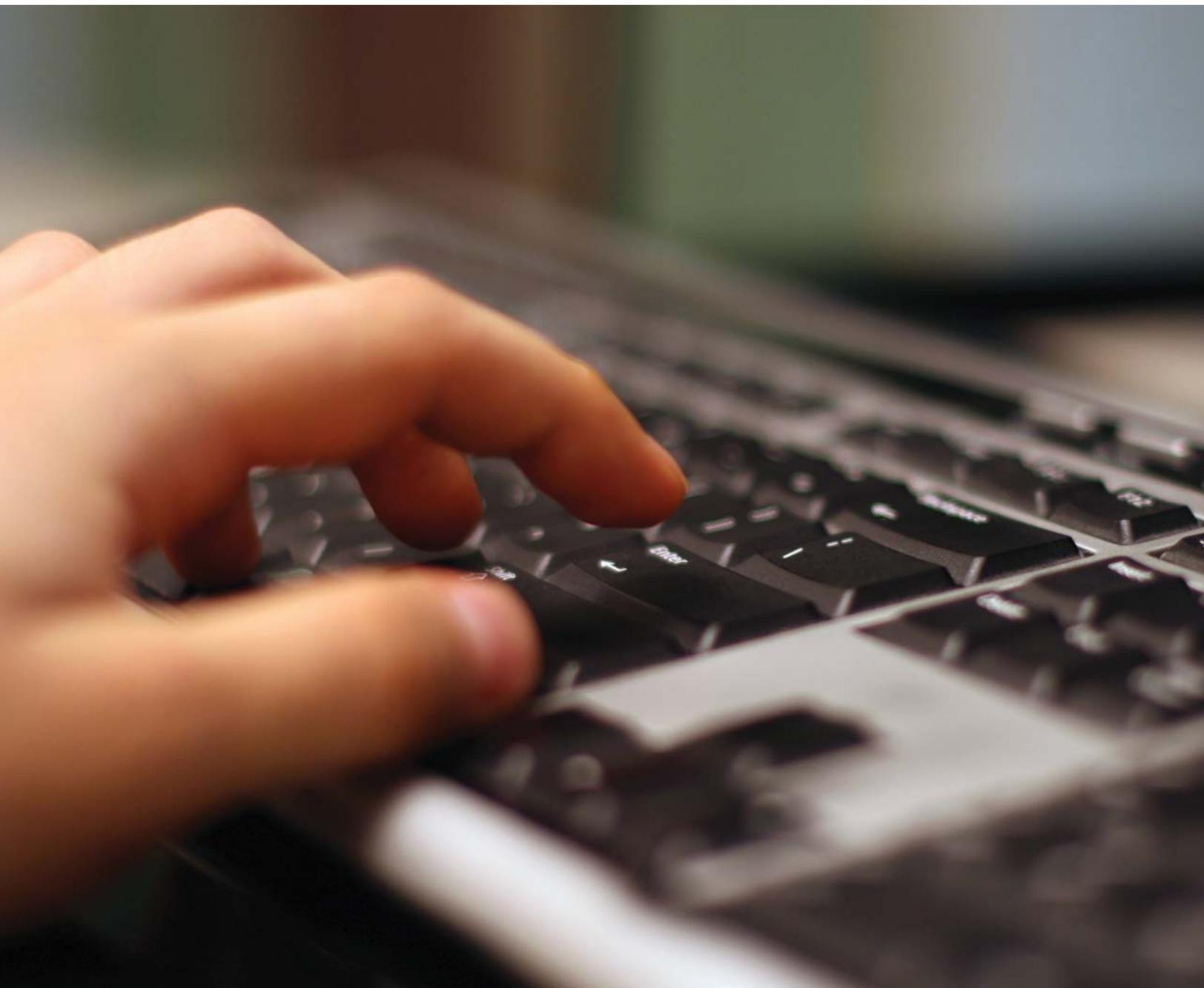
**For The Year Ended
June 30, 2013**

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

**ELECTRONIC CLASSROOM OF TOMORROW
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2013
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Introductory Section



Electronic Classroom of Tomorrow
Columbus, Ohio



November 25, 2013

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Electronic Classroom of Tomorrow (the School) for the fiscal year ended June 30, 2013. The CAFR is designed to assist and guide the reader in understanding its contents.

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

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

As required by GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to compliment the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Auditor's Report and provides an assessment of the School's finances for fiscal year 2013 and the outlook for the future.

State Audit

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted government auditing standards (GAGAS). The Auditor of State's Office rendered an opinion on the School's financial statements as of June 30, 2013 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

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Profile of the Government

Ohio charter schools began operating after the passage of the 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. The School is sponsored by the Educational Service Center of Lake Erie West. The Educational Service Center of Lake Erie West provides oversight and technical services to 60 schools throughout the State serving nearly 29,000 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 thirteen thousand students between the ages of five and twenty-one from every county in the state of Ohio. Running an online school requires as many resources as a traditional public school. In addition to teachers, a staff of counselors, school administrators, customer service specialists, computer programmers, database managers, school-funding experts, shipping handlers and consultants enable the School to work.

The School operates under the direction of a seven-member Board of Directors (the Directors). The Directors are responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Directors control the School’s one instructional/support facility staffed by three hundred forty-five (345) non-certified and six hundred forty-two (642) certificated personnel who provide services to 13,721 students.

