



ADOPTED BUDGET

2021-22



LEARNING. LEADING. ACHIEVING.

Kyrene School District
8700 South Kyrene Road
Tempe, AZ 85284
www.kyrene.org

Cover Art by Maggie Laws, Kyrene Student

Table of Contents

EXECUTIVE SUMMARY	3
Message from the Superintendent and CFO	3
Organizational Overview	5
Strategic Plan	5
Budget Process	6
Governing Board	7
District Leadership	7
Financial Overview	8
Fiscal Year 2021-22 Budget Highlights	8
Fund Categories	9
Financial Summary	10
Informational Overview	11
Student Enrollment Trends	11
ORGANIZATIONAL SECTION	13
About Kyrene	13
Geographic Area	15
District Leadership	16
Governing Board	17
Strategic Plan	18
Budget Requirements and Criteria	19
Significant Laws Affecting the Budget	19
Budget Policies	22
Fiscal Management Goals	22
Budget Development and Administrative Policies	22
Budget Planning, Preparation, and Schedules	22
Policy Regulations That Govern the Budget Process	23
Types of Funds and Definitions	23
Funds	24
Classification of Revenues and Expenditures	25
Basis of Accounting	26
Budget Development Process	26

FINANCIAL SECTION	30
Fiscal Year 2021-22 Budget Highlights	30
Major Revenue Sources	34
Expenditure Categories	35
Fund Categories	36
Financial Summary	37
Budget Summary - Governmental Funds	38
Budget Summary - General Fund	39
Budget Summary - Special Revenue Funds	40
Budget Summary - Capital Projects	43
Budget Summary - Debt Service Fund	45
Budget Summary - Proprietary Funds	45
Budget Summary - Internal Service Funds	45
Capital Master Plan	47
Capital Master Plan - Development Process	47
Long Term Reductions in Energy Usage	49
Debt Obligations	50
Pension and Other Post-Employment Benefits (OPEB)	51
INFORMATIONAL SECTION	53
Assessed Value of Taxable Property	53
Property Tax Rates and Amounts	54
Student Enrollment Trends	56
Bond and Debt Service	61
Performance Measures	62
Operational Spending	64
Spending by Operational Area	65
Historical Classroom Spending Comparisons	66
GLOSSARY OF COMMONLY USED TERMS	67

Cover Art: Chameleon, oil pastel on paper. Created by Maggie Laws, Kyrene Digital Academy 6th Grade Student.

EXECUTIVE SUMMARY

Message from the Superintendent and CFO



Kyrene Community,

It is with great pride that we present the 2021-22 Kyrene Elementary School District Budget Annual Report. This report provides the Kyrene community with a window into the overall budget process, in the interest of transparency, accountability and public edification. It is important to Kyrene that our stakeholders understand how resources are aligned with educational outcomes, so we may illustrate both our challenges and our triumphs, as we strive to achieve the Kyrene vision that *all students achieve at their maximum potential to become problem-solvers, creators and visionaries of tomorrow.*

Kyrene has been educating children since 1888, and over the past 130 years, we have worked hard to establish a reputation for delivering excellence in education. We deliver on that promise of excellence through the commitment of our school leaders, our teachers and staff, our parents and our community. In line with our District's reputation for outstanding achievement, Kyrene is also a leader among Arizona districts in fiscal responsibility, directing significantly more dollars to the classroom when compared to peer and state averages.

This report represents a comprehensive, detailed accounting of the District's financial profile. It reflects the District's efforts to implement best practices in budgeting and financial management throughout all areas of the organization. It is also an opportunity to highlight some of the important work taking place across the District and help our community understand more about our financial processes.

Strength in Flexibility

Backed by more than a century of history and with an eye always on the future, Kyrene was well positioned to respond to the unprecedented impact of the global pandemic on public education. In June of 2020, Kyrene embarked on an ambitious plan. The District sought to not only reinvent the delivery of public education for the coming school year but to do so in a way that met the learning needs of all students and addressed the concerns of highly engaged stakeholders at a time in which there were divergent opinions on how to proceed.

Kyrene spent the ensuing months carefully planning and implementing a **Safe Return to School** plan that met the needs of all students and employees, with the goal of student and employee retention for the 2020-21 school year. A key element in this plan was developing a budget that was aligned in supporting these goals. Kyrene's efforts became an exemplary model for back-to-school planning during the pandemic, with districts both within and outside of the State of Arizona mirroring the Kyrene Safe Return to School model.

Equity in Education

The pandemic posed a challenge to Kyrene's ongoing commitment to equity in education by exacerbating many of the circumstances that limit access and lead to achievement gaps. Through sound fiscal management and budgeting, Kyrene was able to provide technology for every one of our more than 15,000 students, to ensure ongoing access to a high quality education, even while school campuses were closed. Additionally, Kyrene's commitment to directing financial resources to the most critical positions in our District meant Kyrene had teams of counselors and social workers available to do home checks on students who were not attending online classes, to make sure they had the support systems in place to participate in online learning.

As students return to school for the 2021-22 school year, Kyrene has made it a priority to narrow the gaps widened by the pandemic and to strengthen our commitment to inclusivity and access for all students. To support these efforts, the District has built a budget that once again prioritizes students, teachers and classroom support.

Integrity in Budget Planning

Addressing the budgetary impact of reduced revenue and increased expenses related to the pandemic remains a high priority for Fiscal Year 2021-22, along with ongoing challenges in the education industry, including chronic underfunding, declining enrollment and qualified teacher shortages. However, Kyrene is confident in the systems we have in place to respond to these challenges, and our District will continue to prioritize innovative solutions that propel us into the future.

Developing a budget that addresses current uncertainties while also planning for the future is a monumental challenge, and we wish to express our gratitude for everyone who played a part in preparing a balanced budget and for all who contributed to this report, so we can share our work with the community. We have organized our Budget Annual Report into the following sections:

1. The Executive Summary is a brief summation and overview of all the information contained in the report.
2. The Organizational Section provides information about Kyrene School District's vision, mission and core values as well as an overview of budget policies and statutory requirements.
3. The Financial Section contains the budget itself, with details by fund for each major budget category.
4. The Information Section includes additional data and measures that play a role in developing the budget.

We hope this report is illuminating and demonstrative of Kyrene's efforts to lead Arizona school districts into the future through sound financial management and expert budgetary planning. While much has changed over the last century, one thing remains constant: We put students at the heart of everything we do, and that commitment is reflected in our 2021-22 budget.

Laura Toenjes, Superintendent



Chris Herrmann, Chief Financial Officer



Organizational Overview

Strategic Plan

The District's strategic plan serves as a roadmap for achieving our vision where all students in Kyrene achieve at their maximum potential to become the problem-solvers, creators, and visionaries of tomorrow.

