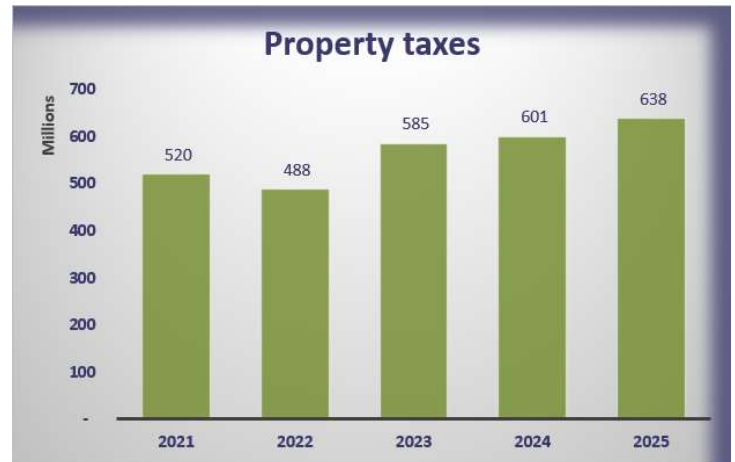


Notes of Interest

February 2025 Financial Report

Property tax collections are showing an increase of 6.2% over the previous year, although the tax season is not complete. This is partly due to the strong real estate market, which continues to see new homes being built, as well as rising home prices. In addition, we anticipate exceeding our 2025 budget by approximately \$4.8M.



Occupational taxes are continuing their strong trend into the 2024-2025 school year,



increasing 4.4% over the previous year. Occupational taxes are based on payroll tax withholdings and business profits in Jefferson County, so they are our revenue source that correlates most closely with the health and strength of the local economy. Overall, our economy has been strong, and we haven't seen signs of weakening yet.

Interest income shows a decrease of 25.5% compared to the previous year. With a very conservative investment policy closely mirroring the Kentucky Revised Statutes, much of our interest income is directly related to the Federal Reserve's borrowing rates. The Federal Reserve decreased rates three times since September of 2024 by a total of 1%. We are still projecting to meet our 2025 budget of \$20.5M. Market prediction for 2025: three additional rate cuts.

December 2024: The Fed lowered interest rates by 0.25%, bringing the target range to 4.25% to 4.5%. This was the third consecutive rate cut of 2024.

November 2024: The Fed lowered interest rates by 0.25%.

September 2024: The Fed lowered interest rates by 0.5%.

Budget to actual analysis is an important review for both long-term planning and forecasting our year's results. This is especially critical during tight budget times.

- The vast majority of our expense codes are tracking within each code's established budget.
- Insurance as a category is increasing faster than the US inflation rate. Our increase mirrors national trends of premium increases and judgments in trial cases. Although this category is increasing quickly, most insurances are still within our budget for the year, while transportation insurance is expected to exceed budget.
- Contract nursing services are under budget, meaning that we do not anticipate using the full budget allocated for this category. We have added some nurse positions in an effort to provide more consistent service, and this strategic shift is reducing our need for contract nurses.
- Other professional services is under budget at this time, including custodial contract services which we rely on less as we are able to fill our custodian positions.
- Other repairs and maintenance is currently under budget as this category includes non-bonded construction projects paid from General Fund. These projects may extend beyond one budget year.
- Utilities codes are under budget at this time, and, as winter comes to an end, we are continuing to monitor these expenses.

Budget status update achieved a significant milestone reaching the net \$100 million of needed budget cuts. While reductions are never easy, the Superintendent and his Cabinet worked very hard to insulate our core mission, classroom instruction, from the effects of these reductions. If the reductions aren't maintained, we will need to find replacement reductions to ensure our trajectory toward a soft landing. This will be an increasingly difficult process and delay systemic improvements.

Adding another layer of uncertainty, Kentucky was informed by the federal Department of Health and Human Services that remaining funding included in certain grants have been terminated "for cause," effective March 24, 2025. We used the funding for nurses who provided immunizations to students in accordance with the grant contract and will lose \$177,072 of future federal support. We have no information about additional grant contracts that may be canceled later, further stressing our General Fund.

