

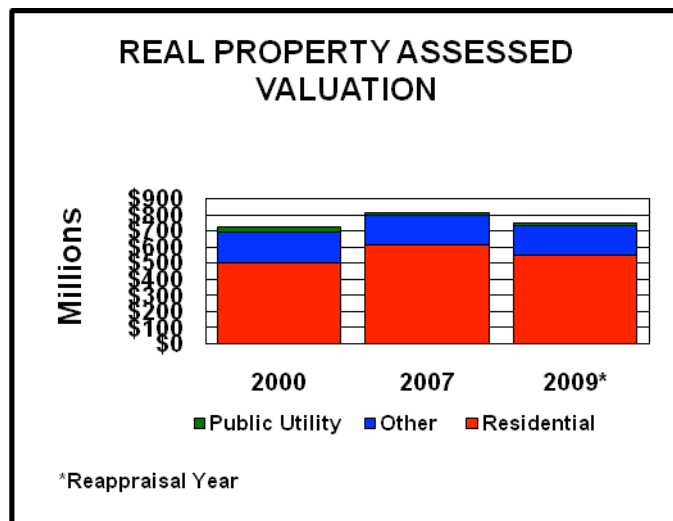
GENERAL FUND

RECEIPTS

(Refer to Exhibits 3, 4 & 5)

Real Estate Tax (1110.)

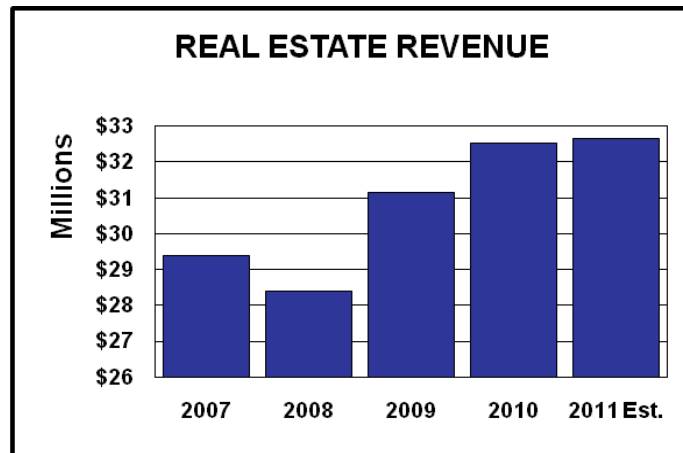
The Real Estate property tax is a tax on land and buildings within the school district's boundaries. Real property is broken down into Residential, Other (Commercial and Industrial), and Public Utility classes. The amount of tax is determined by multiplying an effective millage rate determined for each class by the assessed valuation as determined by the County Auditor, less various state exemptions and rollbacks. Assessed valuation for residential and other property is approximately 35% of true market value. The assessed valuation of most public utility tangible property has historically been 88% of depreciated cost. Due to public utility deregulation legislation enacted in 1999 and 2000, public utility assessment rates and taxes were significantly reduced in 2002. Currently, the assessment rates on all gas utility property and all electric utility property except for property used in the transmission and distribution of electricity have been reduced to 25% of value.



Fiscal Year 2009-2010

Real estate revenues totaled \$32.5 million for the fiscal year ended June 30, 2010. This represented a \$1.4 million increase from the previous fiscal year. The increase represents the first full year collection of the Emergency Operating Levy approved by the voters in 2008. The 2008-09 fiscal year contained one-half year of the new

collection. Continued historic highs in property tax delinquencies prevented the new levy from having the hoped-for impact on total collections.