The plan assumes an active and continuous improvement process with the ability to measure and monitor ongoing progress throughout the year. Goals and targeted measures (quantitative, qualitative, and perceptual) have been developed and defined across five focus areas in Kyrene's strategic plan. These areas will continue to drive the work of the District and focus efforts toward accomplishing the strategic plan goals in the 2021-22 school year.

Five Focus Areas of the Strategic Plan

High Performing Students

Provide a dynamic learning environment that maximizes student growth and performance.

High Quality Talent

Attract and retain quality teachers, administrators, and education support professionals.

Inclusive Culture

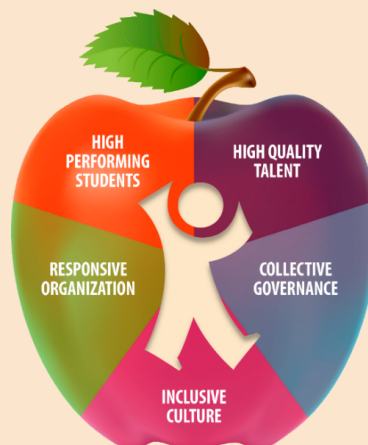
Promote a culture of respect, high expectations, collaboration, and shared accountability.

Responsive Organization

Optimize district-wide systems to create an effective, agile, and safe organization.

Collective Governance

Provide the conditions and necessary resources for student success.



Budget Process

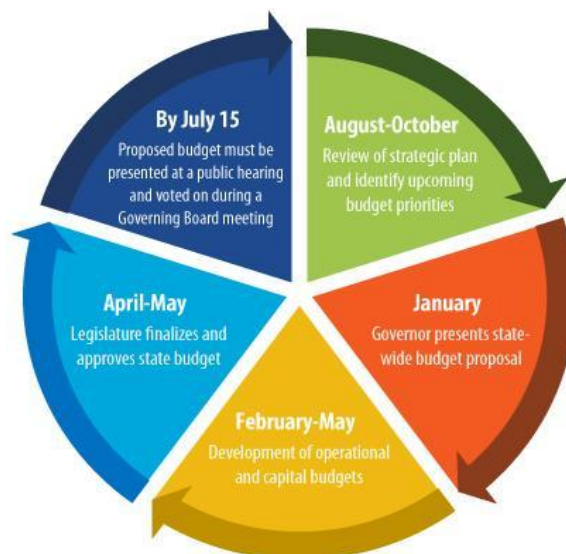
Kyrene's budget development process is designed to establish fiscal responsibility and transparency and ensure maximum financial resources are allocated to support student achievement while also creating the most benefits for students. The District uses a zero-based budgeting method, meaning that expenditures must be reviewed, justified and approved each year. Through the budget development process, resources are aligned with the goals and objectives defined in the District's strategic plan and are continuously evaluated using a cost-benefit analysis.

The District operates under an annual budget, with fiscal years beginning July 1 and ending June 30 each year. Budget development is a year-round process that involves the legislature, community, employees and the Governing Board. The budget development process begins in the fall, right after the school year begins. During this time, the District reviews its long-term strategic plan and sets goals and objectives for the upcoming fiscal year.

In January, the Governor's office presents a statewide budget proposal, and that is typically when the District has the first opportunity to see any proposed changes in state funding. Ultimately, the state budget is not finalized until it is approved by both the House and Senate and signed into law by the Governor. During the spring, work takes place with directors, principals and department heads to develop a detailed operational budget for the upcoming fiscal year. This involves the areas of organizational staffing, departmental spending, capital projects and estimating revenue projections. Because of limited state funding resources, all spending requests are reviewed and prioritized before anything becomes finalized in the budget. This process ensures that any funding decisions are sustainable for the long-term.

Budget information is shared throughout the spring during public Governing Board presentations. In late June the proposed budget is presented to the Governing Board, and the Board votes to adopt the budget at a public hearing held in early July, as required by state law.

The capital budget is developed concurrently with the District's operating budget. Capital budgets typically involve areas such as facilities, technology, and curriculum. Each area develops a long-range plan that identifies both short-term and long-term needs. Like the operating budget, the capital budget is aligned with and incorporates the priorities identified in the District's strategic plan. Development of the capital budget involves collaboration among directors, school leaders and project managers to ensure resources are allocated optimally to support student achievement. Once developed, the capital budget is also presented to the Governing Board and community as part of the spring budget presentations.



Governing Board



The Kyrene Governing Board is authorized under the laws of the state of Arizona (Arizona Revised Statutes 15-341) to “prescribe and enforce policies and procedures for the governance of the schools”, as well as the evaluation and governance of the District. The Kyrene Governing Board is comprised of five members. Each member is elected to serve a four-year term and every two years, either two or three positions are filled during the November general election. Board candidates must reside within the district boundaries for one year prior to being elected to office. Arizona law does not limit the number of terms a member may serve, and members serve on the board without compensation. The Governing Board members for the 2021-22 school year are:

- Kevin Walsh, President
- Margaret Pratt, Vice President
- Michelle Fahy, Member
- Wanda Kolomyjec, Member
- Margaret Wright, Member

District Leadership

The District is administered by the Superintendent, along with senior leadership. Additionally, the district organization includes a departmental focus in the following areas:

- Benefits
- Business Services
- Communications and Marketing
- Community Education
- Exceptional Student Services
- Facilities and Maintenance
- Federal Programs
- Inclusive Student Services
- Information Technology
- Professional Growth and Development
- Research and Evaluation
- School Effectiveness
- Teaching and Learning
- Talent Management
- Transportation

Kyrene District leadership for the 2021-22 school year includes:

- Laura Toenjes, Superintendent
- Chris Herrmann, Chief Financial Officer
- Carrie Furedy, Executive Director of School Effectiveness
- Lisa Gibson, Executive Director of Talent Management
- Erin Helm, Executive Director of Communications and Marketing
- Dr. Sandra Laine, Executive Director of Inclusive Student Services
- Dr. Christie McDougall, Executive Director of Teaching and Learning
- Damian Nichols, Executive Director of Information Technology and Emergency Management
- Dr. Susie Ostmeyer, Executive Director of Accountability and Performance Management

26 school principals are responsible for the administration at each of the Kyrene school locations.



Financial Overview

Fiscal Year 2021-22 Budget Highlights

The coronavirus pandemic (COVID-19) continues to negatively impact Kyrene's finances in the Fiscal Year 2021-22 (FY22) budget. Along with additional expenditures needed to deal with the COVID-19 pandemic and create safe learning environments for students and staff, the operational revenues in the FY22 budget will also be negatively impacted from lower student enrollment in both classrooms and before and after school programs.