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

Major Initiatives of ECOT

Mission

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

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

Stakeholder Input

Realizing that 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:

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

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

Vision

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

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

State Testing

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

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 (Rtl) program. The universal screening is first, failure on the OAA or OGT. 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 13 years, ECOT has attracted tens of thousands of students with unique needs who struggled in a traditional school environment. At ECOT, many of them have thrived in an online, non-traditional environment and were able to graduate from high school and contribute to their local communities and beyond.

Budgetary Process

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

Financial Policies and Procedures

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

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

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

ECOT's adherence to policies and procedures is reflected by several earned awards. ECOT is a six year recipient of the Certificate of Achievement for Excellence in Financial Report from the Government Finance Officers Association and the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International for the fiscal years ended June, 30, 2007, 2008, 2009, 2010, 2011 and 2012.

Long Term Financial Planning

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

Economic Issues

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

As discussed later, the School was funded on 13,721 full-time equivalent students for fiscal year 2013 as compared to 12,208 in fiscal year 2012. 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 2014 will exceed those of fiscal year 2013.

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, 2012. This was the sixth 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, 2012. This was the sixth consecutive year that the School has achieved this prestigious award. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to school systems that have met or exceeded the standards of the program. This award is granted only after an intense review of the financial reports by an expert panel of certified public accountants and practicing school business officials.

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

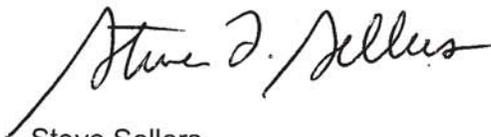
Sincerely,



Michele Smith
Treasurer
Electronic Classroom of Tomorrow



Vince Resor
Chairman, Board of Directors
Electronic Classroom of Tomorrow



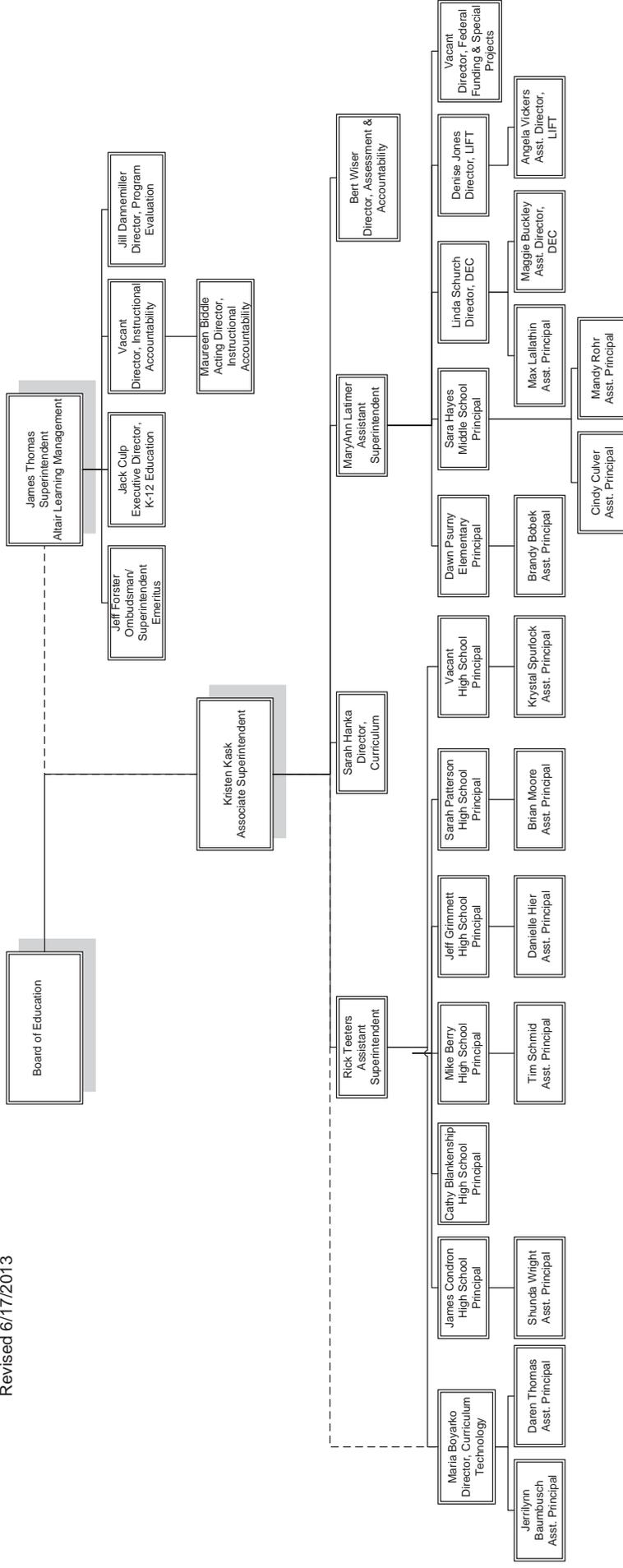
Steve Sellers
Chief Operating Officer
Electronic Classroom of Tomorrow

**Electronic Classroom of Tomorrow
Board of Directors
June 30, 2013**

Vince Resor	Board Chairman
Andy Brush	1 st Vice Chairman
Greg Randall	2 nd Vice Chairman
Matt Ottiger	Parliamentarian
Shirley Spellman	Board Member
Pam Bennett	Non-Voting Board Member
Jack McKenna	Non-Voting Board Member
Donna Wihl	Board Secretary
James Thomas	Superintendent
Steve Sellers	Chief Operations Officer
Michele Smith	Treasurer

Education Organizational Chart

Revised 6/17/2013





Government Finance Officers Association

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

Presented to

**Electronic Classroom of Tomorrow
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Association of School Business Officials International



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

Electronic Classroom of Tomorrow

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

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

John D. Musso, CAE, RSBA
Executive Director

Financial Section



Electronic Classroom of Tomorrow
Columbus, Ohio



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Electronic Classroom of Tomorrow, Franklin County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electronic Classroom of Tomorrow, Franklin County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 25, 2013

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2013
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, 2013. 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, 2013 are as follows:

Total Net Position was \$29,660,666.

