

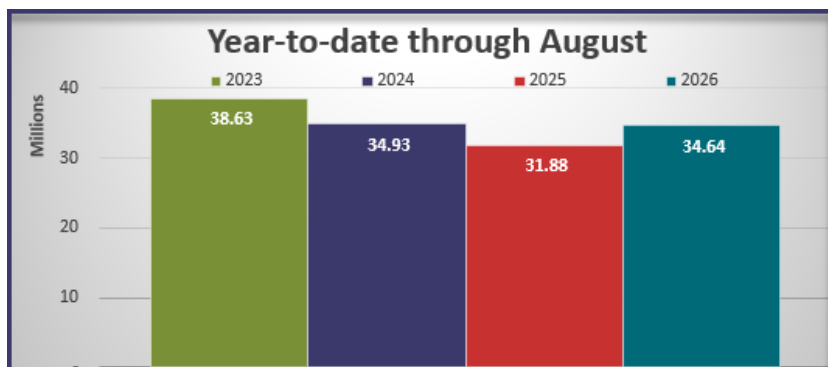


## Notes of Interest

### August 2025 Financial Report

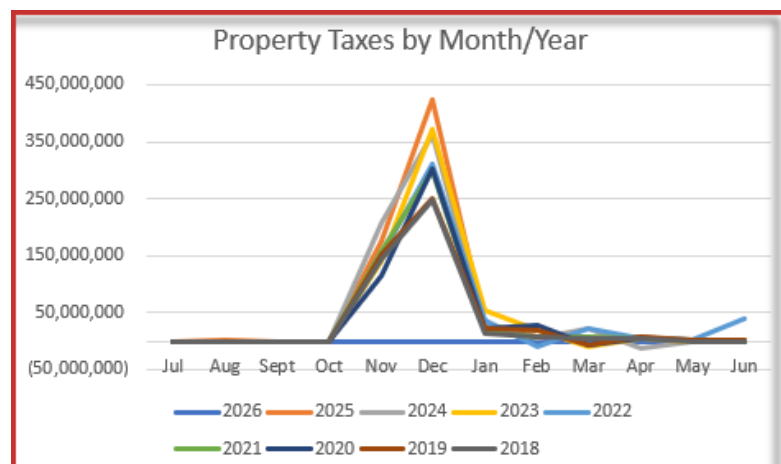
**August highlights** The first third of each year is a busy time closing our books, preparing our financial statements, and going through audit. During this period, we occasionally must post journal entries back to the previous fiscal year and alter our forecasts for current year activity. Although August comparative data isn't as valuable as later months, it's an extremely busy month as we process first teacher pay and resource our schools for the new year. Although ending balances will continue to change through this process, we are forecasting a June 30, 2025 General Fund fund balance of approximately \$285 million, or an \$89 million loss for the year.

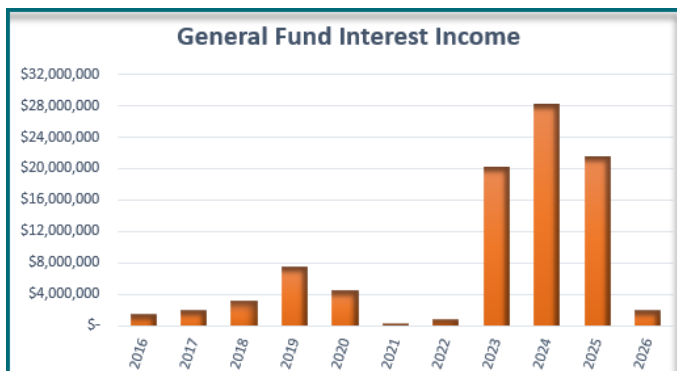
**State SEEK revenues** are the largest source of funds we receive from the state. The formula is designed to reduce the state payments as local assessments increase. While assessment growth is generally good, SEEK decreases based on assessment growth, and



local property taxes are limited to 4%, resulting in General Fund revenues often being forced to lag behind inflation. The legislature increased base SEEK by 2% and increased SEEK Transportation to 100% for 2025-26, which was much needed and appreciated.

**Property taxes** Collections begin each year in November. This is our largest revenue source, and most property tax revenues are collected between November and January as illustrated in this graph. This makes JCPS finances extremely cyclical. Also illustrated in this graph, property taxes account for most of the large increase in General Fund fund balance each year.





**Interest income** interest income depends to a great degree on the Federal Reserve’s fed funds rate, which is the base borrowing rate established in the United States, and JCPS is limited to very high-grade investments that don’t exceed five years. While the Federal Reserve is combating inflation, our interest

income increases every time they raise the rate and decreases every time they lower the rate to stimulate the economy, as they are currently doing. Forecasting and budgeting swings in interest income is a routine challenge when establishing our budget. While 2024 increased by \$8 million compared with 2023, 2025 decreased by \$6.5 million due largely to three Federal Reserve rate cuts. There are an expectation that there will be several rate decreases in 2026.

**Budget to actual analysis** generally is less effective this early in the year. Many revenues vary within any given month, and expense analysis can be affected by year-end accrual entries. Detailed analysis will continue in September’s financial report.

**Budget status update** The Superintendent is leading the charge to restore a responsible budget for many years to come. We are working very hard between the Superintendent and his Cabinet to analyze our spending very closely and ensure that there will not be unintended consequences to the reductions we make. The deadline to lock in these reductions is the January Draft Budget. Immediately after this report is approved by the Jefferson County Board of Education, we submit budget allocations to our schools and they allocate their budget in accordance with Site Based Decision Making Council approval. In short, it becomes far more difficult to make substantial changes after that process has begun.