Overall, the FY22 budget assumes a reduction of \$9.4M in ongoing operational revenues, which is a significant reduction of 8.5% vs. the prior year budget. The majority of the operational revenue decline is attributed to expected declines in enrollment. This relates to declining birth rates across Maricopa county, resulting in fewer incoming kindergarten students, and also results from Kyrene being a landlocked district with limited opportunities for housing growth or expansion. The District is undertaking significant cost reduction efforts and reducing expenditures by \$7.5M while ensuring that funding allocated to the classroom remains at maximum levels. However, even with these large expenditure reductions occurring next fiscal year, it is not enough to offset the loss in operational revenue, resulting in an overall operational budget deficit of \$1.9M. In order to maintain a balanced budget for FY22, the District will use a portion of its one-time federal Elementary and Secondary School Emergency Relief (ESSER) grant funding to bridge this budget gap.

One-Time Funding Sources

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed in March 2020 and was the first federal stimulus bill that provided funding to deal with financial issues created from the coronavirus pandemic. During the 2020-21 school year two new federal stimulus bills were also passed in response to the COVID-19 pandemic. In December 2020 the Coronavirus Response and Relief Supplemental Appropriations (CRRSA Act) was passed, and the American Rescue Plan (ARP) was passed in March 2021. Each one of these three stimulus bills includes one-time sources of federal grant funding. One-time funding means that funds will not continue in the future and therefore are not sustainable and should not be used for ongoing expenditures. These grant funds are referred to as Elementary and Secondary School Emergency Relief (ESSER) funds and are intended for schools to address local recovery efforts in responding to the coronavirus pandemic.

Although these are one-time sources of federal grant funding, they can be used to cover any one-time costs related to COVID-19 or bridge any budget gaps caused by revenue shortfalls or additional expenditures related to the COVID-19 pandemic. Allocations of these federal funds are based on Title 1 student populations within each school district across the state of Arizona, which generally is a reflection of students living in poverty or in economically depressed areas. This means there is a wide variation in the size of ESSER grants awarded to public schools across the state. Because Kyrene has a very low Title 1 population compared to other schools and school districts across Arizona, our district only received a very small proportion of ESSER funds when compared to other Districts on a per pupil level.



Fund Categories

The District uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided and summarized into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds account for most of a district's financial resources based on the purposes for which these resources may or must be used. Governmental funds are classified into four fund types: general, special revenue, capital projects and debt service.

- **General Fund:** The general fund accounts for and reports all financial resources of a district except those required to be accounted for and reported in another fund. This is the largest fund type and contains the District's Maintenance & Operations (M&O) fund.
- **Special Revenue Funds.** Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- **Capital Project Funds.** Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays.
- **Debt Service Funds.** Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. These funds would only be applicable when school districts have issued bonds.

Proprietary Funds

Proprietary funds account for a district's ongoing activities that are financed and operated in a manner similar to private business enterprises. Proprietary funds are generally self-sustaining with user charges as the primary source of revenues. The District has one proprietary fund type: internal service funds.

- **Internal Service Funds.** Internal service funds account for activities that provide goods or services to other funds, departments, component units, or to other governmental entities on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets a district holds in a trustee capacity or as an agent for individuals, private organizations, and other governmental entities and which therefore may not be used to support the district's own programs. For the FY22 budget, the District does not utilize any fiduciary fund types. This is related to a change in Governmental Accounting Standards Board (GASB) No. 84 that revised the definition of student agency funds and also changed its classification from a fiduciary fund to a special revenue fund. Prior to GASB No. 84, the District reported student agency funds as part of the fiduciary funds category. For reporting and comparative purposes, any historical student agency fund activity will be included and shown as a special revenue fund type.

Financial Summary

The following chart shows a summary of the entire Fiscal Year 2021-22 (FY22) budget for all governmental and proprietary funds, followed by a table showing historical amounts. The governmental fund is by far the largest category for Kyrene and comprises over 90% of all FY22 revenues and expenditures.

FY22 Budget

	Governmental Funds	Proprietary Funds	Total
Beginning Balance	\$80,940,865	\$5,820,527	\$86,761,392
Revenue	\$217,218,344	\$16,156,351	\$233,374,695
% of Total	93.08%	6.92%	100.0%
Expenditures	\$214,728,120	\$16,036,736	\$230,764,856
% of Total	93.05%	6.95%	100.0%
Ending Balance	\$83,431,090	\$5,940,141	\$89,371,231

Total - All Funds

Financial Summary By Fund Category

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Governmental Funds	\$159,117,080	\$208,643,374	\$175,998,497	\$210,916,912	\$217,218,344
Proprietary Funds	\$16,648,815	\$16,232,376	\$19,334,687	\$19,180,095	\$16,156,351
Total Revenue	\$175,765,894	\$224,875,750	\$195,333,185	\$230,097,008	\$233,374,695
Expenditures:					
Governmental Funds	\$174,627,643	\$199,989,481	\$196,241,137	\$204,464,355	\$214,728,120
Proprietary Funds	\$19,226,104	\$19,549,636	\$20,149,359	\$20,495,024	\$16,036,736
Total Expenditures	\$193,853,747	\$219,539,117	\$216,390,495	\$224,959,379	\$230,764,856

For Fiscal Year 2021-22, the District is expecting to receive \$233.4M in total revenues for all funds, which is 1.4% (\$3.3M) higher than the previous year budgeted amount. Total expenditures for Fiscal Year 2021-22 are expected to be \$230.8M, which is 2.6% (\$5.8M) higher than the previous year budgeted amount.

Informational Overview

Student Enrollment Trends

Projecting and monitoring enrollment data is critical in the development of the District's budget as it helps estimate future year revenue and is used to project employee staffing expenses. School funding in Arizona is calculated based on student enrollment in the current school year, and these enrollment projections provide the District with an estimated revenue expectation for the current year budget. Those projections, when analyzed by student characteristics, provide direction on where to target the allocation of resources. Since Kyrene has a long history of analyzing enrollment data, the District is able to identify trends and this leads to decisions on how to allocate resources district-wide.

Every other year an in-depth analysis of population demographics is performed by the District. This analysis incorporates factors that influence enrollment, and provides multi-year student enrollment trends. In the off years, a smaller study is conducted to provide school and grade level projections to help monitor and/or anticipate drivers for school needs. When analyzing enrollment, variables such as housing and occupancy rates, household and population characteristics, and residential development are taken into account when calculating 10-year District-level and small-area projections of enrollment by grade. In addition, projections by school and attendance area are also illustrated to better understand the predictability of a school's enrollment.

