

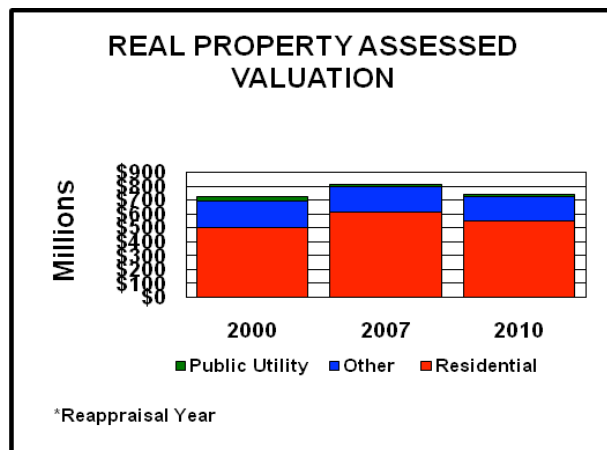
GENERAL FUND

RECEIPTS

(Refer to Exhibits 3,4 &5)

Real Estate (1110)

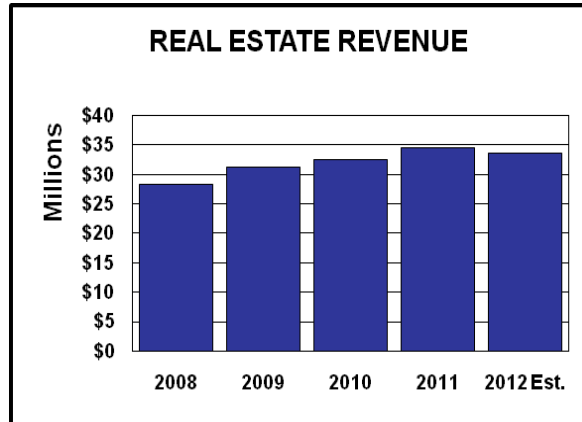
The real estate property tax is a tax on land and buildings within the school district's boundaries. Real property is broken down into Residential, Other (Commercial and Industrial), and Public Utility classes. The amount of tax is determined by multiplying an effective millage rate determined for each 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 depreciation 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 2010-11

Real estate revenues totaled \$34.6 million for the fiscal year ended June 30, 2011. This represented a \$2.1 million increase from the previous fiscal year. The increased collections were a result of a combination of prior-year delinquent collections and accelerated payments by commercial property owners. With respect to the latter, a

number of commercial taxpayers, more than normal, paid their full year property taxes in the first half of the 2011 collection year. Subsequently, total commercial collections are expected to be lower in the second half collections than is normally experienced.



Fiscal Year 2011-12

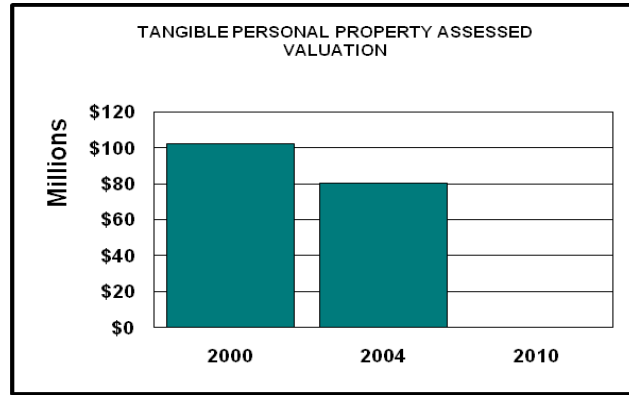
The variance of real estate collections was 6.3% last year, which is unusual for this revenue stream and makes estimating 2011-12 a little more challenging. The County Auditor is estimating a collection rate of 92.09% for current collections. Delinquent collections are not included in this number. The County Auditor also estimated a 92.09% collection rate last year. In the end, the sum of current collections, delinquent collections and the commercial pre-payment collections equaled 99.4% of current billed. Total collections the previous year equaled 97.2% billed. For the appropriations, we are assuming a total collection rate of 98.5% of current billed, or \$33.6 million.