Total Operating Revenue was \$89,925,429.

Total Operating Expenses were \$98,821,041.

Change in Net Position was \$3,118,068.

Using this Annual Financial Report

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

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

Reporting ECOT

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

The view of ECOT as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Position answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited*

ECOT

The Statement of Net Position provides the perspective of ECOT as a whole. Table 1 provides a summary of ECOT's net position for 2013 compared to 2012:

Table 1 Statement of Net Position			
	2013	2012	Percentage Change
<u>Assets</u>			
Current Assets and Other Assets	\$ 33,011,037	\$ 30,652,948	8%
Capital Assets, Net of A/D - (See Note 6)	5,687,774	6,113,444	-7%
Total Assets	38,698,811	36,766,392	5%
<u>Liabilities</u>			
Current Liabilities	8,692,847	9,719,885	-11%
Long Term Liabilities	345,298	503,909	-31%
Total Liabilities	9,038,145	10,223,794	-12%
<u>Net Assets</u>			
Investment in Capital Assets	5,687,774	6,113,444	-7%
Restricted	7,070,271	6,137,664	15%
Unrestricted	16,902,621	14,291,490	18%
Total Net Assets	\$ 29,660,666	\$ 26,542,598	12%

Total assets increased by \$1,932,419. While cash and cash equivalents increased by \$1,386,101, total receivables increased by \$2,052,314 due to the increase in federal, e-rate and casino revenue. Inventory supplies decreased by \$169,402. Prepaid items decreased by \$894,591 due to decreased purchasing in June. Security deposits decreased by \$16,333 due to a vendor's deposit return to the district.

Total current liabilities decreased by \$1,027,038. Accrued wages and benefits payable increased by \$447,338 due to staffing increases. Meeting one less standard of merit caused a decrease for its payable of \$784,868. Current notes payables decreased by \$712,233 (see Note 12).

Total long term liabilities decreased by \$158,611. Long term notes payable decreased by \$181,406 (see Note 12).

ECOT's 2013 net position increased by \$3,118,068 from current year activities. Restricted net position increased by \$932,607 due to increases in intergovernmental receivables. Investment in capital assets decreased by \$425,670 due to assets reaching their estimated useful lives.

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited*

Table 2 shows the changes in net position for fiscal year 2013 compared to 2012.

Table 2			
Statement of Revenues, Expenses and Changes in Net Position			
	2013	2012	Percentage Change
<u>Operating Revenue:</u>			
Foundation Payments	\$ 78,004,989	\$ 69,714,436	12%
Special Education	10,413,423	9,059,848	15%
Extracurricular	20,597	9,254	123%
Other Operating Revenues	1,486,420	168,282	783%
Total Operating Revenues	89,925,429	78,951,820	14%
<u>Operating Expenses:</u>			
Salaries	38,426,868	33,275,317	15%
Fringe Benefits	13,537,698	11,265,463	20%
Purchased Services	24,585,349	19,979,516	23%
Materials and Supplies	19,364,690	23,618,004	-18%
Depreciation & Amortization Expense	1,660,108	1,482,566	12%
Merit Incentives	783,393	576,805	36%
Other Operating Expenses	462,935	280,233	65%
Total Operating Expenses	98,821,041	90,477,904	9%
<u>Non-Operating Revenues and Expenses:</u>			
Non-Operating Grants	12,065,892	9,304,276	30%
Interest Revenue	73,947	70,131	5%
Interest and Fiscal Charges	(126,159)	(87,972)	43%
Total Non-Operating Revenues & Expenses	12,013,680	9,286,435	29%
Change in Net Assets	3,118,068	(2,239,649)	239%
Net Position at Beginning of Year	26,542,598	28,782,247	-8%
Net Position at End of Year	<u>\$ 29,660,666</u>	<u>\$ 26,542,598</u>	12%

Operating Activities

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

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited*

Total operating revenue increased by 14% in fiscal year 2013. This was due to an increase in State Aid, attributable to the increased student enrollment, and the first year collection of the Casino Revenue.

Salaries and Fringe Benefits comprise 53% of total operating expenses. Interest and fiscal charges expense was \$126,159, 0.13% of total expenses. Interest expense was attributable to notes payable for computers and peripherals.

Total operating expenses increased by 9% in fiscal year 2013. ECOT increased non-certificated staff by 20 employees and increased certificated personnel by 82 employees resulting in an increase in salaries and fringe benefits. Materials and supplies decreased by 18%, reflective of the decrease in prepaid items and inventory. Purchased services increased by 23% for the growing student and staff's connectivity costs. Depreciation and amortization expense decreased by 12% (see Note 5).

Capital Assets and Debt Administration

Capital Assets

At the end of 2013 ECOT had \$9,687,839 (less \$4,000,065 in accumulated depreciation and amortization) invested in buildings, building improvements, land improvements, vehicles, other computer equipment, furniture, equipment and software. See Note 5 for more detailed information.