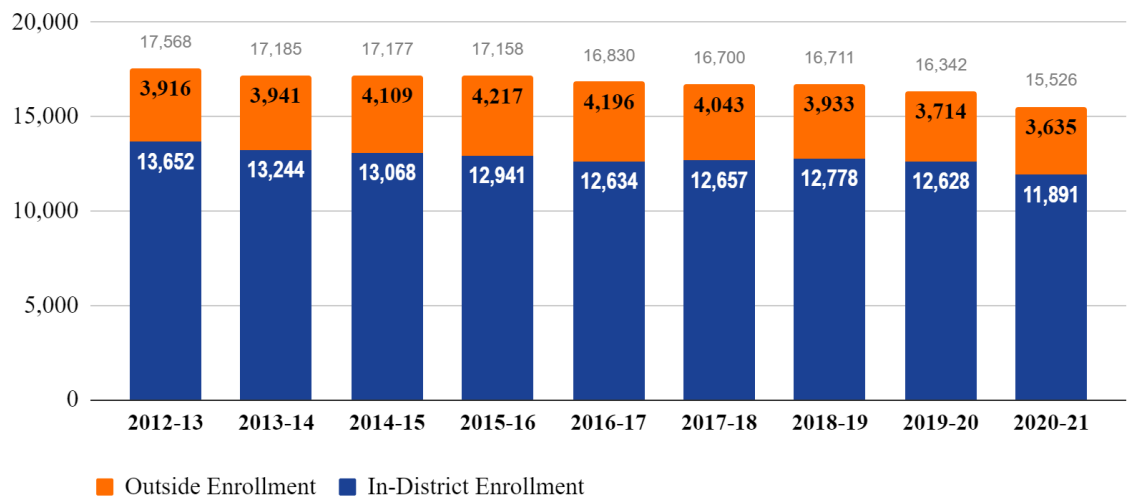
40th day enrollment data is used to calculate projections and provides the District with information that is in line with the budget setting process. Additionally, after budgets have been created, the District monitors enrollment throughout the year to evaluate resource allocations and makes changes related to staffing and assignment of learning materials where needed. Data sets include 10th Day, 40th Day, 100th Day, and end of year.



Kyrene’s opportunity for enrollment growth is limited. The District boundaries are “landlocked” with limited room for growth and expansion from new housing, which limits the opportunity to increase the overall population residing within the district boundaries. In addition, the community is aging in place, which reduces the opportunity for neighborhoods to turn over and allow families with school age children to move into the District. The impact of past economic recessions has also resulted in a declining birth rate across Maricopa county, with fewer new incoming kindergarten students. Long and short-term term analyses of enrollment data help the District better understand whether contributing factors are changing over time and what their impact may be on overall enrollment.

The graph below provides multiple years of enrollment data for Kindergarten through Grade 8. The 40th day headcount in Fiscal Year 2020-21 was 15,526 students. There has been a recent overall downward trend in district-wide enrollment due to the reasons mentioned above. Prior to 2020-21, the District was experiencing a 1% average annual enrollment decline. However, for the 2020-21 school year, the enrollment declined by 5%. This enrollment decline was consistent with the experiences of other schools and school districts across the state, as Arizona saw a statewide decline in enrollment of over 40,000 students as a result of the COVID-19 pandemic.

K-8 Enrollment Over Time by Boundary Status



ORGANIZATIONAL SECTION

About Kyrene



Kyrene Elementary School District is one of Arizona's leading public school districts, providing excellence in education for more than 130 years. Kyrene comprises 26 schools: 18 elementary, six middle, and two K-8, including a digital academy with live online instruction. Kyrene's district boundaries are located within Maricopa County and encompass all of Ahwatukee in Phoenix, and include parts of Chandler, Guadalupe, Tempe and the Gila River Indian Reservation. Kyrene enrolls approximately 15,000 students in grades K-8 and offers preschool options on every elementary school campus, while employing approximately 1,900 teachers and staff.

Kyrene offers a comprehensive K-8 program. CORE coursework is offered at standard and advanced levels with additional courses that include a diverse collection of electives such as world languages (Spanish and Mandarin), STEM, fine arts, performing arts and computer science. Kyrene is also home to a Traditional Academy, an International Baccalaureate (IB) World School and a Digital Academy that offers live online instruction. Preschool options include dual-language, leadership, and arts integration programs, as well as project-based and self-directed learning programs. Integrated preschool options are taught by certified staff. They serve both students with developmental needs as well as their typically developing peers. Kyrene also offers an impressive selection of courses and program options that occur before, during and after school hours.

Kyrene's Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures or expenses. The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Kyrene's financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entities. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include regular and special education, student transportation, construction and maintenance of District facilities, food services, and athletic functions.



High Performing Students

Kyrene students out-perform their peers in large group configurations as well as by comparative peer districts as defined by the Arizona Auditor General. This provides the District with an indicator to confirm that outcomes are in line with budget investments. Spring 2021 state assessments showed that Kyrene has five schools that scored in the top 10% of all Arizona schools in English language arts and three schools in mathematics. Further, seven of Kyrene's schools were in the top 30 schools in the state in English language arts and four were in the top 30 in the state for mathematics.

High Performing Schools

Kyrene has an established reputation as a high performing district. Sixteen Kyrene Schools have earned the distinction of being an "A+ School of Excellence", by the Arizona Educational Foundation (AEF). AEF is a nonprofit organization that fosters excellence in education by administering statewide programs that enhance the capabilities of Arizona's schools. Applicant schools are evaluated in the areas of student focus and support, school culture, active teaching and learning, curriculum, leadership, community and parent involvement and assessment data. The evaluation of schools for this designation is based on a lengthy written application submitted by the school and rigorous site visit conducted by a team of trained judges. Preparation of each school's application involves collaboration among all stakeholders including students, faculty, staff, administrators and community members.

Two Kyrene Schools, the Kyrene Traditional Academy and Sierra Elementary, have been designated as "National Blue Ribbon" schools. The National Blue Ribbon Award recognizes the hard work of educators, staff and students who show high overall academic performance or demonstrate progress in closing achievement gaps. Only 9,000 schools across the country have been presented with this coveted award.