Tangible Personal Property Tax

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

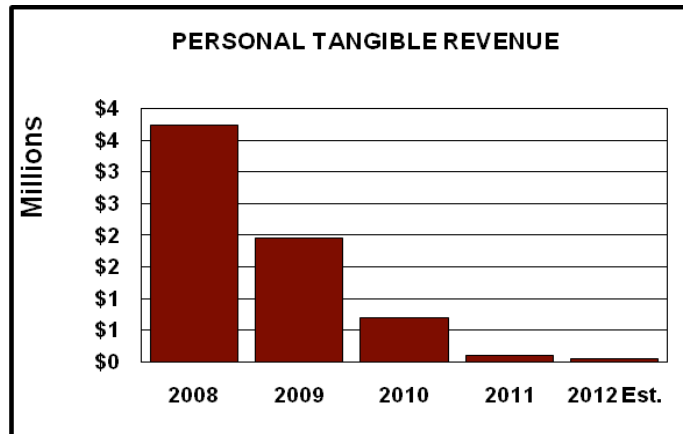
The passage of House Bill 66 in Ohio in June, 2005, called for the phase out and total elimination of the tangible personal property tax. House Bill 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was 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 were reimbursed fully for lost revenue. Over the following seven years, the reimbursements were to be phased out completely. However, the recent state budget called for an acceleration of the phase out. This acceleration will result in a loss of state revenue of \$1.5 million in fiscal 2011-12 and another \$1.5 million in fiscal 2012-13.

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 2010-11

Personal Tangible Property revenues decreased from \$706,000 in the 09-10 fiscal year to \$111,000 in the 10-11 fiscal year. This was expected due to the legislated phase out.



Fiscal Year 2011-12

Only collections of prior-year delinquencies remain for tangible personal property. An estimate of \$50,000 has been made.

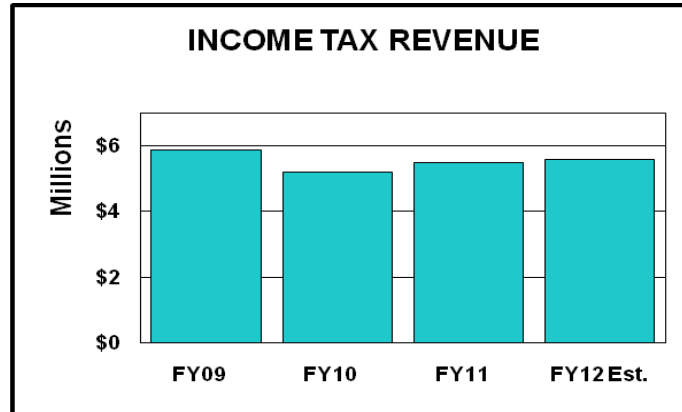
Income Tax (1130).

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 2010-11

The District's portion of the city/school shared income tax was \$5.5 million in fiscal year 10-11. This was an increase from \$5.2 million in fiscal year 09-10 (5.9%). This marks the first increase experienced in the last three years.



Fiscal Year 2011-12

Due to the turn-around in income tax collections last year, but also recognizes the economy is still in a fragile state, a conservative estimated increase has been made. An increase of 1.7%, totaling \$5.6 million is included.

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 2010-11

In fiscal year 10-11 other local revenues totaled \$734,000, an increase from \$498,000 the previous year. Increased tuition collections from other districts for non-resident students attending Euclid provided the increase in this category.

Fiscal Year 2011-12

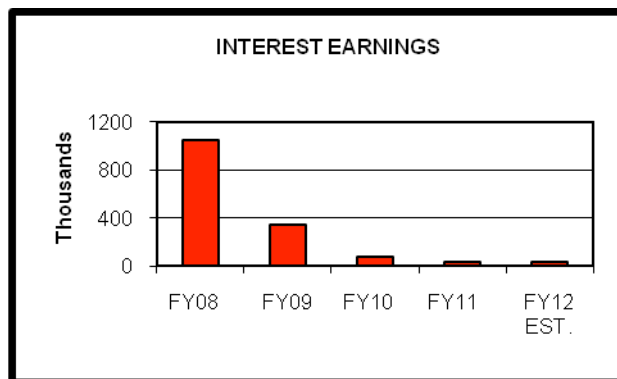
A total of \$671,000 is estimated to be collected in FY11-12. Tuition collections from other districts is somewhat cyclical in nature, so a conservative estimate was made.