Table 3 shows 2013 balances compared to 2012:

Table 3			
Capital Assets (net of depreciation & amortization) at June 30			
	2013	2012	Percentage Change
Buildings and Improvements	1,541,326	1,537,500	0%
Land	1,120,000	1,120,000	0%
Land Improvements	918,930	592,500	55%
Vehicles	28,373	0	-
Other Computer Equipment	1,219,195	964,642	26%
Furniture & Equipment	414,276	493,815	-16%
Software	445,674	1,404,987	-68%
Totals	<u>\$ 5,687,774</u>	<u>\$ 6,113,444</u>	<u>-7%</u>

Depreciation was more than acquisitions this year by \$425,670. For the fiscal year ended June 30, 2013, ECOT had \$1,234,438 in purchases of building improvements, furniture and equipment, software, and other computer equipment. Depreciation and amortization for the fiscal year 2013 was \$1,660,108.

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

*Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited*

Debt

At June 30, 2013 ECOT had \$2,231,958 in Notes Payable and Compensated Absences. At June 30, \$1,103,267 of this debt was due within one year. Table 4 summarizes the debt outstanding. Please refer to Note 12 for more detailed information.

Table 4			
Outstanding Debt, at June 30			
	2013	2012	Percentage Change
Notes Payable	1,084,254	1,977,893	-45%
Compensated Absences	364,311	334.859	9%
Totals	\$ 1,448,565	\$ 2,312,752	-37%

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 13,721 students enrolled. ECOT receives its finances mostly from state aid. State per pupil aid for this period amounted to \$5,653 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 POSITION
JUNE 30, 2013**

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 20,900,565
Intergovernmental Receivable	4,819,145
Prepaid Items	2,054,308
Inventory Supplies	1,230,021
Accounts Receivable	<u>870,270</u>
 Total Current Assets	 29,874,309
Noncurrent Assets:	
Security Deposits	3,136,728
Non-Depreciable Capital Assets	1,120,000
Capital Assets, Net	<u>4,567,774</u>
 Total Noncurrent Assets	 <u>8,824,502</u>
 Total Assets	 <u><u>38,698,811</u></u>

Liabilities

Current Liabilities:	
Accounts Payable	551,467
Accrued Wages & Benefits Payable	5,229,640
Unclaimed Monies Payable	154,476
Intergovernmental Payable	776,604
Merit Incentives Payable	783,393
Notes Payable – Current	1,084,254
Judgment Payable	94,000
Compensated Absences Payable – Current	<u>19,013</u>
 Total Current Liabilities	 8,692,847
Noncurrent Liabilities:	
Compensated Absences Payable	<u>345,298</u>
 Total Noncurrent Liabilities	 <u>345,298</u>
 Total Liabilities	 <u>9,038,145</u>

Net Position

Investment in Capital Assets	5,687,774
Restricted for Security Deposits	3,136,728
Restricted for Grants	3,933,543
Unrestricted	<u>16,902,621</u>
 Total Net Position	 <u><u>\$ 29,660,666</u></u>

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

Operating Revenues:

Foundation Payments	\$ 78,004,989
Special Education	10,413,423
Extracurricular	20,597
Other Operating Revenues	<u>1,486,420</u>
 Total Operating Revenues	 89,925,429

Operating Expenses:

Salaries	38,426,868
Fringe Benefits	13,537,698
Purchased Services	24,585,349
Materials and Supplies	19,364,690
Merit Incentives	783,393
Depreciation and Amortization	1,660,108
Other Operating Expenses	<u>462,935</u>
 Total Operating Expenses	 <u>98,821,041</u>
 Operating (Loss)	 (8,895,612)

Non-Operating Revenues and (Expenses):

Non-Operating Grants	12,065,892
Interest Revenue	73,947
Interest and Fiscal Charges	<u>(126,159)</u>
 Total Non-Operating Revenues and (Expenses)	 <u>12,013,680</u>
 Change in Net Position	 3,118,068
 Net Position at Beginning of Year	 <u>26,542,598</u>
Net Position at End of Year	<u><u>\$ 29,660,666</u></u>

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 88,418,412
Cash Received from Extracurricular Activities	20,597
Cash Received from Other Operating Sources	6,637,052
Cash Payments to Suppliers for Goods and Services	(45,407,584)
Cash Payments to Employees for Services	(39,588,421)
Cash Payments for Employee Benefits	(13,483,920)
Cash Payments for Other Operating Uses	(4,072,902)

Total Cash Flows used for Operating Activities	<u>(7,476,766)</u>
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Cash Flows from Non-Capital Financing Activities

Payment of Notes Payable	(712,233)
Non-Operating Grants	10,871,685
Interest on Notes Payable	(126,159)

Total Cash Flows from Non-capital Financing Activities	<u>10,033,293</u>
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Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(1,234,438)</u>
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Total Cash Flows used for Capital and Related Financing Activities	<u>(1,234,438)</u>
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Cash Flows from Investing Activities

Interest on Investments	<u>64,012</u>
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Total Cash Flows from Investing Activities	<u>64,012</u>
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Net Increase in Cash and Cash Equivalents	1,386,101
Cash and Cash Equivalents at Beginning of Year	<u>19,514,464</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 20,900,565</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Operating Loss	\$ (8,895,612)
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Adjustments to Reconcile Operating
Loss to Net Cash Used for Operating Activities:

Depreciation & Amortization	1,660,108
Change in Assets and Liabilities:	
(Increase) in Account Receivable	(854,379)
Decrease in Prepaid Items	894,591
Change in Inventory of Supplies (Refer to Note 6)	(12,004)
Decrease in Security Deposits	22,541
Decrease in Accounts Payable	(10,546)
Increase in Accrued Wages & Benefits	447,338
Decrease in Unclaimed Monies Payable	(38,655)
Increase in Intergovernmental Payable	65,268
Decrease in Merit Incentives Payable	(784,868)
Increase in Compensated Absences Payable	29,452
	1,418,846
Total Adjustments	1,418,846
Net Cash Used for Operating Activities	\$ (7,476,766)

Non Cash Transactions

On July 12, 2012, ECOT entered into a Sale and Leaseback Agreement with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$1,867,213.40 for the purchase of student computers and software licenses.