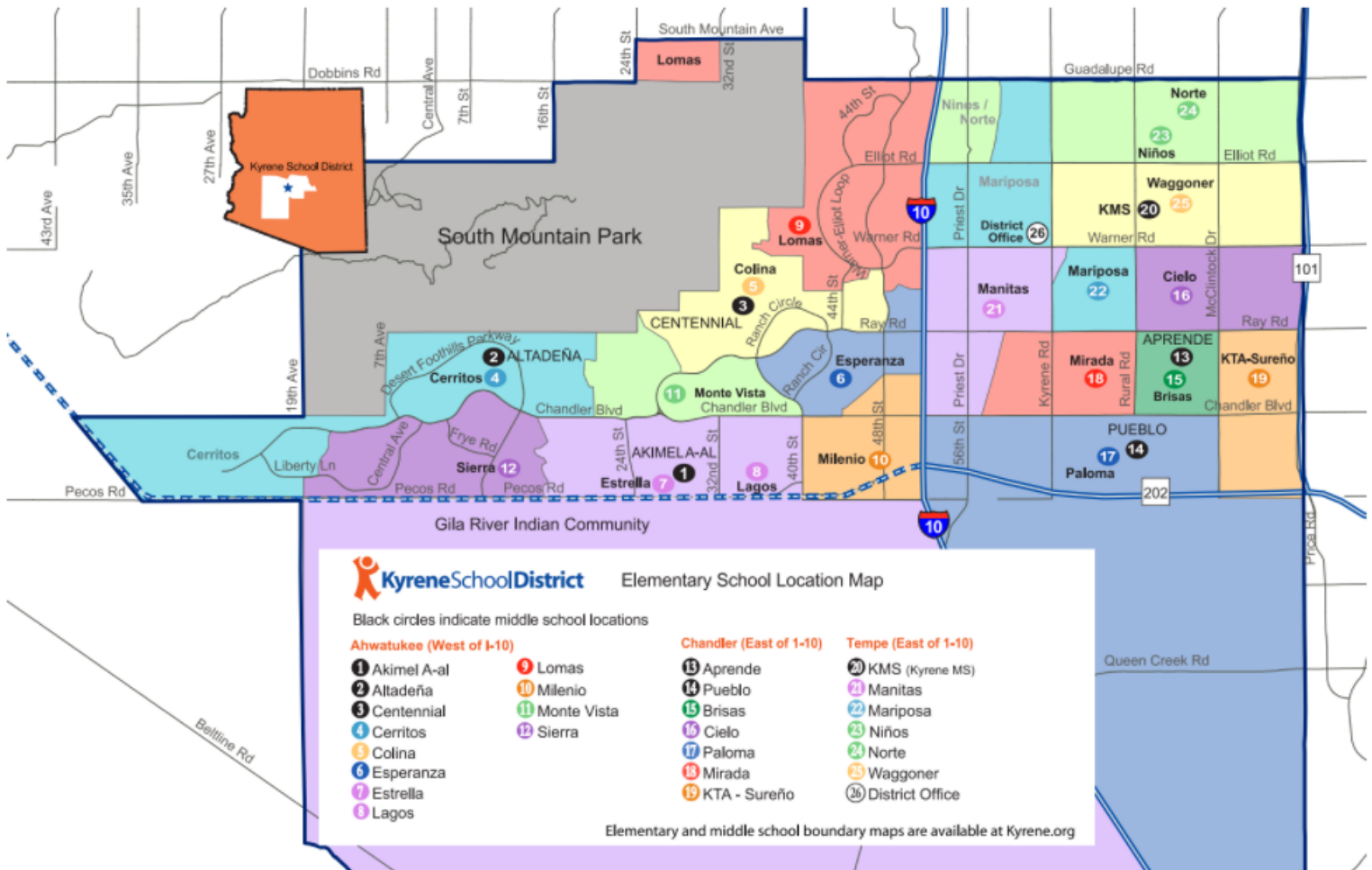
Highly Qualified Teachers

Kyrene has 26 teachers who have earned certification by the National Board for Professional Teaching Standards. National Board Certification (NBC) is the highest certificate an educator can achieve in the United States, and it is achieved by successfully completing a rigorous process of performance-based analysis and peer review. Research shows performance growth among students of Board-certified teachers, with an even greater impact among minority and low-income students. NBC teachers often advance to leadership positions, where they can have an even broader impact on students and learning. Just under 3% of K-12 educators in the U.S. are Nationally Board Certified.

Geographic Area

Kyrene's district boundaries are located within Maricopa County and encompass parts of Phoenix, Chandler, Guadalupe, Tempe, and the Gila River Indian Reservation. Approximately 174,000 people reside within the District boundaries. A few of the major companies represented in this metropolitan area include Banner Health Systems, Wells Fargo, Dignity Health, Honeywell and Intel.

In addition, this metropolitan area continues to provide excellent educational and training opportunities through ten community colleges, multiple private colleges and graduate schools, as well as one state university.



District Leadership

The District is administered by the Superintendent, along with senior leadership (shown below). Additionally, the district organization includes a departmental focus in the following areas:

- Benefits
- Business Services
- Communications and Marketing
- Community Education
- Exceptional Student Services
- Facilities and Maintenance
- Federal Programs
- Inclusive Student Services
- Information Technology
- Professional Growth and Development
- Research and Evaluation
- School Effectiveness
- Teaching and Learning
- Talent Management
- Transportation

26 principals are responsible for the administration at each of the Kyrene school locations.

SUPERINTENDENT



Superintendent Laura Toenjes

Laura Toenjes, M.A.Ed.

"As the Kyrene Superintendent, I truly believe in the power of education to change the life of every child and will ensure each child has equitable access to a high quality education."

Chris Herrmann, MBA Chief Financial Officer Kyrene School District



Email: cherrmann@kyrene.org

DIRECT REPORTS:

Brian Lockery, Director | Business Services
Josh Gilder, Director | Community Education
Eric Nethercutt, Director | Facilities & Maintenance

Carrie Furedy, M.A.Ed. Executive Director School Effectiveness



Email: cfuredy@kyrene.org

DIRECT REPORTS:

Principals | Elementary Schools
Principals | Middle/K-8 Schools
Erin Schroeder | Federal Programs & Outreach

Lisa Gibson, M.A.Ed. Executive Director Talent Management



Email: lgibson@kyrene.org

DIRECT REPORTS:

Mark Knight, Co-Director | Personnel
Mary Jane Rincon, Co-Director | Personnel
Deb Spurgin, Chief Benefits Officer

Susie Ostmeyer, Ph.D. Executive Director Accountability & Performance Management



Email: sostmeyer@kyrene.org

DIRECT REPORTS:

Rebecca Bolnick, Ph.D., Director | Research & Evaluation

Sandra Laine, Ed.D. Executive Director Inclusive Student Services



Email: slaine@kyrene.org

DIRECT REPORTS:

Tzipi Turner, Director | Exceptional Student Services

Christie McDougall, Ph.D. Executive Director Teaching & Learning



Email: cmcdougall@kyrene.org

DIRECT REPORTS:

Jo Shurman, Ph.D., Director | Professional Growth & Development
Principal | Kyrene Digital Academy

Damian Nichols Executive Director Information Technology & Emergency Management



Email: dnichols@kyrene.org

DIRECT REPORTS:

Pete Flocken, Assistant Director | Information Technology
Anthony Jones | Emergency Management

Erin Helm Executive Director Communications & Marketing



Email: ehelm@kyrene.org

DIRECT REPORTS:

Stephanie Ingersoll, Assistant Director | Communications & Strategic Partnerships

Governing Board

The Kyrene Governing Board is authorized under the laws of the state of Arizona (Arizona Revised Statutes 15-341) to “prescribe and enforce policies and procedures for the governance of the schools” as well as the evaluation and governance of the District (Policy BBA). The Board performs the following basic functions necessary to the discharging of its responsibilities: legislative, executive and appraisal.