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 2010-11

Interest earnings totaled \$34,000 in fiscal year 10-11 compared to \$71,000 in FY 09-10, and \$345,000 the previous year. This is reflective of lower funds available to invest and continued historically low available interest rates.



Fiscal Year 2011-12

Knowing that interest rates continue to remain low, and increases are not generally predicted for the next few months, an estimate of \$30,000 has been made.

State Foundation (Unrestricted) (3110.)

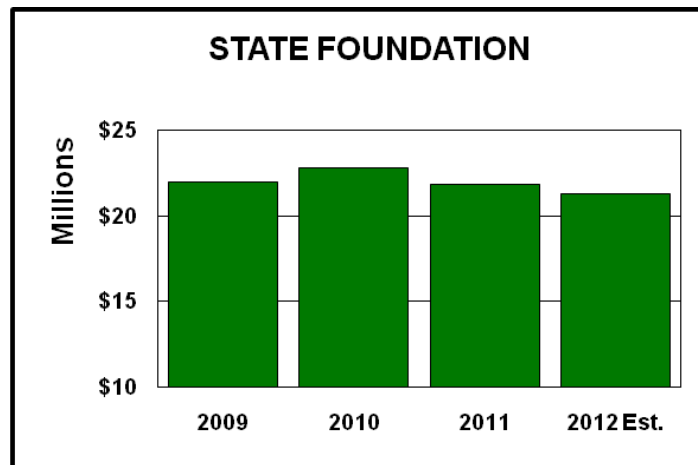
The State Foundation Program is the State of Ohio's primary mechanism used for funding public K-12 education. The formula in place through the 08-09 fiscal year was developed to provide districts a basic level of support based on a determined per pupil amount. Inherent in the formula was an assumed level 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 previous budget bill, effective with the 2010-12 biennium, contained significant changes to the way state foundation revenues were calculated. The assumed level of local support was part of the calculation, but the formula was based on an evidence-based model that included inputs considered to be important to a successful educational program.

The new administration in Columbus is in the process of dismantling the evidence based model. A new formula is expected to be proposed within the next two years. In the meantime, a "Bridge" formula has been developed for the current biennium.

Fiscal Year 2010-11

State foundation revenues totaled \$21.2 million in fiscal year 10-11. The previous year's total was \$22.3 million. The reduction was caused, in large part, by an increase in charter school deductions from the previous year. The total in FY11 was \$5.3 million compared to \$4.6 million in FY10. Additionally, an overall enrollment decrease of 73 students resulted in reduced foundation funding.



Fiscal Year 2011-12

Under the temporary bridge formula, the State Department of Education will be recalculating the formula for each District with each payment (twice per month) based on total State enrollment changes. Therefore, this number will be somewhat of a moving target throughout the year. An estimate of \$20.8 million has been made for FY11-12 based on a forecast generated by the State and adjusted for a downward trend in enrollment and an upward trend in Ed-Choice voucher numbers. This reflects an overall decrease of \$400,000 or 1.9%.

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 2010-2011

The Homestead Rollback total in the 10-11 fiscal year was \$4.34 million, a \$30,000 increase from the previous fiscal year.

Fiscal Year 2011-12

An increase of \$65,000 has been estimated based on historical collections relative to real estate settlements.

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, \$4.0 million in the 09-10 fiscal year, and \$4.3 million in FY10-11. This was the peak of this funding source.

Fiscal Year 2011-12

The State's biennial budget drastically changed the phase-out of this funding source. The result is a significant acceleration of the phase-out. What was originally supposed to be a total of \$4.1 million in FY11-12 is now estimated to be \$2.6 million. Although other funding reductions were expected (notably the Federal Budget Stabilization Funds), this \$1.5 million reduction was not anticipated.

Restricted State Foundation (Restricted) (3200).

Restricted State funds rose from \$537,000 in FY 09-10 to \$597,000 in FY10-11. Funding for career technical education and special education catastrophic cost reimbursements make up most of this funding source.

