Cleveland Municipal School District

Fiscal Year

2027

August

Financial Forecast Report

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Cleveland Municipal School District

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Forecast Purpose/Objectives

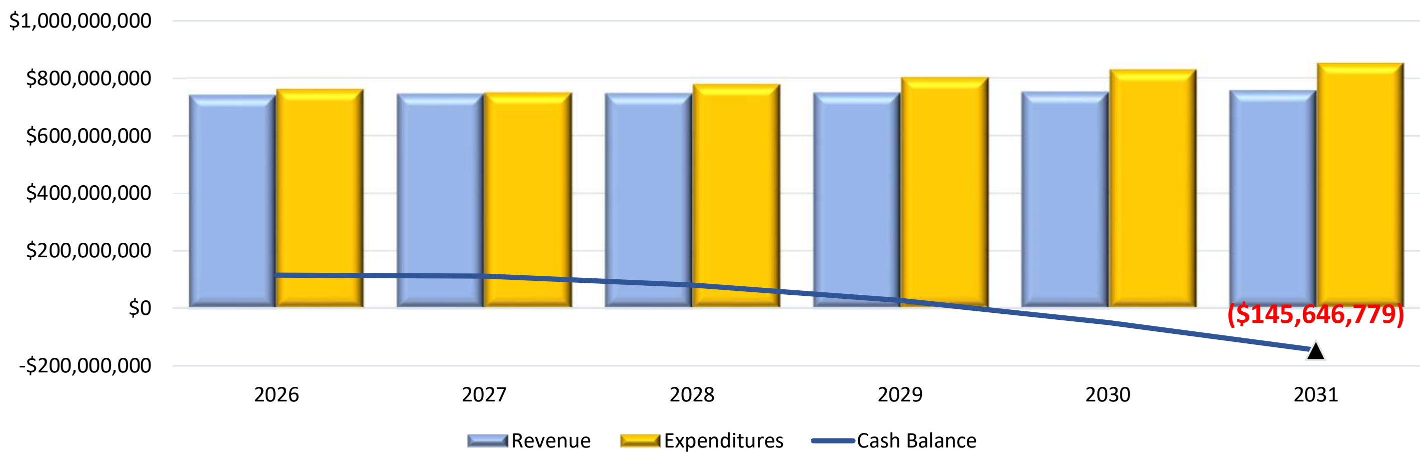
Ohio Department of Education and Workforce's purposes/objectives for the financial forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology

This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year, and while cash flow monitoring helps to identify unexpected variances, no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

Projected Revenue, Expenditures, and Cash Balance



Financial Forecast Summary

	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
Beginning Balance (Line 7.010) **Includes Renewal/New Levy Revenue, see Disclosures*	115,511,587	111,618,907	80,567,736	27,422,266	(50,222,715)
+ Revenue	745,010,410	746,929,832	749,593,588	751,757,818	757,590,297
- Expenditures	(748,903,090)	(777,981,004)	(802,739,058)	(829,402,798)	(853,014,361)
= Revenue Surplus or Deficit	(3,892,680)	(31,051,172)	(53,145,470)	(77,644,980)	(95,424,064)
Line 7.020 Ending Balance with Renewal/New Levies	111,618,907	80,567,736	27,422,266	(50,222,715)	(145,646,779)

Financial Summary Notes

Expenditure growth is projected to outpace revenue change. By the end of 2031, the cash balance is projected to decline by a total of $261,158,366 compared to 2026. For fiscal year 2031, expenditures are currently projected to exceed revenue, resulting in a revenue shortfall the final year of the forecast period.

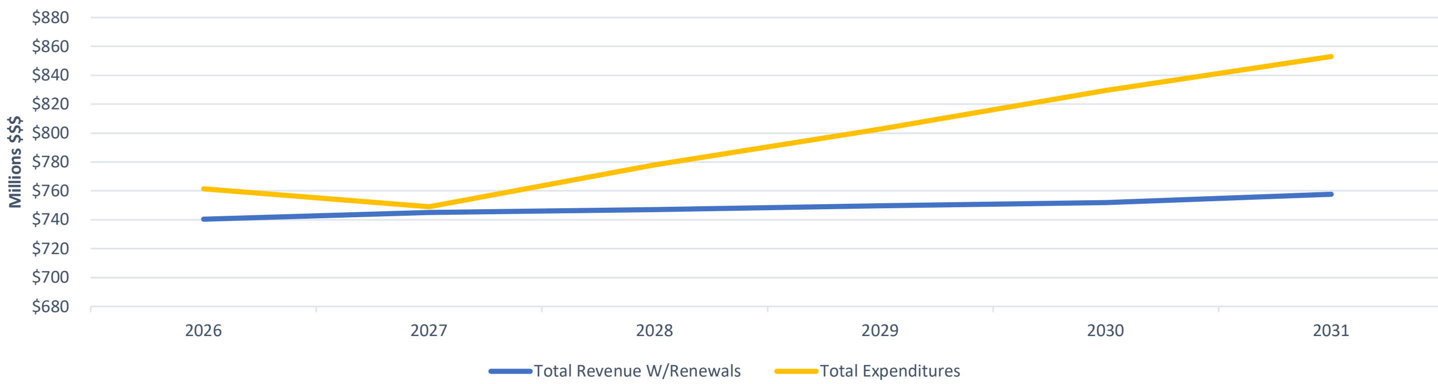
For revenue, projected change is expected to be greater than the historical average.Annually, on average, over the past five years, revenue decreased by -0.01% (-$2,086,223 annually). However, it is projected to increase by 0.46% ($3,464,658 annually) through fiscal year 2031. Notably, State Funding, is expected to be $26,800,401 more per year compared to history, and is the biggest driver of trend change on the revenue side.

For expenses, projected change is forecasted to increase at a faster pace than the historical trend. Expenditures increased by 0.55% ($2,113,297, on average, annually) during the past 5-year period, and are projected to increase by 2.32% ($18,315,380 annually) through 2031.

Disclosure Items:	*2027*	*2028*	*2029*	*2030*	*2031*
Modeled Renewal Levies - Annual Amount	-	-	-	-	*47,821,173*
Modeled New Levies - Annual Amount	-	-	-	-	-
Encumbrances (not subtracted from Cash Balance)	*20,000,000*	*20,000,000*	*20,000,000*	*20,000,000*	*20,000,000*

Forecast Analysis

Revenue Compared to Expenditures

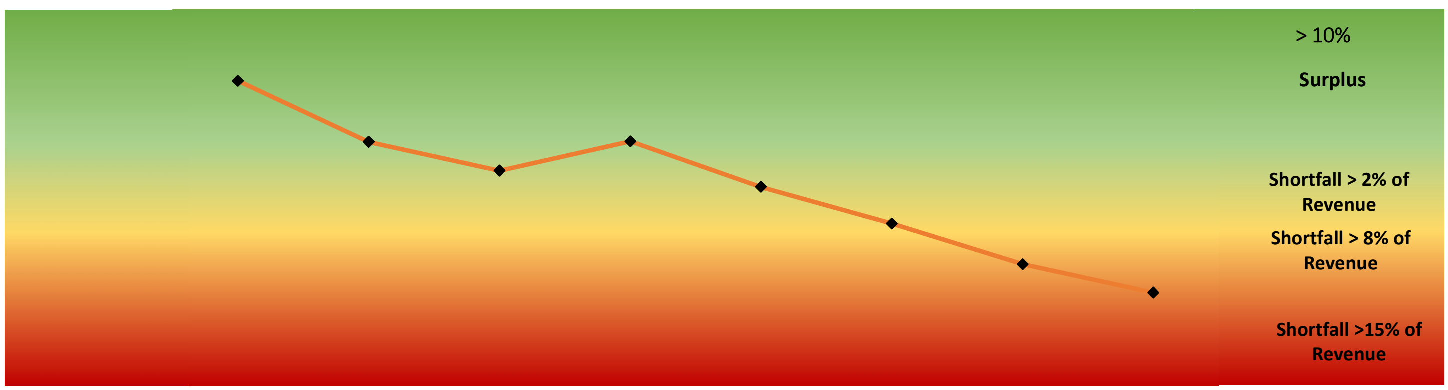


From 2027 to 2031, total revenues are projected to change by 0.46%

Expenditure change is expected to outpace revenue change.