Fiscal Year 2010-11

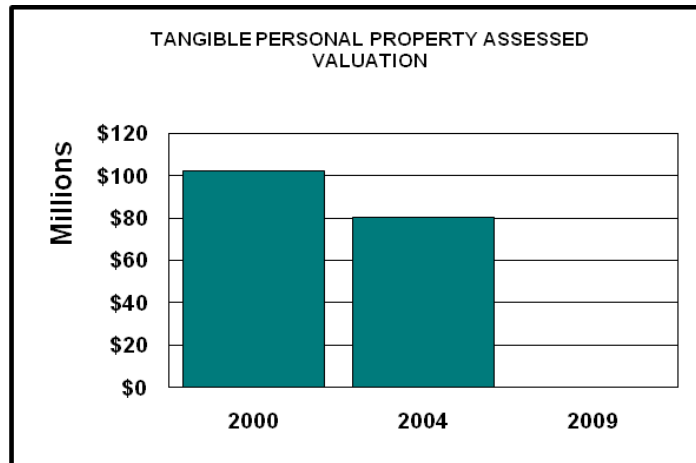
Real estate revenue is estimated to total \$32.7 million in fiscal 2010-11. The City continues to struggle with tax delinquencies and foreclosures. Additionally, the 2009 tax year reappraisal and tax complaint filing resulted in a net loss of \$69 million in the tax duplicate, about 8%. This fiscal year's estimate is based on a 90% collection rate estimate provided by the County Auditor, plus a provision for collection of delinquent taxes, based on delinquent collection rates from last year.

Tangible Personal Property Tax (1120.)

The tangible personal property tax is a tax on inventory, machinery and equipment of business.

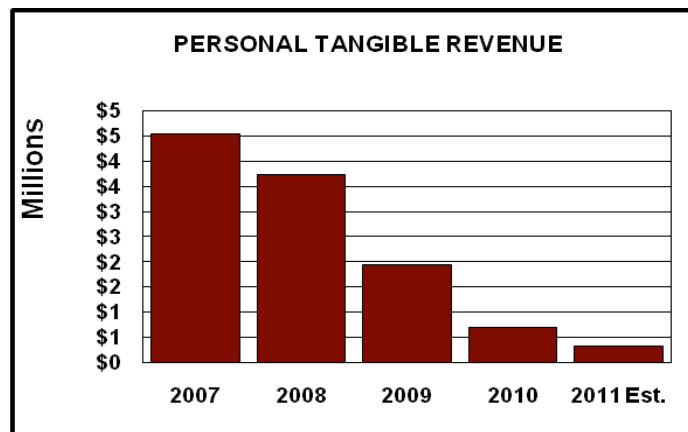
The passage of House Bill 66 in Ohio in June, 2005, calls for the phase out and eventual total elimination of the tangible personal property tax. House Bill 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was totally eliminated in 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax was phased out by reducing the assessment rate on the property each year. At the same time, the bill replaced the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue. Over the following seven years, the reimbursements are phased out completely.

For the Euclid Schools, this will eventually lead to a loss of local operating revenue in excess of \$5 million per year, or about 9.5% of 2004-05 revenue levels.



Fiscal Year 2009-2010

Personal Tangible Property revenues decreased from \$2.0 million in the 08-09 fiscal year to \$700,000 in the 09-10 fiscal year. This was expected due to the legislated phase out.



Fiscal Year 2010-11

An estimated collection of \$340,000 is made for the fiscal 2010-11 year. With the exception of the same collection of telephone equipment, the personal tangible tax is no longer in effect. However, approximately \$1.6 million remains delinquent, so some of those funds should be collected this year.

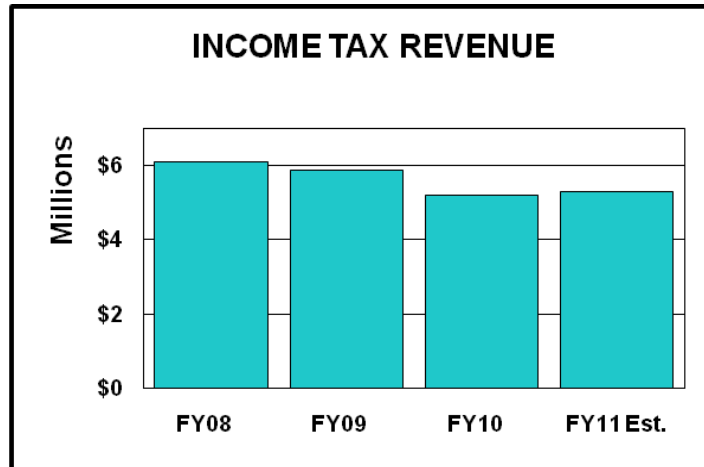
Income Tax (1130).