These two funding sources are again assumed to be the only restricted state funds received this year. An estimate of \$469,000 is included.

Federal Sources (4210.,4230.)

Federal sources totaled \$2.8 million in FY10-11. These revenues included Budget Stabilization (\$2.0 million), Jobs Bill (\$526,000), Medicaid (\$187,000); and NJROTC (\$58,000). The FY09-10 total was \$1.8 million. Jobs Bill funds were new in FY10-11 and Medicaid reimbursements increased significantly.

The Federal Budget Stabilization Funding expired at the end of the 2010-11 fiscal year. The remaining federal sources include Medicare reimbursements (\$180,000), NJROTC (\$55,000), and Jobs Bill Funds (\$748,000). The Jobs Bill funding will cease to exist after this year.

GENERAL FUND

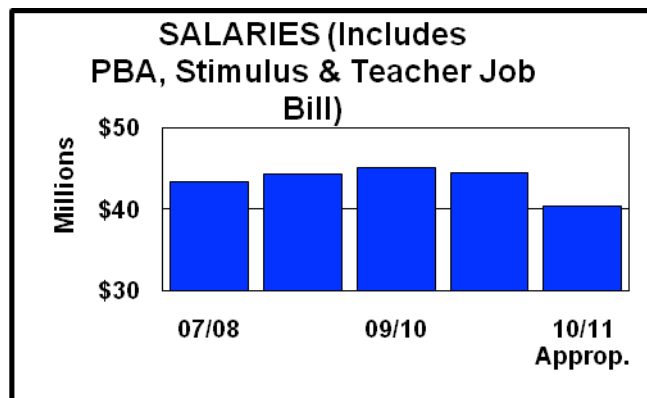
EXPENDITURES

Wages & Salaries

Public school districts are labor intensive entities. As such, the bulk of any school district's expenditures are spent on employee wages and benefits, typically 80% to 85%. Wages comprise the majority of that amount. Over the last several years, wages as a percentage of total expenditures in Euclid have been about 58%. Key factors that need to be taken into account when developing salary appropriations and forecasts always include staffing levels, salary schedules set forth in collective bargaining agreements, years of experience and longevity of employees and substitute employee and overtime needs of the district.

Fiscal Year 2010-11

Salaries and wages totaled \$44.5 million in fiscal 10-11. This was a decrease from \$45.1 million in fiscal 09-10. The certificated staffing level was decreased by 41.3 FTE's, and the support staffing level was decreased by 13.3 FTE's in fiscal 10-11. Additionally, most bargaining units agreed to both a salary and step freeze in FY10-11.



Fiscal 2011-12

The proposed appropriation for the 2011-12 fiscal year for salaries and wages is \$40.4 million. This represents a decrease from actual expenditures in fiscal 2010-11 of \$44.5 million. This equates to a 10.1% reduction overall. The following factors contributed to this significant reduction. First, for the third year in a row, staffing reductions were enacted. Total full-time equivalents for the certified staff were reduced from 455.24 in fiscal 10-11 to 452.608 in fiscal 11-12. The support staff FTE's were reduced from 269.80 in fiscal 10-11 to 251.316 in fiscal 11-12. Secondly, agreements were reached with all bargaining units this past summer to reduce total compensation (wages and benefits) by 3% of last year's total. Continued step freezes were also agreed to by most

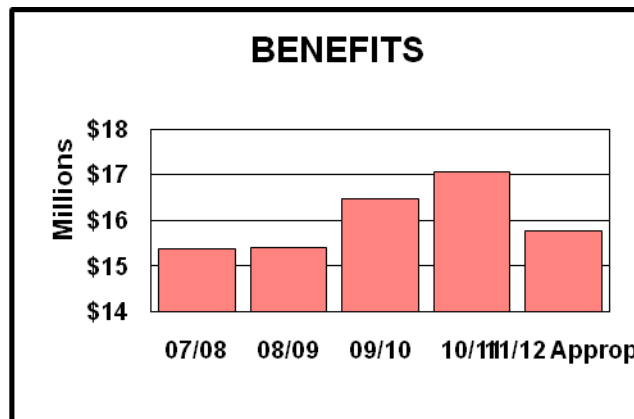
groups. Thirdly, effective with the 2011-12 fiscal year, the District has outsourced the daily teacher substitute services. The result is a transfer of \$860,000 in appropriations from wages to purchased services.