From 2027 to 2031, total expenses are projected to change by 2.32%

Revenue Surplus/(Shortfall) as a Percentage of Revenue



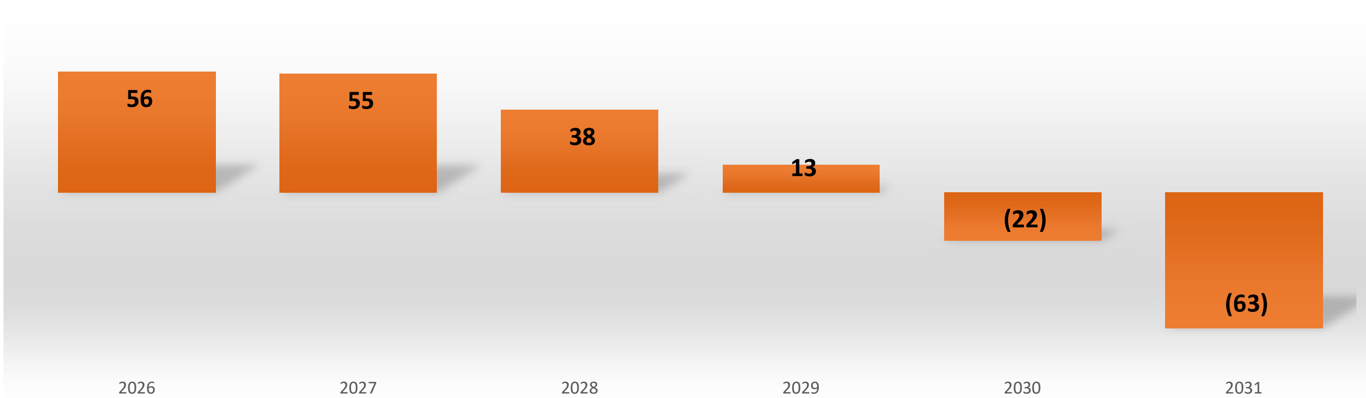
Current Forecast Surplus/(Shortfall)	2025	2026	2027	2028	2029	2030	2031
	-.6%	-2.9%	-.5%	-4.2%	-7.1%	-10.3%	-12.6%

The district is trending toward revenue shortfall with the expenditures growing faster than revenue.

A revenue increase of 10.33% is needed to balance the budget in fiscal year 2031, or a $95,424,064 reduction in expenditures.

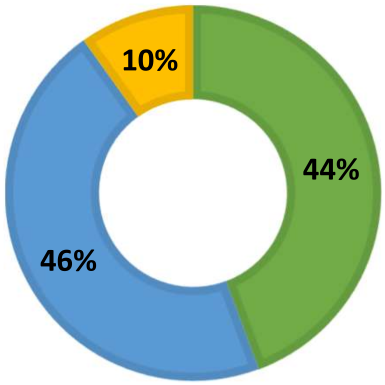
- The largest contributor to the projected revenue trend is the change in State Funding.
- The expenditure most impacting the changing trend is Purchased Services.

Days Cash on Hand at Fiscal Year-end



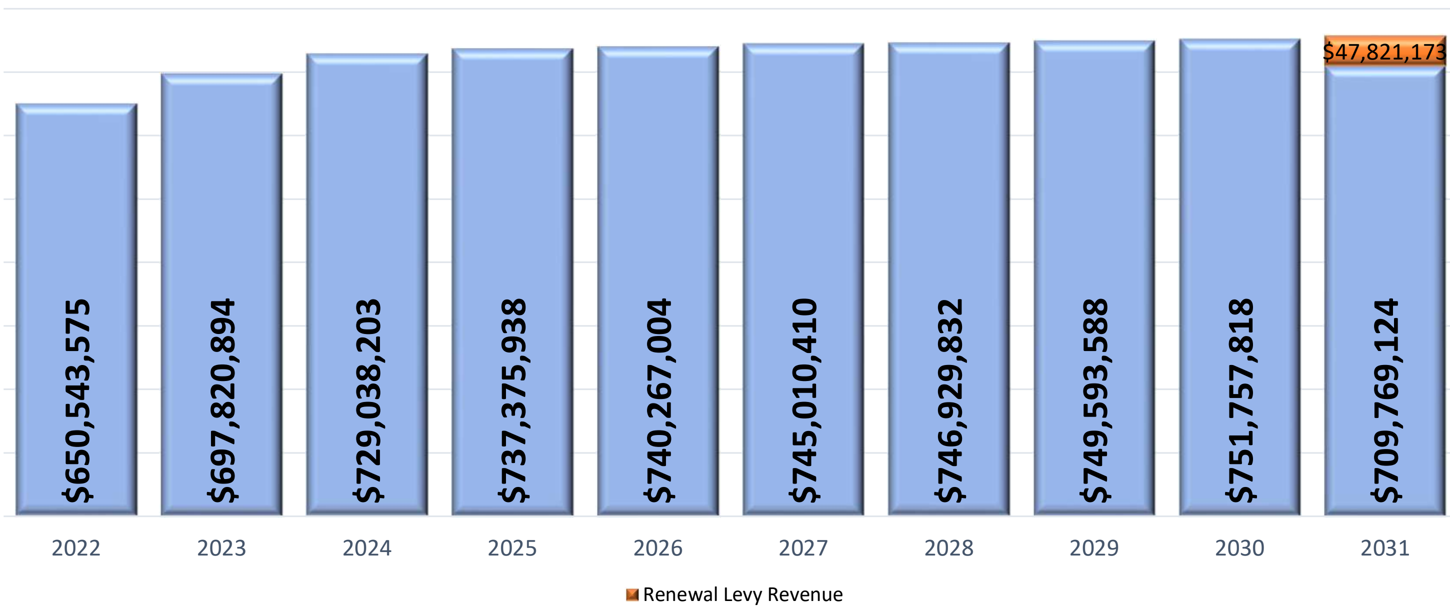
based on 365 days

Revenue Sources



Local Taxes	
Real Estate Tax	36.62%
Public Utility Tax	7.70%
Income Tax	0.00%
State Sources	
State Funding	36.78%
Restricted Aid	6.64%
State Reimb Prop Tax Cr	2.38%
All Other Revenue	
Other Revenue	8.55%
Other Sources	1.33%

Annual Revenue Actual + Projected



Historic Revenue Change versus Projected Revenue Change

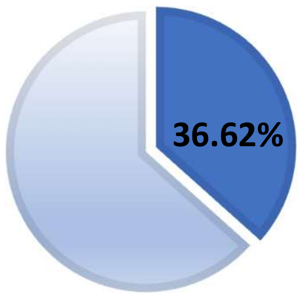
	Historical Average Annual $$ Change	Projected Average Annual $$ Change	Projected Compared to Historical Variance
Real Estate	$12,692,538	$4,774,540	($7,917,998)
Public Utility	$3,792,506	$2,511,603	($1,280,903)
Income Tax	$0	$0	$0
State Funding	($26,639,537)	$160,864	$26,800,401
State Reimb Prop Tax Credits	$160,719	$98,778	($61,942)
All Othr Op Rev	$6,578,602	($3,586,574)	($10,165,176)
Other Sources	$1,328,949	($494,552)	($1,823,501)
Total Average Annual Change	($2,086,223)	$3,464,658	$5,550,881
	-0.01%	0.46%	0.48%

Annually, on average, over the past five years, revenue decreased by -0.01% (-$2,086,223 annually). However, it is projected to increase by 0.46% ($3,464,658 annually) through fiscal year 2031. Notably, State Funding, is expected to be $26,800,401 more per year compared to history, and is the biggest driver of trend change on the revenue side.

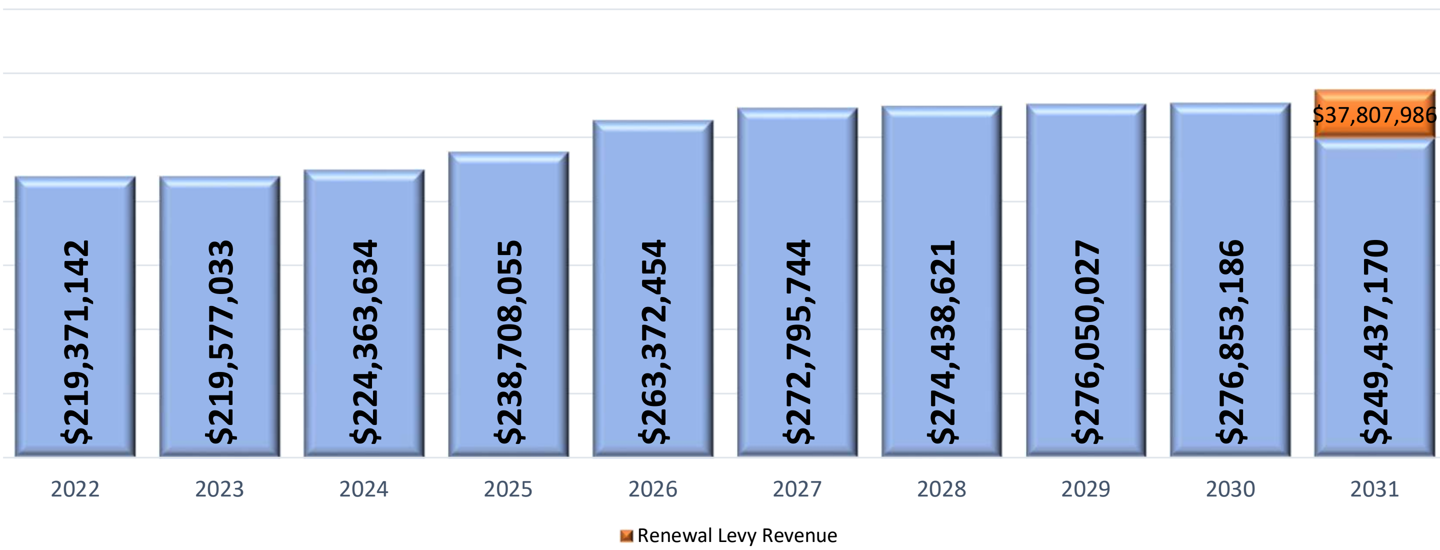
For Comparison:
Expenditure average annual change is projected to be > $18,315,380 On an annual average basis, expenditures are projected to grow faster than revenue.