On November 20, 2012, ECOT entered into a notes payable with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$470,000 for the purchase of computers.

See Accompanying Notes to the Basic Financial Statements.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

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

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

ECOT operates under the direction of a seven-member Board of Directors (the Directors), of which five are voting and two are non-voting members. The Directors are responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Directors control ECOT's one instructional/support facility staffed by three hundred forty-five (345) non-certified and six hundred forty-two (642) certificated teaching personnel who provide services to 13,721 students.

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity

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

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

C. Basis of Presentation

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

Financial Statements

The statement of net position and the statement of revenues, expenses, and changes in net position display information about ECOT. These statements include the financial activities of the primary government, which are considered business-type activities.

D. Measurement Focus

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

E. Basis of Accounting

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

Expenses

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

F. Budgetary Process

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

G. Cash and Investments

During fiscal year 2013, ECOT's investments were limited to repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, bank certificates of deposit, federal agency securities and money market mutual funds.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2013.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue credited during fiscal year 2013 amounted to \$73,947, which includes \$64,012 non-operating interest revenue in addition to \$3,729 interest included in accounts receivable and \$6,206 security deposits' interest.

H. Intergovernmental Revenues

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

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

Amounts awarded under the above programs for the 2013 school year totaled \$88,418,412.

I. Inventory of Supplies

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by ECOT. An expense is reported in the year in which services are consumed.

K. Capital Assets

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

L. 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 \$3,136,728.

N. Net Position

Net position represents the difference between assets and liabilities.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by ECOT or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. ECOT presently reports \$7,070,271 as restricted net position, all of which is imposed by external restrictions. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings for the acquisition, construction or improvement of those assets. ECOT applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Estimates

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

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. 60, *Accounting and Financial Reporting for Service Concession Arrangements* in November 2010. 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 GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* in November 2010. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2012.

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 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 GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in June 2011. This Statement amends Statement No. 34 relating to net asset reporting requirements. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 2 - NEW PRONOUNCEMENTS (Continued)

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* in March 2012. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged.

The GASB issued Statement No. 66, *Technical Corrections – 2012 – and amendment of GASB Statements No. 10 and No. 62* in March 2012. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged.

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* in June 2012. The Provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013, with earlier application encouraged.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* in June 2012. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, with earlier application encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by ECOT into three categories.

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

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

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2013, the carrying amount of all ECOT deposits was \$13,233,990. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$11,718,487 of ECOT's bank balance of \$15,977,547 was exposed to custodial risk as discussed below, while \$4,009,060 was covered by the Federal Deposit Insurance Corporation and \$250,000 was covered by the National Credit Union Insurance Fund.

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

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

Investments

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

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2013 were as follows:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	25 to 36 Months
FHLMC	500,000	0	0	0	0	500,000
FHLB	1,000,000	0	0	500,000	0	500,000
FFCB	1,500,000	0	0	0	1,000,000	500,000
Repurchase Agreements	4,666,576	4,666,576	0	0	0	0
	<u>\$7,666,576</u>	<u>\$4,666,576</u>	<u>\$ 0</u>	<u>\$ 550,000</u>	<u>\$1,000,000</u>	<u>\$1,500,000</u>

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

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

Concentration of Credit Risk: ECOT places no limit on the amount it may invest in any one issuer. The following table includes the percentage of each investment type held by ECOT at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreements	\$ 4,666,576	60.87%
FFCB	1,500,000	19.57
FHLB	1,000,000	13.04
FHLMC	500,000	6.52
Total	<u>\$ 7,666,576</u>	<u>100.00%</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amount</u>
Race to the Top	\$ 707,012
IDEA B	1,257,276
Title I School Improvement	111,372
Title I	2,666,499
Title IIA	<u>76,986</u>
Total Intergovernmental Receivables	<u><u>\$ 4,819,145</u></u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Capital Assets				
Buildings and Improvements	\$ 1,537,500	\$ 54,865	\$ (0)	\$ 1,592,365
Land Improvements	592,500	367,854	(0)	960,354
Vehicles	0	33,584	(0)	33,584
Other Computer Equipment	3,715,143	678,239	(1,943,072)	2,450,310
Furniture & Equipment	988,000	58,229	(53,328)	992,901
Software	<u>2,509,686</u>	<u>41,667</u>	<u>(13,028)</u>	<u>2,538,325</u>
Total at Historical Cost	9,342,829	1,234,438	(2,009,428)	8,567,839
Less Accumulated Depreciation and Amortization:				
Buildings and Improvements	0	51,039	(0)	51,039
Land Improvements	0	41,424	(0)	41,424
Vehicles	0	5,211	(0)	5,211
Other Computer Equipment	2,750,501	423,686	(1,943,072)	1,231,115
Furniture & Equipment	494,185	137,768	(53,328)	578,625
Software	<u>1,104,699</u>	<u>1,000,980</u>	<u>(13,028)</u>	<u>2,092,651</u>
Total Accumulated Depreciation and Amortization	<u>4,349,385</u>	<u>1,660,108</u>	<u>(2,009,428)</u>	<u>4,000,065</u>
Capital Assets, Net	<u><u>\$ 4,993,444</u></u>	<u><u>\$ (425,670)</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ 4,567,774</u></u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Non-depreciable capital asset activity for fiscal year ended June 30, 2013, was as follows:

Non-Depreciable Capital Assets	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Land	\$ 1,120,000	\$ 0	\$ (0)	\$ 1,120,000
Non-Depreciable Capital Assets	<u>\$ 1,120,000</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 1,120,000</u>

NOTE 6 - RISK MANAGEMENT

A. Insurance Coverage

ECOT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2013, ECOT contracted with Philadelphia Indemnity Insurance Company (Philadelphia) for property, crime, equipment, general liability, automobile and sexual abuse & molestation insurance. The general liability policy is protected by Philadelphia with a \$1,000,000 each occurrence limit and a \$2,000,000 general aggregate limit. The automobile insurance includes coverage for ECOT's two owned vehicles, a 2002 Chevrolet Cavalier and a 2011 Toyota Sienna. The automobile insurance liability combined single limit is \$1,000,000 with deductibles of \$100 for comprehensive, \$250 for collision owned automobiles and \$1,000 for collision hired automobiles. The sexual abuse & molestation insurance coverage provides a \$1,000,000 single occurrence limit and a \$1,000,000 aggregate limit. Additionally, it should be noted that there were no significant reductions in insurance coverage from the prior year and no insurance settlements have exceeded insurance coverage in any of the past three years

The Educator's Legal Liability policy covers errors and omissions. This policy is protected by National Union Fire Insurance Company of Pittsburgh, PA / AIG, with a \$1,000,000 single occurrence limit, a \$2,000,000 aggregate limit and a \$50,000 deductible.

The Security & Privacy Liability policy covers claims arising from ECOT's cyberspace activities. Illinois National Insurance Company / AIG protects this policy with a \$2,000,000 limit and a \$25,000 deductible.

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

B. Workers' Compensation

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

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - ECOT contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained 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, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% 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, 2013, 2012, and 2011 were \$1,188,555, \$1,040,798 and \$877,966, respectively, which equaled the required contributions each year. A total of 99.2% of contributions were paid for fiscal year 2013. 100% of contributions have been paid for fiscal year 2012 and 2011.

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.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

Funding Policy - For the fiscal year ended June 30, 2012 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 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.

ECOT's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$3,750,112, \$3,338,449, and \$2,820,521, respectively; 96.67 percent has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$338,627 made by ECOT and \$241,876 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, 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

**ELECTRONIC CLASSROOM OF TOMORROW
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NOTE 8 - POSTEMPLOYMENT BENEFITS (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, 2013, the health care allocation is 0.16%. 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 provide 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 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012 and 2011 were \$14,517, \$45,074, and \$106,308, 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 statute 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (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 2013, the actuarially required allocation is 0.74%. ECOT's contributions for the years ended June 30, 2013, 2012 and 2011 were \$67,140, \$61,464, and \$56,499, 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 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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$305,547, \$238,461, and \$201,466, respectively; 96.67 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining paid time off are derived from negotiated agreements and State laws. Classified employees earn fifteen to twenty-five days of paid time off per year, depending upon length of service. Accumulated unused paid time off is paid to classified employees upon termination of employment up to 15 days at 50% of leave balance. Teachers and administrators, who are not on a twelve-month contract, do not earn paid time off. Teachers and counselors earn sick leave at a rate of one day per month. Sick leave may be accumulated up to thirty days for teachers and counselors. ECOT assumes no liability for sick leave payout when an employee leaves service

B. Employee Medical, Dental and Vision Benefits

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

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security. As of June 30, 2013, no ECOT employees contributed to Social Security.

NOTE 10 - PURCHASED SERVICES

For the period July 1, 2012 through June 30, 2013, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional & Technical Services	\$ 8,556,106
Property Services	4,268,017
Travel Mileage/Meeting Expenses	692,306
Communications	8,824,104
Utilities	70,898
Contracted Trade Services	443,600
Tuition and Other Similar Payments	148,442
Pupil Transportation	6,189
Other Purchased Services	<u>1,575,687</u>
Total Purchased Services	<u><u>\$ 24,585,349</u></u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 11 - LONG-TERM LIABILITIES

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Compensated Absences	\$ 334,859	\$ 41,808	\$ (12,356)	\$ 364,311	\$ 19,013
Notes Payable	1,977,893	2,337,213	(3,230,852)	1,084,254	1,084,254
Total Long-Term Liabilities	<u>\$ 2,312,752</u>	<u>\$ 2,379,021</u>	<u>(\$3,243,208)</u>	<u>\$ 1,448,565</u>	<u>\$ 1,103,267</u>

Compensated absences, representing ECOT's contractually required vested paid time off which ECOT has entered into, is paid when an employee leaves ECOT's services. Compensated absences due within one year are \$19,013.

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 \$3,131,949.47 security deposit with PNC Bank. The guidance line renewal period was from June 30, 2013 through June 30, 2014. At June 30, 2013 ECOT had not borrowed on the line of credit.