Employee Benefits

The single most expensive employee benefit in the District's budget is the required contribution to the State Teacher's Retirement System (STRS) and the School Employee's Retirement System (SERS). The District must contribute 14% of all salaries of its employees to their respective systems. Contributions must be made to STRS on behalf of the certified staff and to SERS on behalf of all support staff. In addition, the District must pay SERS a surcharge for part-time employees. The total SERS surcharge has been increasing yearly and now exceeds \$225,000 per year. Also, the District must pay a 1.45% Medicare tax for all employees hired since 1986. District employees are also entitled to medical, prescription drug, dental, vision and life insurance coverage.

Fiscal Year 2010-11

Employee benefits totaled \$17.1 million in fiscal 10-11, compared to \$16.5 million spent in 09-10. The fully insured equivalent rates which are used for funding the medical self insurance reserve fund increased by only 0.4% in January 2011; the prescription drug rate, on the other hand, increased by 15.3%. Actual prescription drug expenditures also increased in FY11 because a two-month premium holiday was taken in FY10 to reduce an over-funded reserve. No premium holidays were taken in FY11. Benefits that are based on salary levels, including retirement system contributions, Medicare and workers compensation, decreased in line with the reduction of salaries.



Fiscal Year 2011-12

The total appropriation for employee benefits for the 2011-12 fiscal year is \$15.7 million. This represents a \$1.4 million reduction (8.3%) from last year's actual expenditures. This reduction is due to the same reasons given above for the reduction in wages. As mentioned above, bargaining units agreed to reductions of 3% of last year's total compensation. To help reach that goal, all groups agreed to increases in employee contributions to medical and prescription drug premiums. A range of 10% to 16% were agreed to by the bargaining groups. Previously, an average of 6% medical and 0%

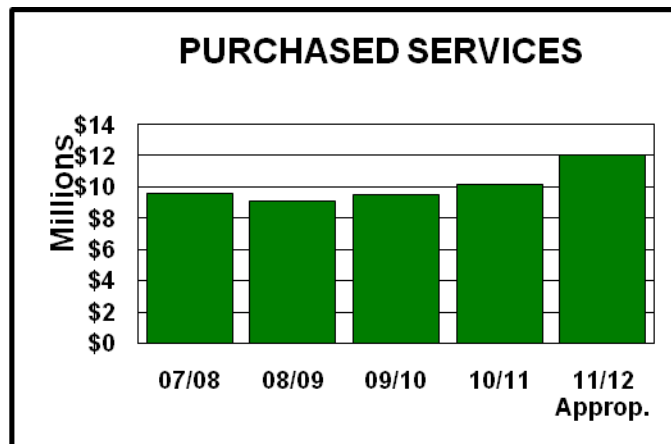
prescription drugs were being paid. We have still assumed a rate increase of 8 % in premiums costs for medical.

Purchased Services

Purchased services include such items as utilities, vocational and special education tuition, services purchased through the Cuyahoga County Educational Service Center, copier leases, repairs, legal expenses, professional services and mileage reimbursements. These expenditures typically comprise about 10 to 12% of the District’s total appropriations.

Fiscal Year 2010-11

Purchased services expenditures totaled \$10.1 million in fiscal 10-11 compared to \$9.5 million in fiscal 09-10, a 6.8% increase. Special education tuition costs increased from \$3.9 million in fiscal 09-10 to \$4.6 million in fiscal 10-11. Total utility costs remained unchanged at \$1.5 million in FY11. Legal services increased from \$75,000 in fiscal 09-10 to \$160,000 due to collective bargaining negotiations in fiscal 10-11. Postage expenditures decreased in the 09-10 fiscal year from \$130,000 to \$101,000. An increase in expenditures was realized in contracted special education transportation (from \$977,000 to \$1,181,000).