1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



Real estate property tax revenue accounts for 36.62% of total district general fund revenue.



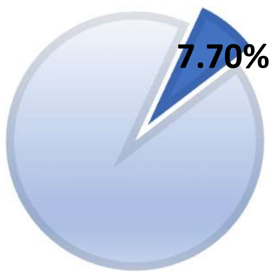
Key Assumptions & Notes

Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class 2 Rate	Change	
2025	7,198,661,519	30,749,459	33.80	-	57.09	-	96.1%
2026	7,199,116,900	455,381	33.89	0.09	57.27	0.18	96.1%
2027	7,704,116,900	505,000,000	31.05	(2.85)	56.64	(0.63)	96.1%
2028	7,723,116,900	19,000,000	31.05	0.01	56.64	(0.00)	96.1%
2029	7,742,116,900	19,000,000	31.06	0.01	56.64	(0.00)	96.1%
2030	7,742,116,900	0	31.06	(0.00)	56.64	(0.00)	96.1%

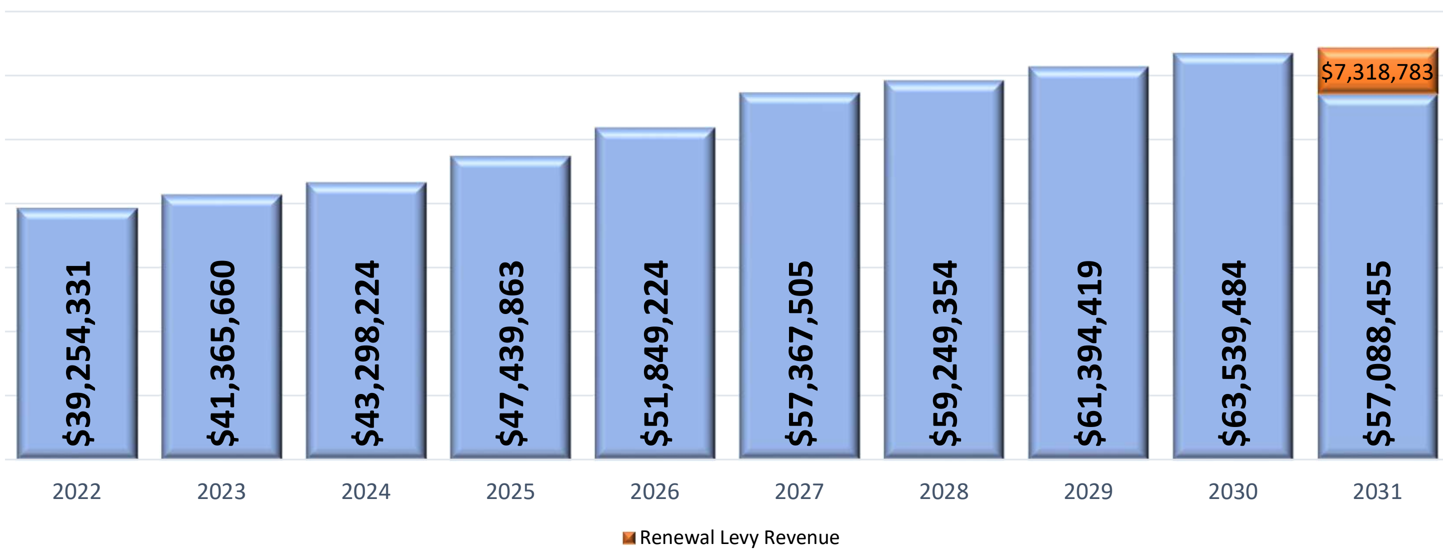
Class I, or residential/agricultural taxes make up approximately 44.20% of the real estate property tax revenue. The Class I tax rate is 33.89 mills in tax year 2026. The district is modeling the renewal of real estate property taxes levies through 2024. The projections reflect an average gross collection rate of 96.1% annually through tax year 2030. The revenue changed at an average annual historical rate of 5.75% and is projected to change at an average annual rate of 1.76% through fiscal year 2031.

1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



Public Utility Personal Property tax revenue accounts for 7.70% of total district general fund revenue.



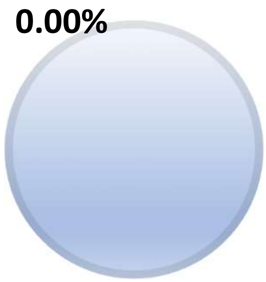
Key Assumptions & Notes

Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2025	650,644,380	25,201,850	86.80	-	100.0%
2026	675,644,380	25,000,000	85.80	(1.00)	100.0%
2027	700,644,380	25,000,000	85.80	-	100.0%
2028	725,644,380	25,000,000	85.80	-	100.0%
2029	750,644,380	25,000,000	85.80	-	100.0%
2030	750,644,380	0	85.80	0.00	100.0%

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. The property is taxed at the full voted tax rate which in tax year 2026 is 85.80 mills. The forecast is modeling an average gross collection rate of 100.00%. The revenue changed historically at an average annual dollar amount of $3,792,506 and is projected to change at an average annual dollar amount of $2,511,603 through fiscal year 2031.

1.030 - School District Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.



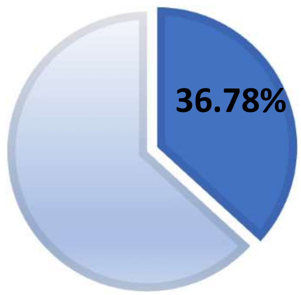
The district does not have a School District Income Tax levy.

Key Assumptions & Notes

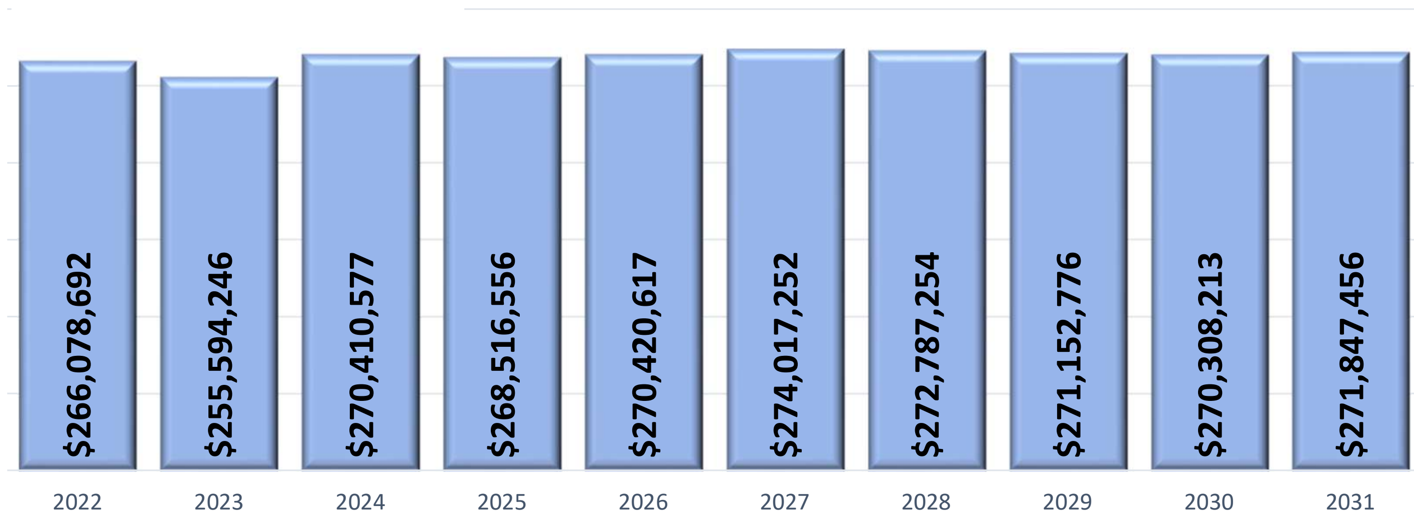
The district does not have an income tax levy.