The City/School income tax of .85% was approved by the voters with an effective date of December 1, 1994. The .85% income tax is shared .47% to the Schools and .38% to the City. The .38% to the City is in addition to the previously enacted 2% city income tax. The income taxes are payable by all persons who work or reside in the City of Euclid.

The tax is paid either through a payroll tax deduction or directly by individuals through income tax returns, if the individuals reside in Euclid and do not work in Euclid.

Fiscal Year 2009-2010

The District's portion of the city/school shared income tax was \$5.2 million in fiscal year 09-10. This was a decrease from \$5.9 million in fiscal year 08-09 and represented 7.2% of operational revenues. This marks the second consecutive year this revenue has fallen due to the economic recession.



Fiscal Year 2010-11

It is believed that the worst of the recession is over and the economy is slowly, but steadily regaining strength. An increase of 2% to \$5.3 million is being estimated for the 2010-11 fiscal year.

Other Local (1200's.,1300's.,1700's.,1800's.,1930)

The other local receipt category is a compilation of various receipt types collected in conjunction with the general operations of the school district and are individually immaterial. These receipts include such items as tuition collections, class fees, transportation fees and building rentals. Taken as a group, these receipts normally amount to less than 1% total General Fund revenues.

Fiscal Year 2009-2010

In fiscal year 09-10 other local revenues totaled \$498,000, a decrease from \$942,000 the previous year. A property tax settlement increased this number in 2008-09, and tuition collections from other districts decreased in fiscal 2009-10.

Fiscal Year 2010-11

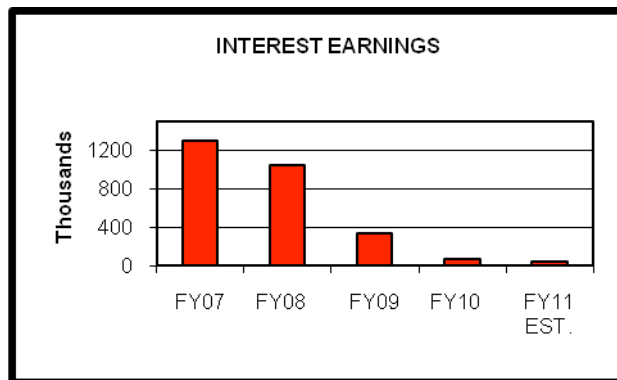
Other local revenues are estimated to total \$428,000 in fiscal 2010-11. The State's expansion of the student fee waiver program last year will continue to reduce fee collections. Additionally, a \$60,000 refund from a natural gas cooperative received last year is assumed not to be repeated this year.

Interest Earnings (1410.)

The types of investments school districts can make in Ohio are strictly regulated by the Ohio Revised Code in order to protect taxpayer funds. Types of permitted investments include United States Treasury Bills, federal agency notes, collateralized or bonded certificates of deposit, collateralized or bonded money market funds, highly rated commercial paper, bankers' acceptances and deposits with Star Ohio (a governmental investment pool operated by the State Treasurer). Note: interest earnings are reported on a cash basis. That is, they are posted when received.

Fiscal Year 2009-10

Interest earnings totaled \$71,000 in fiscal year 09-10 compared to \$345,000 the previous year. This is reflective of lower funds available to invest and continued historically low available interest rates.



Fiscal Year 2010-11

Available market yields remain very low by historical standards. Therefore, an estimate of \$50,000 is being made for fiscal 2010-11.

State Foundation (Unrestricted) (3110.)

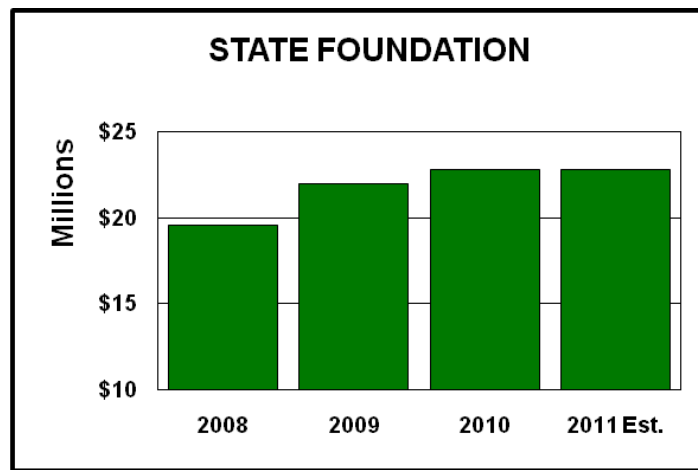
The State Foundation Program is the State of Ohio's primary mechanism used for funding public K-12 education. The formula in place through the 08-09 fiscal year was developed to provide districts a basic level of support based on a determined per pupil amount. Inherent in the formula was an assumed level of local tax revenue which