NOTE 12 - NOTES PAYABLE

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

The annual requirements to amortize all notes outstanding as of June 30, 2013, including interest are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	<u>\$1,084,254</u>	<u>\$16,517</u>
Total annual requirements	<u>\$1,084,254</u>	<u>\$16,517</u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 13 - OPERATING LEASES

ECOT also entered into a lease agreement with St. Vincent DePaul for the use of property as office space and extra storage. The term of the leases commenced July 1, 2012 and matures June 30, 2013. For fiscal year 2012, ECOT paid \$30,498 in operating leases for office space and extra storage. The lease was extended on July 1, 2012 for an additional period of one year.

ECOT also entered into a lease agreement with Data Center.BZ, 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 2013, ECOT paid \$315,981 in operating leases for server equipment space.

ECOT also entered into several lease agreements with Xerox, ABS, ComDoc and Océ for the use of copiers and office equipment. The terms of these leases are from 12 to 39 months.

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

<u>Fiscal Year Ending June 30</u>	
2014	\$ 70,222
2015	49,399
2016	13,559
2017	1,919
Total Minimum Lease Payments	<u><u>\$ 135,099</u></u>

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 14 - TAX EXEMPT STATUS

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

NOTE 15 - MANAGEMENT COMPANY

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

Per the management agreement with ECOT, Altair is entitled to 4% of all revenues received except federal funding. Altair is also entitled to .5% interest on any outstanding balance. The management fee for the fiscal year ended 2013 was \$3,594,521. As of June 30, 2013, 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, 2013.

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.

**ELECTRONIC CLASSROOM OF TOMORROW
FRANKLIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

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 \$1,311,733, 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 2011 reporting year, amount was reduced to \$94,000. In September, 2013, a decision was rendered by the Court of Appeals for the Eighth Appellate District and, as a result, some of these claims will have to be retried.

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 2013 was \$14,378,086. As of June 30, 2013, \$0 was outstanding and payable. IQ Innovations, LLC and ECOT's management company, Altair Learning Management I, Inc., have the same principal owner.

NOTE 18 - SUBSEQUENT EVENTS

On July 1, 2013, ECOT extended the lease agreement with St. Vincent DePaul for the use of property as office space in Dayton, Ohio.

On July 1, 2013, ECOT entered into a lease agreement with Bob Evans Farms, Inc. for the use of ECOT's office space at the 3700 South High Street location. Monthly base rent is \$39,591. The lease is scheduled to expire on October 31, 2013, upon Bob Evans' move to their new location.

On July 1, 2013, ECOT entered into a lease agreement with Altair Learning Management, Inc. for the use of ECOT's office space at the 3700 South High Street location. Monthly base rent is \$645.

On July 2, 2013, ECOT entered into a Lease Agreement with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$958,000 for the purchase of computers and software licenses.

On September 10, 2013, ECOT entered into a Lease Agreement with PNCEF, LLC, dba PNC Equipment Finance, in the amount of \$1,409,100 for the purchase of computers and software licenses.

Statistical Section



Electronic Classroom of Tomorrow

Columbus, Ohio

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Statistical Section

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

Contents	Page(s)
Financial Trends	
These schedules contain trend information to help the reader understand how the School's financial position has changed over time.	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 2004 to 2013**

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

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Expenses
Fiscal Years 2004 to 2013**

<u>Year</u>	<u>Interest and Fiscal Charges</u>	<u>Loss on Disposal of Capital Assets</u>	<u>Total</u>
2013	\$ 126,159	\$ 0	\$ 126,159
2012	\$ 87,972	\$ 0	\$ 87,972
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

Source: School Financial Records

**Electronic Classroom of Tomorrow
Net Position
Fiscal Years 2004 to 2013**

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

Source: School Financial Records

**Electronic Classroom of Tomorrow
Full-Time Equivalent (FTE) Enrollment
Fiscal Years 2004 to 2013**

<u>YEAR</u>	<u>FTE Enrollment</u>
2013	13,721
2012	12,208
2011	10,404
2010	9,214
2009	8,742
2008	7,954
2007	7,165
2006	6,597
2005	6,167
2004	4,824

Source: Ohio Department of Education

**Electronic Classroom of Tomorrow
Operating Revenues
Fiscal Years 2004 to 2013**

Year	Foundation Payments	Special Education	Other	Total
2013	\$ 78,004,989	\$ 10,413,423	\$ 1,507,017	\$ 89,925,429
2012	\$ 69,714,436	\$ 9,059,848	\$ 177,536	\$ 78,951,820
2011	\$ 55,143,440	\$ 7,280,627	\$ 1,504,647	\$ 63,928,714
2010	\$ 49,302,474	\$ 6,519,598	\$ 409,788	\$ 56,231,860
2009	\$ 50,401,427	\$ 7,141,838	\$ 222,173	\$ 57,765,438
2008	\$ 44,655,229	\$ 6,075,226	\$ 227,845	\$ 50,958,300
2007	\$ 39,390,237	\$ 4,868,640	\$ 146,104	\$ 44,404,981
2006	\$ 36,071,852	\$ 3,771,914	\$ 98,523	\$ 39,942,289
2005	\$ 35,093,512	\$ 3,125,147	\$ 452,192	\$ 38,670,851
2004	\$ 26,378,832	\$ 1,619,695	\$ 763,550	\$ 28,762,077

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Non-Operating Revenues
Fiscal Years 2004 to 2013**

Year	Non-Operating Grants	Interest	Other	Total
2013	\$ 12,065,892	\$ 73,947	\$ 0	\$ 12,139,839
2012	\$ 9,304,276	\$ 70,131	\$ 0	\$ 9,374,407
2011	\$ 19,348,755	\$ 68,497	\$ 9,748	\$ 19,427,000
2010	\$ 14,414,911	\$ 86,874	\$ 0	\$ 14,501,785
2009	\$ 6,446,335	\$ 137,216	\$ 11,020	\$ 6,594,571
2008	\$ 5,526,700	\$ 480,010	\$ 559	\$ 6,007,269
2007	\$ 5,465,808	\$ 531,086	\$ 1,485	\$ 5,998,379
2006	\$ 4,854,435	\$ 243,809	\$ 0	\$ 5,098,244
2005	\$ 5,363,512	\$ 56,244	\$ 687	\$ 5,420,443
2004	\$ 2,685,009	\$ 11,556	\$ 2,150	\$ 2,698,715

Source: School Financial Records.