1.035 - Unrestricted Grants-in-Aid

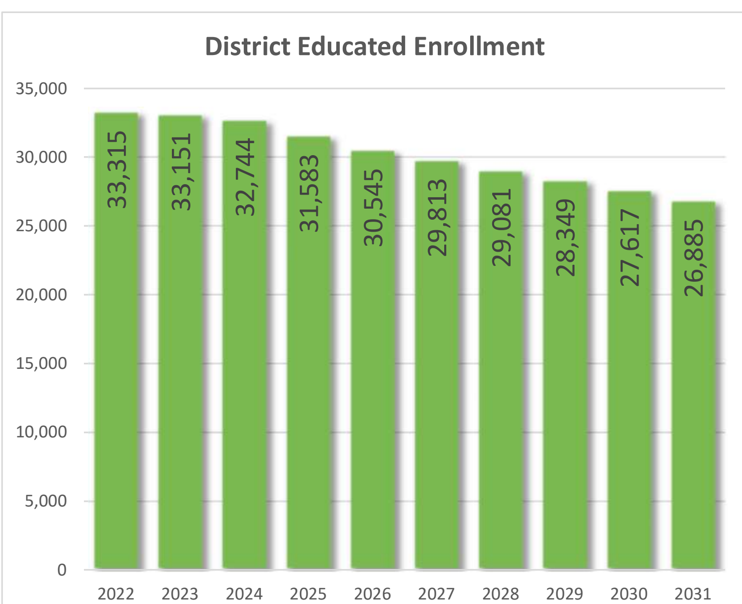
Funds received through the State Foundation Program with no restriction.



Unrestricted State Aid revenue accounts for 36.78% of total district general fund revenue.



Key Assumptions & Notes



Beginning in fiscal year 2022, Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data.

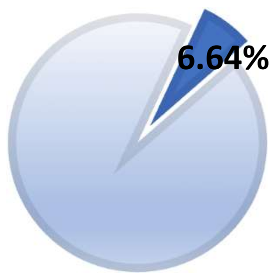
For Cleveland Municipal School District, the calculated Base Cost total is $257,082,376 in 2027.

The State's Share of the calculated Base Cost total is $141,669,855, or $4,752 per pupil.

The FSFP also started funding students where they attended school. Therefore district educated enrollment is now used for per pupil funding. At the same time, the FSFP eliminated tuition transfer payments from school districts, which impacts the expense side of the forecast.

1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



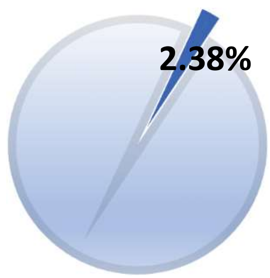
Restricted State Aid revenue accounts for 6.64% of total district general fund revenue.

Key Assumptions & Notes

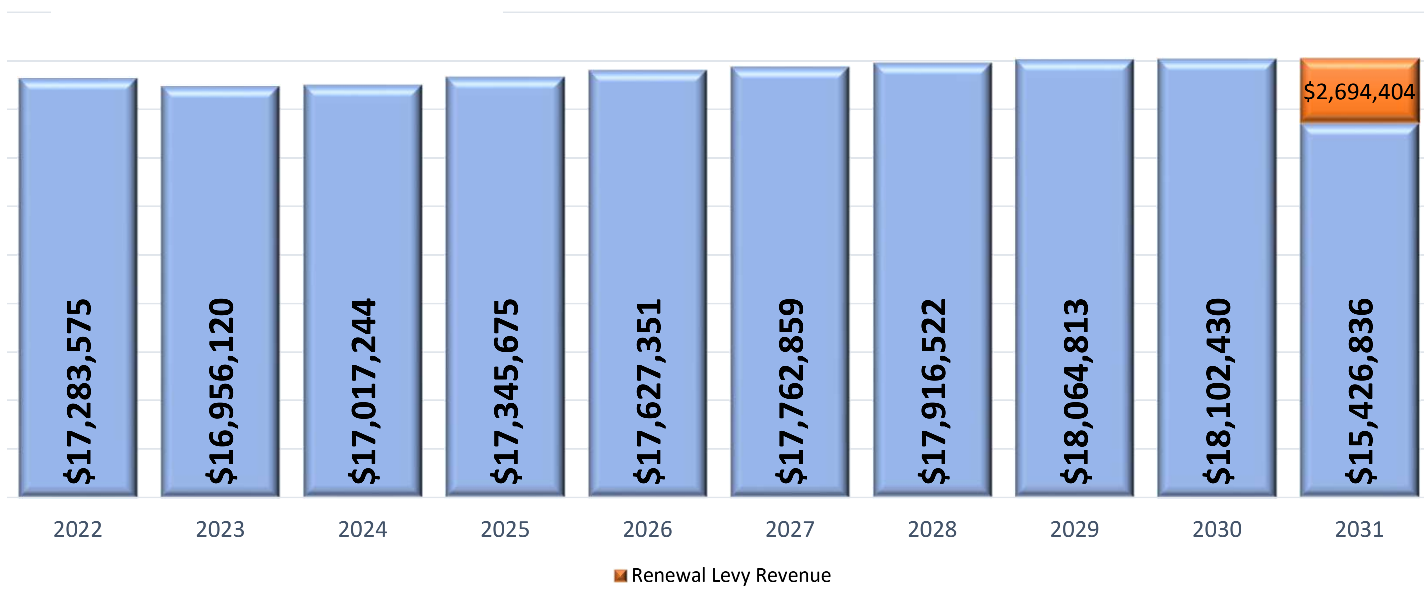
Restricted aid is the portion of state per pupil funding that must be classifed as restricted use. Historically the district's restricted state aid changed annually on average by -$2,639,397 and is projected to change annually on average by -$124,504. Restricted funds represent 6.64% of the district's total revenue. Starting in fiscal year 2022, the district's Success & Wellness funding became restricted; the state's share of this funding recorded as restricted is $6,752,068. This funding has implications on general fund expenditures in that certain spending now occuring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

1.050 - State Reimbursement Property Tax Credits

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



State Reimbursement of Property Tax Credit revenue accounts for 2.38% of total district general fund revenue.

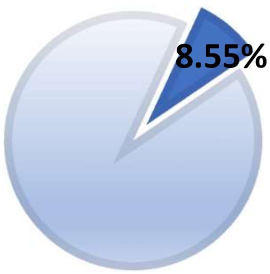


Key Assumptions & Notes

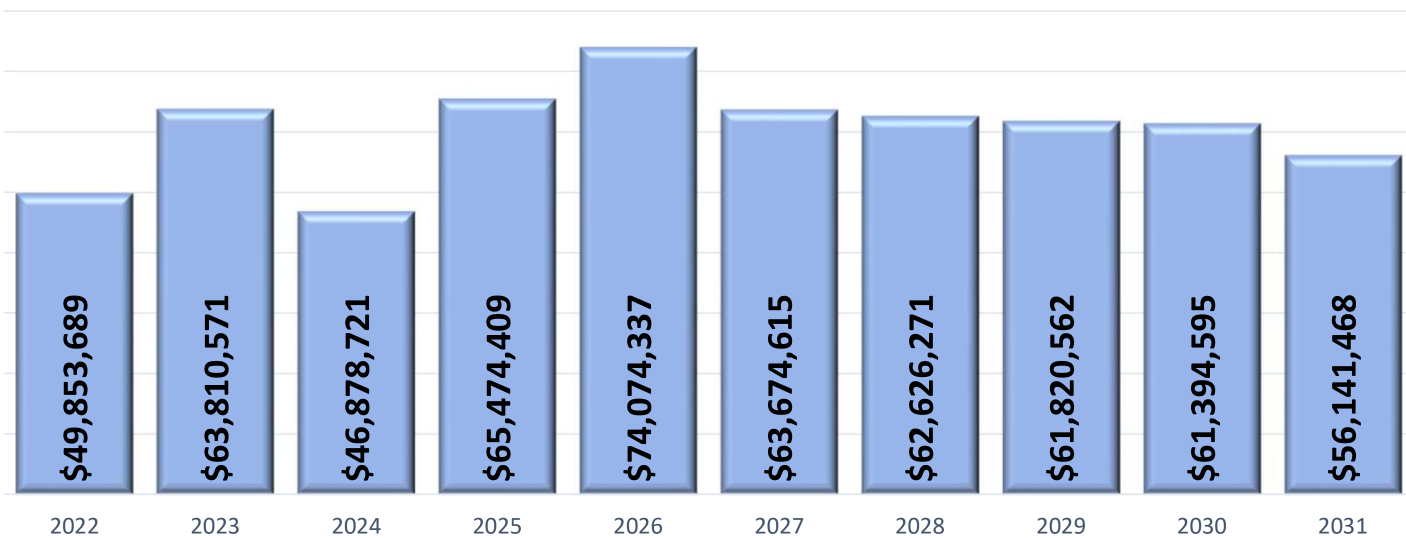
State Reimbursement of Property Tax Credits primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions to their tax bill. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In fiscal year 2027, approximately 8.6% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 3.7% will be reimbursed in the form of qualifying homestead exemption credits.