1. ***The legislative function*** is the policy-making aspect of the school system. It is the policy of the Board to retain and exercise full legislative authority and control over the schools by adopting general policies or by acting directly in matters not covered by its policies.
2. ***The executive function*** of the Board is concerned with placing in operation existing Board policy. Most of this function is delegated by the Board to its executive and administrative officer, the Superintendent.
3. ***The appraisal function*** involves the determination of the efficiency of the school operation and an evaluation of the educational program of the District based on the policies as outlined in the policy manual.

Each member of the Governing Board is elected to serve a four-year term. Every two years, either two or three positions are filled during the November general election. Board candidates must reside within the district boundaries for one year prior to being elected to office. Arizona law does not limit the number of terms a member may serve, and members receive no compensation for their service on the board.

Kyrene Governing Board Members



Michelle Fahy
Member



Wanda Kolomyjec
Member



Margaret Pratt
Vice President



Kevin Walsh
President



Margaret Wright
Member

Strategic Plan

In 2017, the District, following a comprehensive District-wide curriculum audit, worked in collaboration with the Governing Board to deliver a multi-year strategic plan that would be compelling and guide the alignment of district decisions, actions and improvement initiatives.

It was determined that the comprehensive benefits of developing concrete, long-range goals would benefit students by increasing the probability that effective programs, practices and resources will be available at every level of the school district. This long-range strategic plan would drive all other District plans that would be aligned with the District's strategic direction.

Through this process, the District identified core values and goal areas.

Core Values

- All students are at the center of our work.
- We consistently use honesty and respect to support the well-being of our students and staff.
- We are committed to fostering a culture of collaboration, accountability, and communication to achieve our shared vision and mission.
- We pride ourselves in creating and maintaining strong, engaging, and compassionate relationships amongst students, staff and community.

Goals

- **High Performing Students.** Provide a dynamic learning environment that maximizes student growth and performance.
- **High Quality Talent.** Attract and retain quality teachers, administrators and education support professionals.
- **Inclusive Culture.** Promote a culture of respect, high expectations, collaboration and shared accountability.
- **Responsive Organization.** Optimize district-wide systems to create an effective, agile and safe organization.
- **Collective Governance.** Provide the conditions and necessary resources for student success.

Vision

All students achieve at their maximum potential to become problem-solvers, creators, and visionaries of tomorrow.



Mission

Kyrene School District will commit to student success for all, by providing engaging, challenging educational environments which promote and inspire passion for learning, leading, and achieving transformative life outcomes.



Budget Requirements and Criteria

Significant Laws Affecting the Budget



The public elementary and secondary schools of Arizona are governed by the Arizona Constitution and Title 15 of the Arizona Revised Statutes (A.R.S.). The legislature has required that the Arizona Department of Education and the state's Auditor General interpret Title 15 and design the state's Uniform System of Financial Records (USFR) which is used in maintaining local school district financial records and preparing reports.

A school district budget is for the fiscal year from July 1 to June 30. Each school district must propose, adopt and revise an expenditure budget according to state law, designated timelines and other statutory requirements as listed below. The expenditure budget package includes the forms and instructions as dictated by the state that are required to be submitted in order to remain in compliance, and these forms are revised annually as needed based on legislation changes.

A.R.S. §15-903(A) requires the Superintendent of Public Instruction in conjunction with the Auditor General to prescribe the budget format to be used by all school districts. A.R.S. §15-905 requires districts to prepare and submit budgets containing the information and in the form provided by the Arizona Department of Education (ADE). The Auditor General and ADE have developed the budget format to incorporate the information districts are statutorily required to include in their annual budgets. This format assists districts in complying with budget preparation and submission requirements, and districts are not allowed to modify the budget format. The elements of A.R.S. §15-905 are listed below as these are the statutory requirements for budget preparation, public notice, and budget revisions.

- 1) Not later than July 5 of each year or no later than the publication of notice of the public hearing and board meeting as required by this section, the governing board of each school district shall prepare and furnish to the superintendent of public instruction and the county school superintendent, unless waived by the county school superintendent, a proposed budget in electronic format for the budget year, which shall contain the information and be in the form as provided by the department of education. The proposed budget shall include the following:
 - a) The total amount of revenues from all sources that was necessary to meet the school district's budget for the current year.
 - b) The total amount of revenues by source that will be necessary to meet the proposed budget of the school district, excluding property taxes. The governing board shall prepare the proposed budget and a summary of the proposed budget. Both documents shall be kept on file at the school district office and shall be made available to the public on request. Not later than July 5 of each year or no later than the publication of notice of the public hearing and board meeting required by this subsection, the governing board shall submit the proposed budget to the department of education, which shall prominently display this information about that school district on the website maintained by the department. If the school district maintains a website, the school district shall post a link to the website of the department of education where this information about the school district is posted. The auditor general in conjunction with the department of education shall prescribe the form of the summary of the proposed budget for use by governing boards.

School district governing boards may include in the proposed budget any items or amounts that are authorized by legislation filed with the Secretary of State and that will become effective during the budget year. If subsequent events prevent the legislation from becoming effective, school district governing boards must reduce their budgets by the amounts budgeted pursuant to the legislation that did not become effective.