Fiscal Year 2011-12

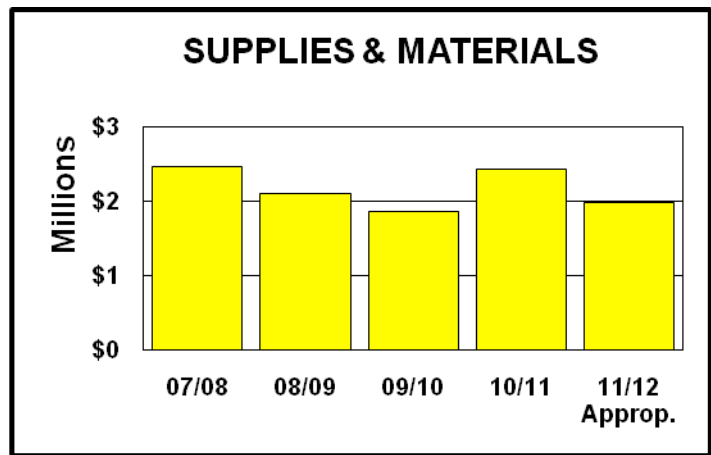
The purchased services appropriation is being increased from \$10.3 million in FY10-11 to \$12.0 million in FY11-12. \$860,000 of the increase is due to the decision to outsource daily substitute teachers. As mentioned earlier, the category of this cost is being moved from salaries to purchased services. Additionally, the discontinuation of the Glenbrook Day Treatment Center operation is also adding to purchased services because a number of students serviced at Glenbrook last year will now be placed out of district. This will increase special education tuition costs even more than the usual increase. Additionally, as utility costs are typically volatile, the appropriation in this category is somewhat conservative. The appropriations for both natural gas and electricity are about 10% higher than expended last.

Materials & Supplies

This category of expenditures includes instructional materials, textbooks, office supplies, software, media center books and periodicals, fuel, tires and maintenance supplies. Typically, there is a 50/50 split in these expenditures between instructional and non-instructional items

Fiscal Year 2010-11

Material and supply expenditures totaled \$2.4 million in fiscal 10-11 compared to \$1.9 million in fiscal 09-10. Textbook purchases increased from \$133,000 in FY10 to \$839,000 in FY11, due to a major textbook adoption. Not including textbook purchases, total material and supply expenditures increased by \$70,000, a 0.8% increase over FY10.



Fiscal 2011-12

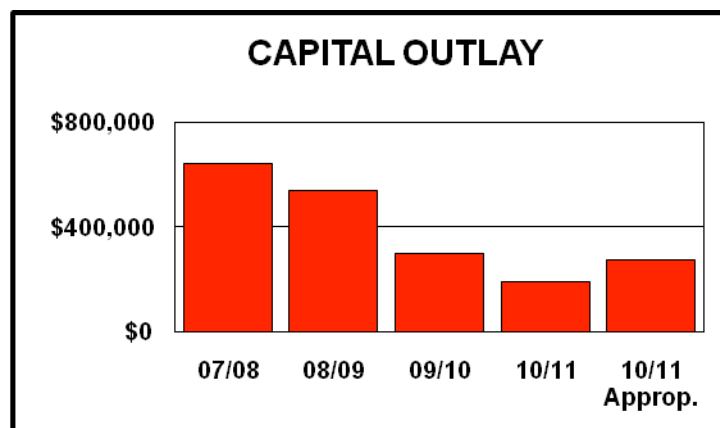
The supplies and materials appropriation for FY11-12 is proposed to be \$2.0 million compared to \$1.9 million in FY10-11. Textbook purchases, which were suspended in last year's appropriation, totals \$200,000 in this measure. Most other changes in this area are due to reallocation to other categories in individual budgets.

Capital Outlay

Capital outlay includes the purchase of items determined to be assets. Basically, an asset is an item with a life expectancy of five years or more. These items include computer equipment, office equipment, buses, vehicles, maintenance equipment, furniture, and building improvements. The majority of the district's capital investments are funded by the Permanent Improvement Levy passed in 2004. However, school principals and department heads will typically earmark a portion of their budgetary allocations for some equipment needs.