1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



All Other Revenue accounts for 8.55% of total district general fund revenue.

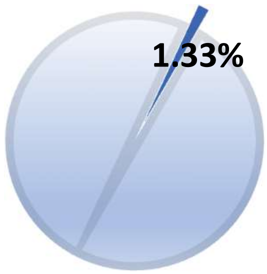


Key Assumptions & Notes

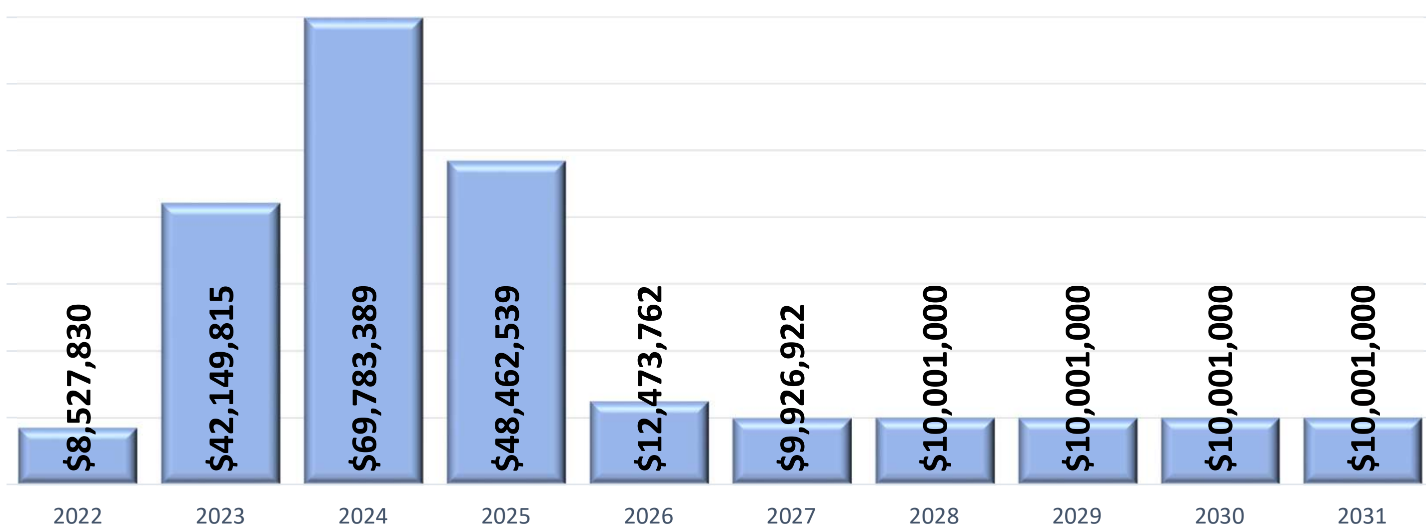
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was $6,578,602. The projected average annual change is -$3,586,574 through fiscal year 2031.

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



Other Sources of revenue accounts for 1.33% of total district general fund revenue.



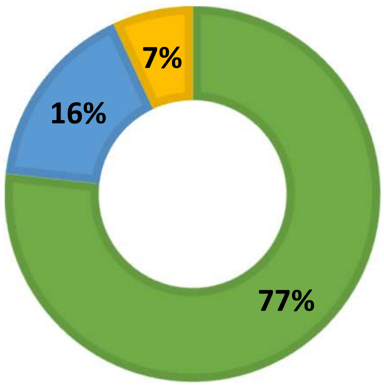
Key Assumptions & Notes

		FORECASTED				
	2026	2027	2028	2029	2030	2031
Transfers In	-	-	-	-	-	-
Advances In	12,409,723	9,925,922	10,000,000	10,000,000	10,000,000	10,000,000
All Other Financing Sources	64,040	1,000	1,000	1,000	1,000	1,000

Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In 2026 the district receipted $12,409,723 as advances-in and is projecting advances of $9,925,922 in fiscal year 2027. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be $1,000 in 2027 and average $1,000 annually through 2031.

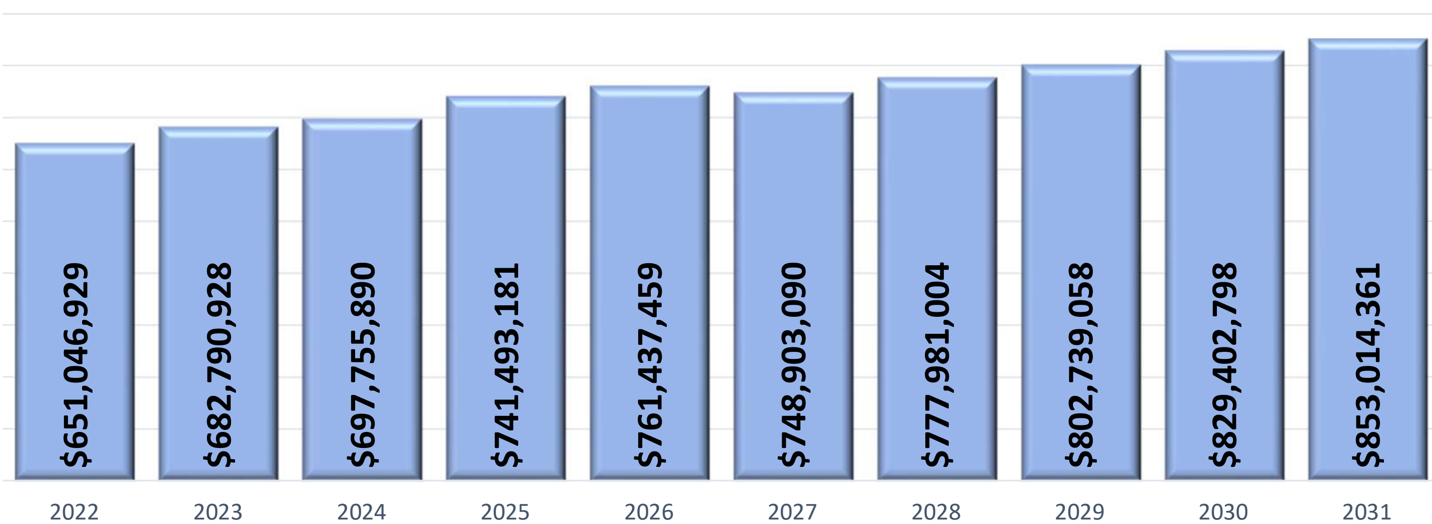
Expenditure Overview

Expenditure Categories



Personnel Costs	
Salaries	51.58%
Benefits	25.21%
Purchased Services	16.30%
All Other Expenditures	
Supplies, Capital, Debt, Other Obj	5.58%
Other Uses	1.34%

Annual Expenditures Actual + Projected



Historic Expenditures Change versus Projected Expenditures Change

	Historical Average Annual $$ Change	Projected Average Annual $$ Change	Projected Compared to Historical Variance
Salaries	$10,834,557	$2,459,549	($8,375,008)
Benefits	$10,175,216	$12,530,474	$2,355,258
Purchased Services	($22,304,080)	$1,611,673	$23,915,754
Supplies & Materials	$1,353,663	$1,337,707	($15,957)
Capital Outlay	($17,277)	$399,167	$416,444
Intergov & Debt	$0	$0	($0)
Other Objects	$1,330,937	($38,006)	($1,368,943)
Other Uses	$740,281	$14,816	($725,465)
Total Average Annual Change	$2,113,297	$18,315,380	$16,202,083
	0.55%	2.32%	1.77%

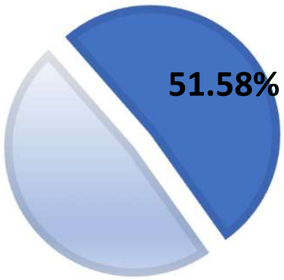
Expenditures increased by 0.55% ($2,113,297, on average, annually) during the past 5-year period, and are projected to increase by 2.32% ($18,315,380 annually) through 2031.