**Electronic Classroom of Tomorrow
Grant Revenue By Source
Fiscal Years 2004 to 2013**

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

Note: 2013 Other includes \$1,137,217 for Race to the Top, (\$49,620) for Title II-D and \$110,000 for Title I SI.

Source: School Financial Records

**Electronic Classroom of Tomorrow
State Basic Aid – Per Pupil Funding Amount
Fiscal Years 2004 to 2013**

Year	Per Pupil Funding	Cost of Doing Business Factor	Total Per Pupil Funding
2013	\$ 5,653	N/A	\$ 5,653
2012	\$ 5,653	N/A	\$ 5,653
2011	\$ 5,703	N/A	\$ 5,703
2010	\$ 5,718	N/A	\$ 5,718
2009	\$ 5,732	N/A	\$ 5,732
2008	\$ 5,565	N/A	\$ 5,565
2007	\$ 5,403	1.0161	\$ 5,490
2006	\$ 5,283	1.0318	\$ 5,451
2005	\$ 5,169	1.0476	\$ 5,415
2004	\$ 5,058	1.0466	\$ 5,294

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 2004 to 2013**

<u>Fiscal Year</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Per ADM</u>
2013	\$ 1,084,254	\$ 0	\$ 79
2012	\$ 1,977,893	\$ 0	\$ 162
2011	\$ 0	\$ 785,487	\$ 75
2010	\$ 0	\$ 408,212	\$ 44
2009	\$ 0	\$ 2,940,938	\$ 336
2008	\$ 0	\$ 1,549,268	\$ 195
2007	\$ 0	\$ 3,106,674	\$ 434
2006	\$ 0	\$ 3,043,780	\$ 461
2005	\$ 0	\$ 2,635,014	\$ 427
2004	\$ 0	\$ 2,066,936	\$ 428

Source: School Financial Records

**Electronic Classroom of Tomorrow
Student Population by Resident District
2013 Fiscal Year**

Resident District	Percent
Columbus City	10.63%
Cleveland	7.24%
Dayton	2.99%
South-Western	2.78%
Cincinnati Public	2.31%
Akron	1.36%
Parma	1.31%
Toledo	1.24%
Lorain	1.20%
Elyria	1.15%
Hamilton	1.12%
All Other Districts	66.67%

Note 1: The School draws its student population from 586 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 2002 to 2011**

Calendar Year	Population (in thousands)		Per Capita Personal Income		Civilian Labor Force				Public School Enrollment In Ohio (in thousands)	Motor Vehicles Registered In Ohio (in thousands)
	U.S.	Ohio	U.S.	Ohio	Ohio's Unemployment Rate	Ohioans Employed (in thousands)	Ohio As a Percentage Of U.S.			
2011	311,592	11,545	\$41,663	\$37,791	8.6%	6,521	90.7%	1,860	11,788	
2010	309,350	11,536	\$39,945	\$36,180	10.1%	6,454	90.6%	1,872	12,027	
2009	307,007	11,543	\$39,138	\$35,381	10.2%	6,469	90.4%	1,893	11,792	
2008	304,060	11,486	\$39,751	\$35,511	6.5%	6,819	89.3%	1,882	11,945	
2007	301,621	11,467	\$38,611	\$34,874	5.6%	6,829	90.3%	1,890	12,022	
2006	299,398	11,478	36,276	33,338	5.5%	6,894	91.9%	1,835	12,128	
2005	296,410	11,464	34,495	31,867	5.9%	6,792	92.4%	1,845	12,018	
2004	293,655	11,459	33,041	31,135	6.1%	6,733	94.2%	1,844	12,192	
2003	290,789	11,438	31,487	29,947	6.1%	6,669	95.1%	1,838	12,084	
2002	287,941	11,410	30,814	29,094	5.7%	6,688	94.4%	1,831	12,064	

Source: State of Ohio 2012 Comprehensive Annual Financial Statement. Calendar Year 2011 is the most current data available.

**Electronic Classroom of Tomorrow
Miscellaneous Statistics
Fiscal Years 2004 to 2013**

Year	Instructional Staff	Total Staff	Instructional Staff/ Student Ratio	Number of Current Graduates	Number of Graduates Since Inception
2013	642	987	21:1	2,575	12,661
2012	560	885	22:1	2,251	10,410
2011	537	816	19:1	1,721	8,689
2010	458	682	20:1	1,565	7,124
2009	432	639	20:1	1,243	5,881
2008	379	576	21:1	952	4,929
2007	324	490	23:1	655	4,274
2006	253	398	26:1	779	3,495
2005	218	348	39:1	531	2,964
2004	140	256	47:1	235	2,729

Source: School Records

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Dave Yost • Auditor of State

ELECTRONIC CLASSROOM OF TOMORROW

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 17, 2013