resulted in relatively higher levels of state support to property poor districts and lower levels of support to property rich districts.

House Bill 1, the State’s new budget bill, effective with the 2010-12 biennium, contains significant changes to the way state foundation revenues are calculated. The assumed level of local support is part of the calculation, but the formula is now based on an evidence-based model that includes inputs considered to be important to a successful educational program.

Fiscal Year 2009-10

State foundation revenues totaled \$22.3 million in fiscal year 09-10. The previous year’s total was \$21.2 million. The conversion to the new evidence based funding model was not fully funded and is not expected to be in the near future due to budgetary constraints at the state level. Key factors built into the District’s formula included a formula average daily membership of 7,133 (including Ed Choice students), 13.56 organization units, an educational challenge factor of 1.25 and a base teacher salary factor of \$56,902.



Fiscal Year 2010-11

The estimated total State foundation collection is estimated to be \$22.3 million, the same as last year. This estimate is made by the State Department of Education through the new evidence-based model “Pass” form. It includes an ADM estimate equal to last year, 13.56 organizational units, an educational challenge factor of 1.257 and a State share percentage of 61%. The \$22.3 million figure is a net amount after estimated deductions, of \$4.6 million for Charter Schools, \$2.5 million for vouchers and \$107,000 for open enrollment are made.

Homestead/Rollback (3130).

The Homestead/Rollback revenue category represents reimbursements to the district for state tax credits given to property owners on their real estate bills. Specifically, all property owners receive a 10% property tax rollback, and persons owning and residing in their homes receive an additional 2.5% rollback. Any changes in the homestead/rollback revenues from year to year are directly related to changes in real estate collections.

Fiscal Year 2009-2010

The Homestead Rollback total in the 09-10 fiscal year was \$4.3 million, a \$400,000 increase from the previous fiscal year. The levy passage increased these state reimbursements as property collections rose to a full year's collection in fiscal 09-10.

Fiscal Year 2010-11

The total Homestead/Rollback reimbursement is estimated to be \$4.2 million in FY10-11.

Tangible Property Tax Reimbursement (3150).

The tangible property reimbursement funds are the hold-harmless dollars provided by the State as the personal tangible tax is being phased out. The Euclid Schools received \$222,810 in the 05-06 fiscal year, \$1.7 million in the 06-07 fiscal year, \$2.4 million in the 07-08 fiscal year, \$3.4 million in the 08-09 fiscal year, and \$4.3 million as the reimbursement peaked. This number is expected to total \$4.2 million in FY10-11.

Restricted State Foundation (Restricted) (3200).

Restricted State funds declined from \$3.3 million in fiscal 2008-09 to \$537,000 in fiscal 2009-10 due to the discontinuation of the Poverty-Based Assistance funding. The estimate for fiscal 2010-11 is \$468,000 which includes funding for career technology education and catastrophic cost reimbursement (special education) from the State.

Federal Sources (4210.,4230.)

Federal sources are estimated to total \$2.8 million in fiscal 2010-11. This represents an increase from \$1.8 million in fiscal 2009-10. Most of these funds, about \$1.7 million, represent federal budget stabilization dollars. These funds helped fill the shortage in the State's budget and flows through the State foundation formula. Additionally, Congress recently passed the Jobs Bill, that, in part, provides federal funds to school districts to save or create educational jobs. The Euclid School's share is \$1.28 million over two years. It is anticipated about half of this amount will be spent in fiscal 2010-11. The remainder of these funds include Medicaid reimbursement dollars and funding for the District's NJROTC program.