For Comparison:

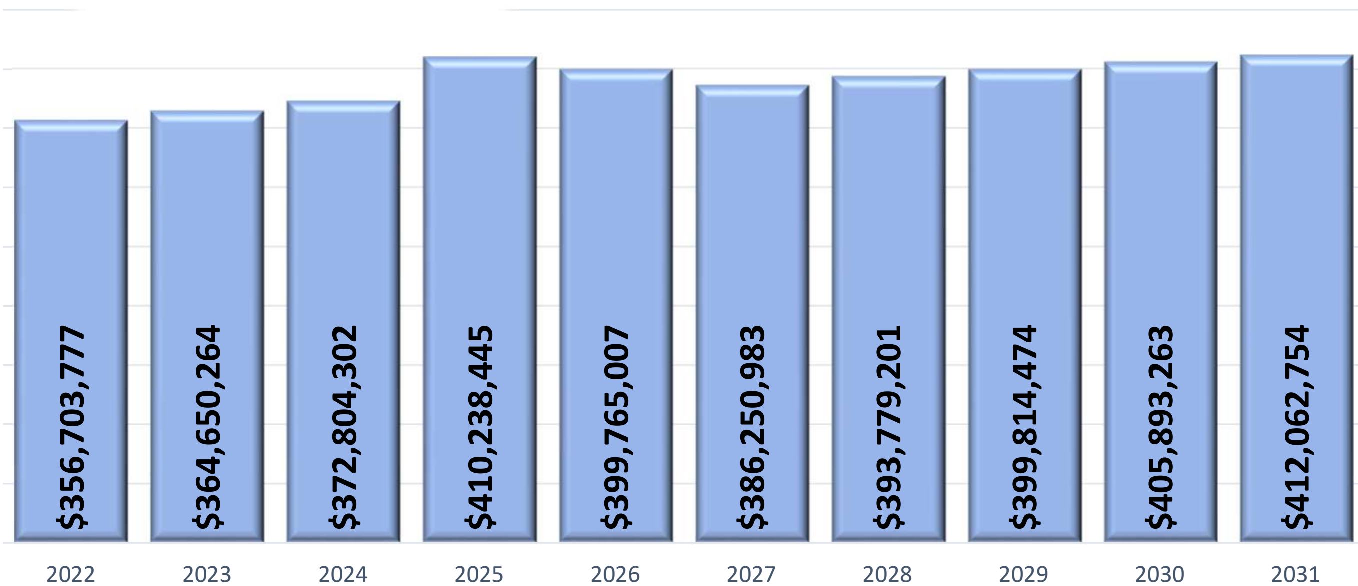
Revenue average annual change is projected to be > $3,464,658 On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries account for 51.58% of the district's total general fund spending.



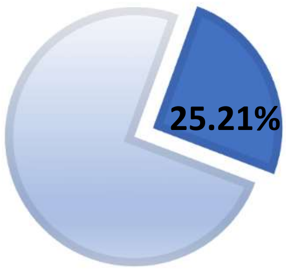
Key Assumptions & Notes

Salaries represent 51.58% of total expenditures and increased at a historical average annual rate of 3.03% (or $10,834,557). This category of expenditure is projected to grow at an annual average rate of 0.63% (or $2,459,549) through fiscal year 2031. The projected average annual rate of change is 2.41% less than the five year historical annual average.

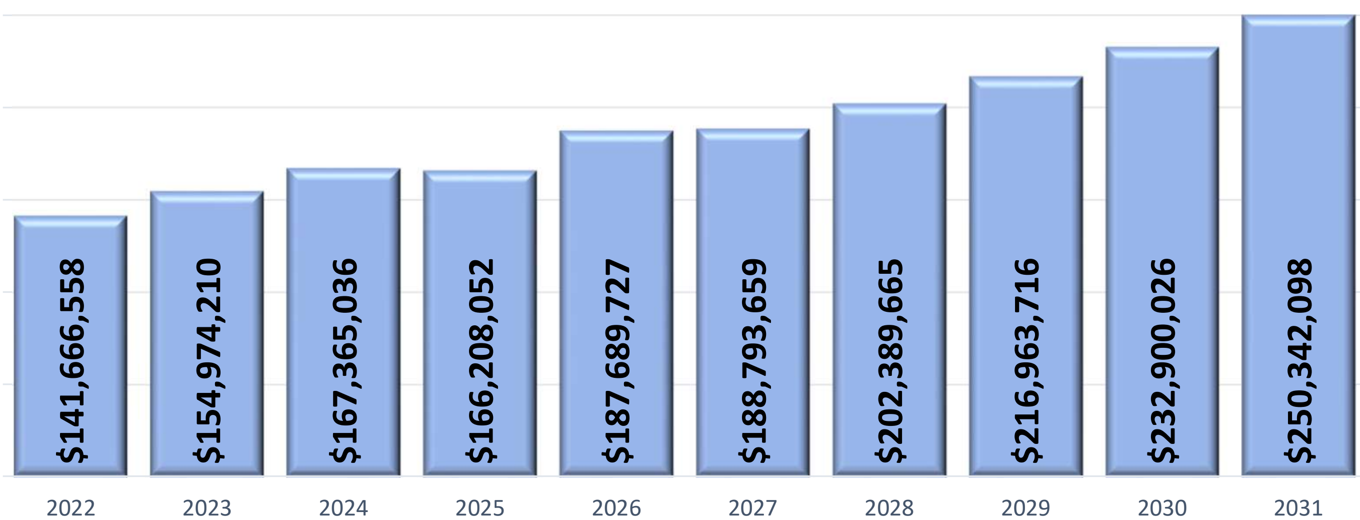
This projection does not include wage increases for fiscal years 2028 and beyond because those years have not been bargained.

3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits account for 25.21% of the district's total general fund spending.

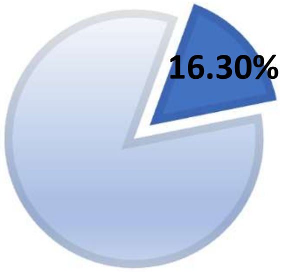


Key Assumptions & Notes

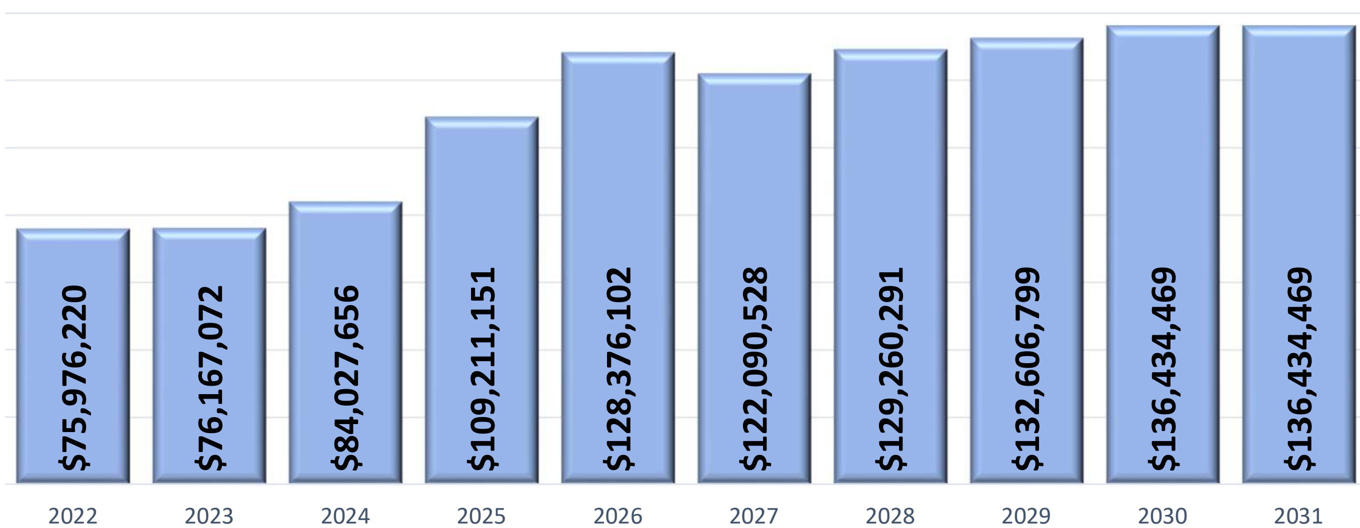
Benefits represent 25.21% of total expenditures and increased at a historical average annual rate of 6.63%. This category of expenditure is projected to grow at an annual average rate of 5.96% through fiscal year 2031. The projected average annual rate of change is 0.67% less than the five year historical annual average.

3.030 - Purchased Services

Amounts paid for services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utility costs and other services which the school district may purchase.



Purchased Services account for 16.30% of the district's total general fund spending.