- 2) The governing board of each school district shall prepare a notice fixing a time not later than July 15 and designating a public place within each school district at which a public hearing and board meeting shall be held. The governing board shall present the proposed budget for consideration of the residents and the taxpayers of the school district at that hearing and meeting.
- 3) The governing board of each school district shall publish or mail, before the hearing and meeting, a copy of the proposed budget or the summary of the proposed budget and a notice of the public hearing and board meeting no later than ten days before the meeting. The proposed budget and the summary of the proposed budget shall contain the percentage of increase or decrease in each budget category of the proposed budget as compared to each category of the budget for the current year. Notification shall be either by publication in a newspaper of general circulation within the school district in which the size of the newspaper print shall be at least eight-point type, by electronic transmission of the information to the department of education for posting on the department's website, or by mailing the information to each household in the school district. The cost of publication, website posting, or mailing shall be a charge against the school district. The publisher's affidavit of publication shall be filed by the governing board with the superintendent of public instruction within thirty days after publication. If the budget or proposed budget and notice are posted on a website maintained by the department of education or mailed, the board shall file an affidavit with the superintendent of public instruction within thirty days after the mailing or the date that the information is posted on the website. If a truth in taxation notice and hearing is required under section 15-905.01, the governing board may combine the notice and hearing under this section with the truth in taxation notice and hearing.
- 4) At the time and place fixed in the notice, the governing board shall hold the public hearing and present the proposed budget to the persons attending the hearing. On request of any person, the governing board shall explain the budget, and any resident or taxpayer of the school district may protest the inclusion of any item. A governing board member who has a substantial interest, as defined in section 38-502, in a specific item in the school district budget shall refrain from voting on the specific item. A governing board member may participate without creating a conflict of interest in adoption of a final budget even though the member may have substantial interest in specific items included in the budget.
- 5) Immediately following the public hearing, the president shall call to order the governing board meeting for the purpose of adopting the budget. The governing board shall adopt the budget, which shall not exceed the general budget limit or the unrestricted capital budget limit, making such deductions as it sees fit but making no additions to the proposed budget total for maintenance and operations or capital outlay, and shall enter the budget as adopted in its minutes. Not later than July 18, the budget as finally adopted shall be filed by the governing board with the county school superintendent who shall immediately transmit a copy to the board of supervisors. Not later than July 18, the budget as finally adopted shall be submitted electronically to the superintendent of public instruction. Not later than July 18, the governing board shall submit the budget as finally adopted to the department of education, which shall prominently display this information about that school district on the website maintained by the department. If the school district maintains a website, the school district shall post a link to the website of the department of education where this

information about the school district is posted. On or before October 30, the superintendent of public instruction shall review the budget and notify the governing board if the budget is in excess of the general budget limit or the unrestricted capital budget limit. The governing board shall revise the budget as follows:

- a) Before December 18, the governing board shall file the revised budget it adopts with the county school superintendent who shall immediately transmit a copy to the board of supervisors. Not later than December 18, the budget as revised shall be submitted electronically to the superintendent of public instruction. School districts that are subject to section 15-914.01 are not required to send a copy of revised budgets to the county school superintendent. Procedures for adjusting expenditures or revising the budget shall be as prescribed in the uniform system of financial records.
- 6) The governing board of each school district may budget for expenditures within the school district budget as follows:
- a) Amounts within the general budget limit, as provided in section 15-947, subsection C, may only be budgeted in the following sections of the budget:
 - i) The maintenance and operation section.
 - ii) The capital outlay section.
 - b) Amounts within the unrestricted capital budget limit, as provided in section 15-947, subsection D, may only be budgeted in the unrestricted capital outlay subsection of the budget. Monies received pursuant to the unrestricted capital budget limit shall be placed in the unrestricted capital outlay fund. The monies in the fund are not subject to reversion.
- 7) The governing board may authorize the expenditure of budgeted amounts within the maintenance and operation section of the budget for any subsection within the section in excess of amounts specified in the adopted budget only by action taken at a public meeting of the governing board and if the expenditures for all subsections of the section do not exceed the amount budgeted as provided in this section.



Budget Policies



Identifying clear policies and having effective processes is a critical component of the District's budget planning. The Kyrene School District operates in accordance with policies established by the Governing Board and regulations developed by the Superintendent. The Board, which represents the local community, adopts policies after careful deliberation, and the school administration implements the policies through specific regulations and exhibits. The Board and administration evaluate the effects of the policies, regulations and exhibits and will revise them on an ongoing basis as necessary.

These Governing Board policies guide and impact the development of the annual budget. The following budget policies have been adopted by the Kyrene Governing Board and are used to guide the preparation and administration of this budget.

Fiscal Management Goals

Policy DA: The Governing Board recognizes that money and its management constitute the foundation of the Districts programs. To make that support as effective as possible, the Board intends to:

- Encourage short and long-range planning through the best possible budgeting procedures.
- Explore all practical and legal sources of monetary income.
- Guide the expenditure of funds to achieve the greatest educational returns.
- Require maximum efficiency in accounting and reporting procedures.
- Maintain, within budget limits, a level of per-student expenditure needed to provide high-quality education.

Budget Development and Administrative Policies

Policy DB: The Superintendent is directed to formulate the annual budget, considering, at all times, that resources must be utilized to produce the most positive effect on the student's opportunity to gain an education.

The Superintendent shall be responsible for reviewing budgetary requests, providing guidelines and limitations, and presenting the proposed budgets and documentation necessary for Board study, review, and action.

The Governing Board shall be informed if the proposed budget could require an increase in the primary property tax levy of the District over the preceding year's tax levy.

Budget Planning, Preparation, and Schedules

Policy DBD: Each school year the Superintendent shall prepare and disseminate a budget preparation schedule to accomplish all required budgetary actions for the following school year. This schedule will, as a minimum, provide specific dates for the accomplishment of all state-mandated actions.

Policy Regulations That Govern the Budget Process

Policy regulations are the method by which the school administration implements the Governing Board policies. These regulations provide more specific details on how to carry out and implement Board policies. Budget regulations have been developed for:

- Budget practices
- Budget planning, preparation, and schedules
- Budget implementation

Types of Funds and Definitions

School districts in Arizona follow the guidelines prescribed by the Uniform System of Financial Records (USFR) for accounting structure and financial reporting. The USFR has been developed by the Office of the Auditor General and the Arizona Department of Education pursuant to Arizona Revised Statutes (A.R.S.) §15-271. The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements. These policies and procedures are in conformity with generally accepted practices as well as federal and state laws.

For proper accounting and financial reporting, districts must account for their financial position and operational results in accordance with generally accepted accounting principles applicable to governmental units, which requires using a fund accounting system. Fund accounting systems provide the means to separate financial resources into specific funds in order to determine compliance with finance-related legal, contractual, or other restrictive requirements and to aid management by separating transactions related to certain restrictions and specific district functions or activities.



Funds

A fund is a fiscal and accounting entity with a set of accounts that are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds contain a self-balancing set of accounts that record cash and other financial resources, liabilities, and equity/residual balances. Although accounts are separately maintained for each specific type of fund activity, funds that have similar characteristics are combined into broad fund categories. The three fund categories are governmental, proprietary and fiduciary.