Fiscal Year 2010-11

The total General Fund Capital Outlay was \$193,519 in fiscal 10-11 compared to \$299,000 in fiscal 09-10. Replacement school bus expenditures decreased from \$60,000 in FY10 to \$0 in FY11 as bus replacement funding was not received from the State in FY11. School buses are now fully funded by the Permanent Improvement Fund.



Fiscal Year 2011-12

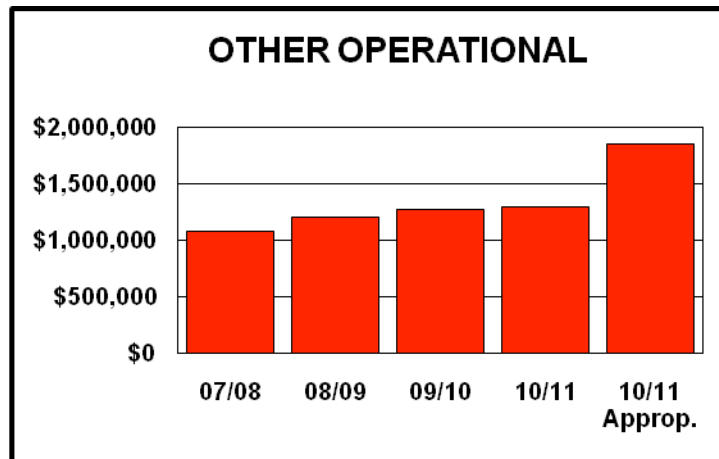
The Capital Outlay appropriation is proposed to be \$273,000 compared to \$285,000 last year. A provision has been made for two additional student transportation vans in our ongoing efforts to control costs in contracted transportation services. We believe it to be more economical by bringing some out of district transportation services for special needs students in house.

Other Operational

Other operational expenses include County Auditor and Treasurer’s fees, election expenses, property and liability insurance, auditing charges, and County Board of Election fees. County Auditor and Treasurer’s fees charged for the collection and distribution of property taxes, comprise the largest portion of this category. The District has little control in the level of spending in this category with the exception of the District Contingency provision.

Fiscal Year 2010-11

Other expenditures totaled \$1.3 million in fiscal 10-11 equaling the amount spent in FY10. An increase in County Auditor and Treasurers’ fees was offset by a decrease in election expenses in FY11.



Fiscal Year 2011-12

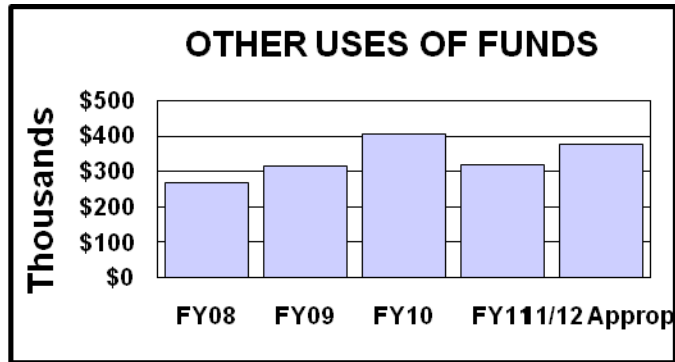
The total Other Operational appropriation is proposed to be \$1.85 million, compared to \$1.6 million in fiscal 10-11. Provisions for increased costs in County Auditor & Treasurer’s fees, as well as election expenses (Board election, levy) are driving the increase in this category. As has been our practice, a contingency provision of \$200,000 is included for unforeseen expenses and emergencies.

Other Uses of Funds

As the term implies, this category of expenditures are typically not relevant to the operations of the district. Items such as transfers, advances, and other adjustments are included.

Fiscal Year 2010-11

Other Uses of Funds expenditures totaled \$302,461 in fiscal 2010-11. The entire amount reflects a transfer to the Debt Service Fund to pay down debt related to two energy retrofitting projects.



Fiscal Year 2011-12

The total non-operation appropriation is proposed to be \$378,346. Nearly all of this total represents a transfer of funds to the Debt Service Fund to service the debt on two House Bill 264 (Energy Retrofitting) projects.