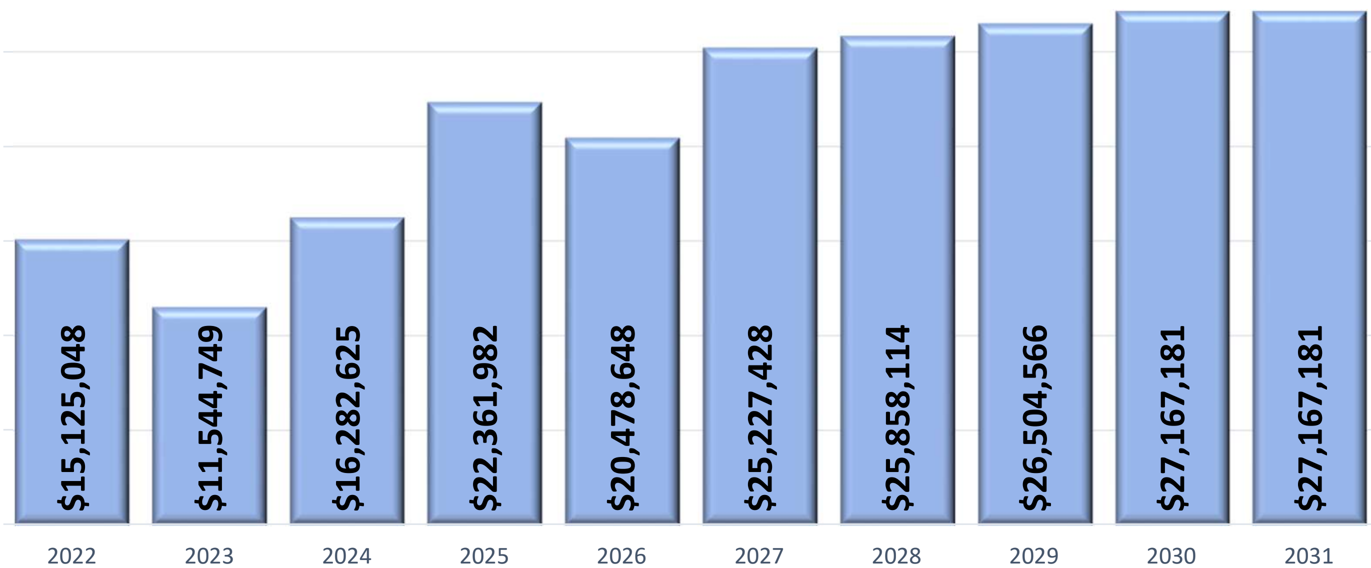
Key Assumptions & Notes

Purchased Services represent 16.30% of total expenditures and decreased at a historical average annual rate of 2.05%. This category of expenditure is projected to grow at an annual average rate of 1.29% through fiscal year 2031. Starting in 2022, the Fair School Funding Plan (State Funding) only accounted for district educated enrollment, thereby reducing district tuition costs for open enrollment 'out,' community schools, STEM, and scholarship students. This change resulted in lower district costs, but also less per pupil state revenue since per pupil funding is now paid directly by the state to the district students attend.

3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.

Supplies and Materials account for 3.37% of the district's total general fund spending.

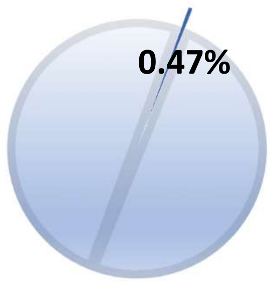


Key Assumptions & Notes

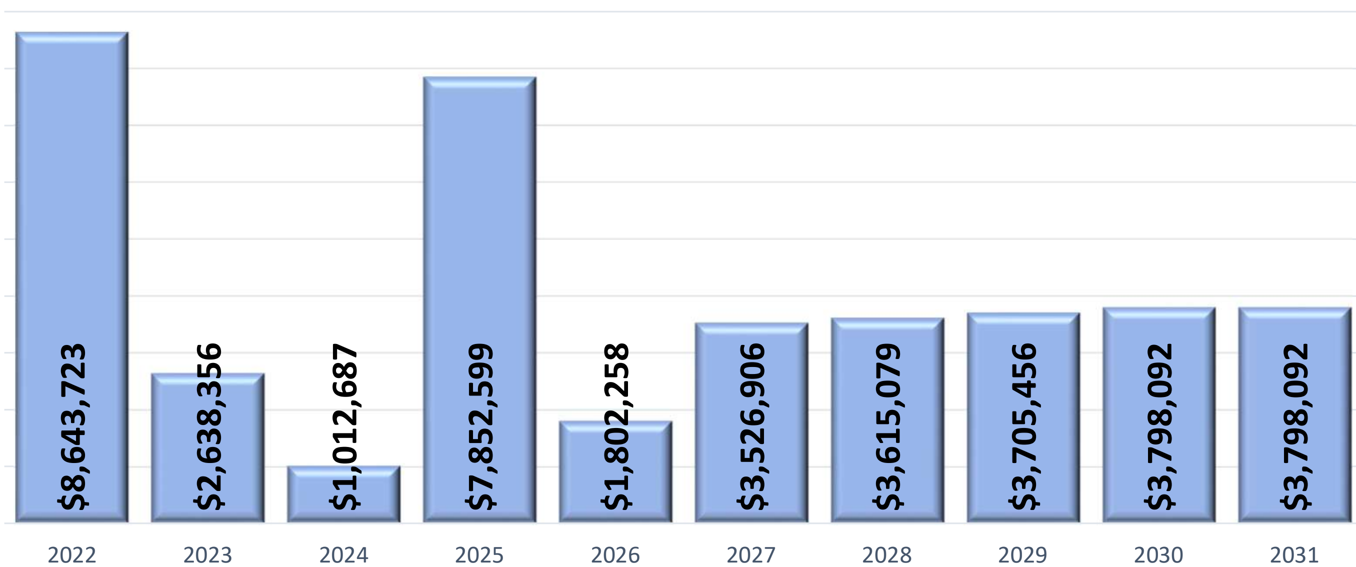
Supplies & Materials represent 3.37% of total expenditures and increased at a historical average annual rate of 11.32%. This category of expenditure is projected to grow at an annual average rate of 6.14% through fiscal year 2031. The projected average annual rate of change is 5.18% less than the five year historical annual average.

3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



Capital Outlay account for 0.47% of the district's total general fund spending.



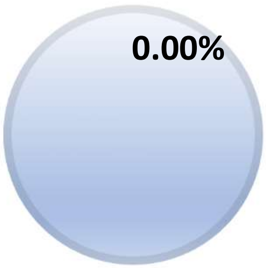
Key Assumptions & Notes

Capital Outlay represent 0.47% of total expenditures and decreased at a historical average annual amount of $17,277. This category of expenditure is projected to grow at an annual average rate of $399,167 through 2031. The projected average annual change is less than the five year historical annual average.

There will be unpredictable variability between years based on when specific included initiatives occur. This is an averaged amount to represent the expectations over the forecast period.

3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



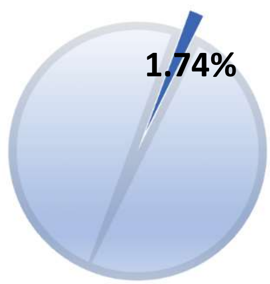
Intergovernmental and Debt account for 0.00% of the district's total general fund spending.

Key Assumptions & Notes

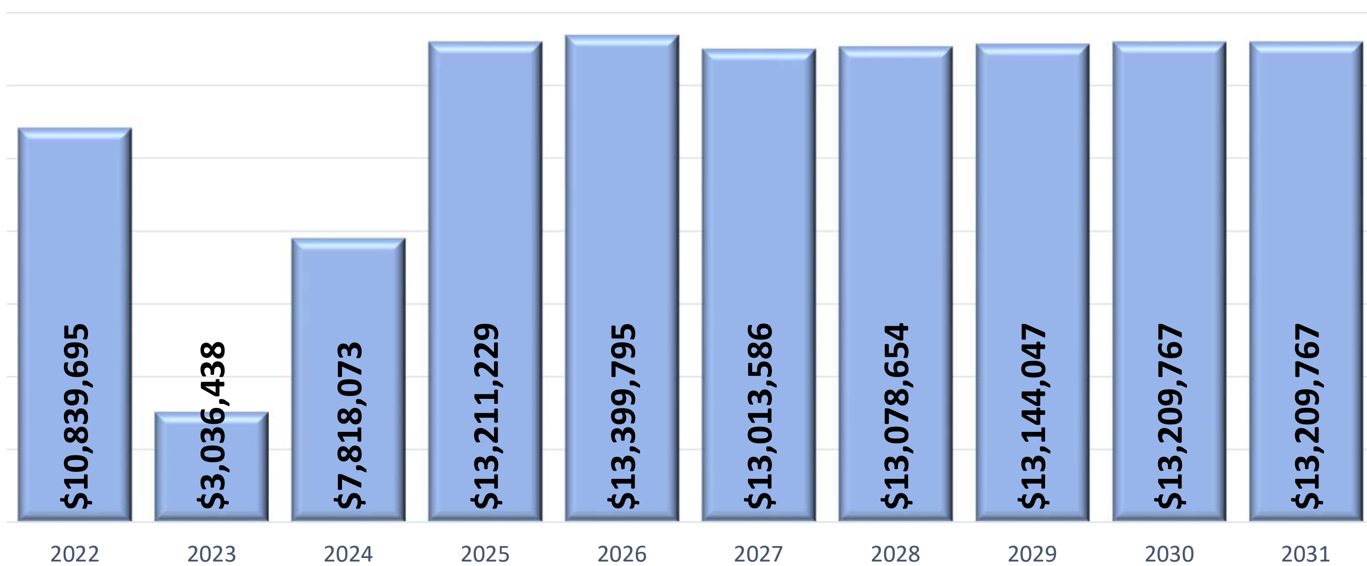
The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects account for 1.74% of the district's total general fund spending.

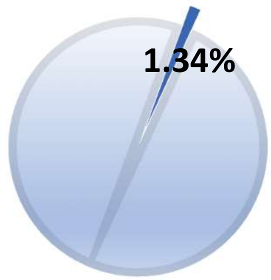


Key Assumptions & Notes

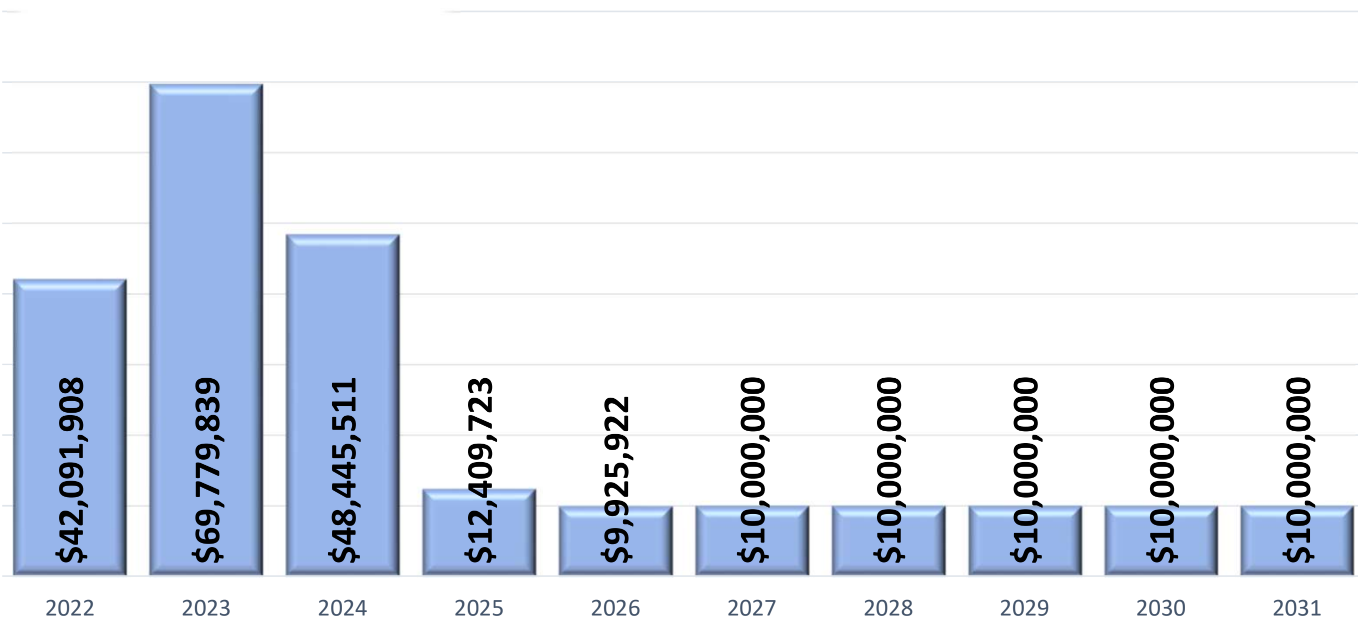
Other Objects represent 1.74% of total expenditures and increased at a historical average annual rate of 43.32%. This category of expenditure is projected to decrease at an annual average rate of 0.28% through fiscal year 2031. The projected average annual rate of change is 43.60% less than the five year historical annual average.

5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



Other Uses account for 1.34% of the district's total general fund spending.



Key Assumptions & Notes

		FORECASTED				
	2026	2027	2028	2029	2030	2031
Transfers Out	-	-	-	-	-	-
Advances Out	9,925,922	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Other Financing Uses	-	-	-	-	-	-

Other uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In 2026 the district had advances-out and has advances-out forecasted through fiscal year 2031. The district can also move general funds permanently to other funds, and as the schedule above presents, the district has no transfers forecasted through fiscal year 2031. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Cleveland Municipal School District

Five Year Forecast

August Fiscal Year 2027

	Actual	FORECASTED				
Fiscal Year:	2026	2027	2028	2029	2030	2031
Revenue:						
1.010 - General Property Tax (Real Estate)	263,372,454	272,795,744	274,438,621	276,050,027	276,853,186	249,437,170
1.020 - Public Utility Personal Property	51,849,224	57,367,505	59,249,354	61,394,419	63,539,484	57,088,455
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	270,420,617	274,017,252	272,787,254	271,152,776	270,308,213	271,847,456
1.040 - Restricted Grants-in-Aid	50,449,259	49,465,513	49,910,810	51,109,991	51,558,910	49,826,739
1.050 - State Reimb Prop Tax Credits	17,627,351	17,762,859	17,916,522	18,064,813	18,102,430	15,426,836
1.060 - All Other Operating Revenues	74,074,337	63,674,615	62,626,271	61,820,562	61,394,595	56,141,468
1.070 - Total Revenue	727,793,242	735,083,488	736,928,832	739,592,588	741,756,818	699,768,124
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	12,409,723	9,925,922	10,000,000	10,000,000	10,000,000	10,000,000
2.060 - All Other Financing Sources	64,040	1,000	1,000	1,000	1,000	1,000
2.070 - Total Other Financing Sources	12,473,762	9,926,922	10,001,000	10,001,000	10,001,000	10,001,000
2.080 - Total Rev & Other Sources	740,267,004	745,010,410	746,929,832	749,593,588	751,757,818	709,769,124
Expenditures:						
3.010 - Personnel Services	399,765,007	386,250,983	393,779,201	399,814,474	405,893,263	412,062,754
3.020 - Employee Benefits	187,689,727	188,793,659	202,389,665	216,963,716	232,900,026	250,342,098
3.030 - Purchased Services	128,376,102	122,090,528	129,260,291	132,606,799	136,434,469	136,434,469
3.040 - Supplies and Materials	20,478,648	25,227,428	25,858,114	26,504,566	27,167,181	27,167,181
3.050 - Capital Outlay	1,802,258	3,526,906	3,615,079	3,705,456	3,798,092	3,798,092
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	13,399,795	13,013,586	13,078,654	13,144,047	13,209,767	13,209,767
4.500 - Total Expenditures	751,511,537	738,903,090	767,981,004	792,739,058	819,402,798	843,014,361
Other Financing Uses						
5.010 - Operating Transfers-Out	-	-	-	-	-	-
5.020 - Advances-Out	9,925,922	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	9,925,922	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
5.050 - Total Exp and Other Financing Uses	761,437,459	748,903,090	777,981,004	802,739,058	829,402,798	853,014,361
6.010 - Excess of Rev Over/(Under) Exp	(21,170,455)	(3,892,680)	(31,051,172)	(53,145,470)	(77,644,980)	(143,245,237)
7.010 - Cash Balance July 1 (No Levies)	136,682,042	115,511,587	111,618,907	80,567,736	27,422,266	(50,222,715)
7.020 - Cash Balance June 30 (No Levies)	115,511,587	111,618,907	80,567,736	27,422,266	(50,222,715)	(193,467,952)
		Reservations				
8.010 - Estimated Encumbrances June 30	19,705,203	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	95,806,384	91,618,907	60,567,736	7,422,266	(70,222,715)	(213,467,952)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies		-	-	-	-	47,821,173
11.030 - Cumulative Balance of Levies	-	-	-	-	-	47,821,173
12.010 - Fund Bal June 30 for Cert of Obligations	95,806,384	91,618,907	60,567,736	7,422,266	(70,222,715)	(165,646,779)
Revenue from New Levies						
13.010 & 13.020 - New Levies		-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	95,806,384	91,618,907	60,567,736	7,422,266	(70,222,715)	(165,646,779)