Governmental Funds

These funds account for most of a district's financial resources based on the purposes for which these resources may or must be used. Governmental funds are classified into four fund types for the District: general, special revenue, capital projects and debt service.

Proprietary Funds

These funds account for the district's ongoing activities that are financed and operated in a manner similar to private business enterprises. Proprietary funds are generally self-sustaining with user charges as the primary source of revenues. The District has one proprietary fund type: internal service funds.

Fiduciary Funds

These funds account for assets a district holds in a trustee capacity or as an agent for individuals, private organizations, and other governmental entities and which therefore may not be used to support the district's own programs. For the FY22 budget, the District does not utilize any fiduciary fund types. This is related to a change in Governmental Accounting Standards Board No. 84 that revised the definition of student agency funds and changed the classification from a fiduciary fund to a special revenue fund. For reporting and comparative purposes, any historical student agency fund activity will be included as a special revenue fund type.



Classification of Revenues and Expenditures



School Districts in Arizona follow the guidelines prescribed by the USFR for their accounting structure and chart of accounts. This chart of accounts establishes the requirements for a complete fund accounting system, including the recording of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/fund net position, revenues, other financing sources, expenditures and other financing uses.

Arizona school districts receive revenues from local, state and federal sources. In general, districts receive local and state revenues based on an equalization formula set by Arizona law. This “equalization formula funding”, provides the base funding for districts through locally levied property taxes and state-appropriated monies. Districts also receive funding through additional statutory formulas, such as Classroom Site Funds (Proposition 301) and instructional improvement formulas.

Arizona school districts are also allowed to generate additional funding through voter-approved budget overrides for three possible areas: Maintenance and Operations (M&O), District Additional Assistance (DAA/Capital) and bond. Thanks to the support of our Kyrene community, all three budget ballot measures were approved by voters in November 2017 and provide the District with additional funding that is greatly needed to support our schools.

The Maintenance and Operations override funding is used to hire additional teacher positions that reduce class size, support elementary and middle school instructional programs such as art, music, band, chorus, languages, and physical education, and also provide student support services such as occupational and physical therapy services, academic and behavioral support services, speech, vision, and hearing services. This funding also allows the District to hire additional staff to provide a variety of resources and support services to students beyond what would be possible if relying solely on state funding.

The DAA/Capital override funding is used to provide instructional materials and technology for students, software and licensing, technology equipment, network equipment and vehicles needed to support students. Bond funding is used to maintain the school buildings and grounds, repair school buildings, purchase transportation vehicles or address other administrative capital needs. Without the support of our Kyrene community through these initiatives, there is not enough state funding to provide this level of capital support for our students and school facilities.

District expenditures are tracked and reported by fund, program, function, object and unit according to the criteria as defined in the USFR.

Program. Programs are activities designed to achieve a specific goal or set of objectives. The primary program classifications are Regular Education, Special Education and Transportation.

Function. Functions describe the activity for which a service is acquired, or an expenditure is made. The function classifications are Instruction, Support Services, Non-Instructional Services, Facilities Acquisition and Construction, Debt Service and Other Financing Uses.

Object. Objects are the most detailed classification level and describe the service or material obtained as the result of a specific expenditure. The object classifications are salaries, benefits, purchased services and supplies.

Unit. A unit separates expenditures by a location or separate level.

Basis of Accounting

Basis of accounting refers to when changes in a fund's resources are recognized in the accounting records and reported in the financial statements. Basis of accounting also relates to the timing of the measurements made, regardless of the measurement focus applied. Districts use the modified accrual basis for governmental funds and accrual basis for proprietary and fiduciary funds.

The modified accrual basis is a government accounting method where revenue is recognized when it becomes measurable and available to finance expenditures of the current period. Revenue is considered available when it is collected within the current period or during the encumbrance period thereafter. Expenditures are typically recognized in the period in which the liability is incurred. However, principal and interest on general long-term debt, claims and judgments and compensated absences are recognized when due.

The accrual basis is a governmental accounting method where districts recognize increases and decreases in economic resources as soon as the underlying transaction or event occurs. Revenues are recognized when they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of the related cash inflows and outflows.

Budget Development Process

The budget development process is designed to create fiscal responsibility and transparency and ensure maximum financial resources are allocated to support student achievement while also creating the most benefits for students. The District uses a zero-based budgeting method, meaning that expenditures must be reviewed, justified and approved each year. Through the budget development process, resources are aligned with the goals and objectives defined in the District's strategic plan and are continuously evaluated using a cost-benefit analysis.

Consistent with Governing Board Budget Policy regulations, each year the District will prepare and present a balanced budget to the Governing Board for approval. This practice is essential because it ensures financial decisions are sustainable and will not jeopardize the long-term fiscal health of the District. The budget is considered balanced when total expenditures are equal to or less than total revenues. The District also considers the budget to be balanced in instances when fund balances from previous years are spent on one-time or non-routine expenditures. This situation is especially prevalent in the areas of capital spending where budgeted expenditures are often dependent on the issuance of bonds.



Operating Budget

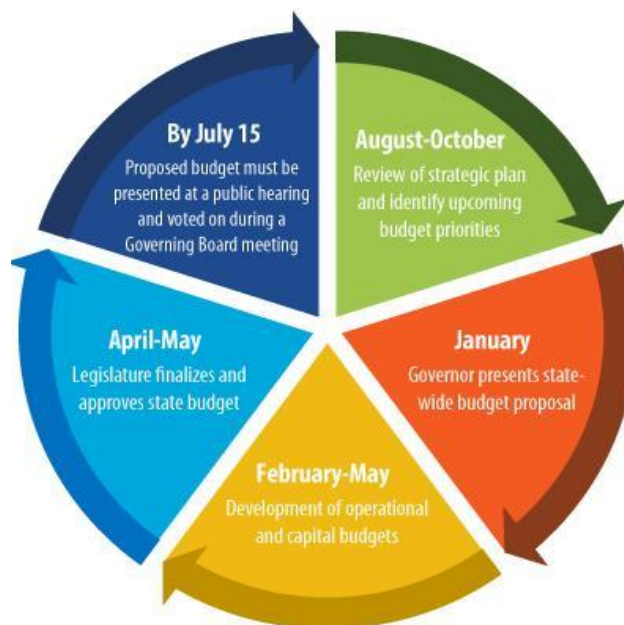
The District operates under an annual budget, with fiscal years beginning July 1 and ending June 30 each year. Budget development is a year-round process that involves the legislature, community, employees and the Governing Board. The budget development process begins in the fall, right after the school year begins.

During this time the District reviews its long-term strategic plan and sets goals and objectives for the upcoming fiscal year. This includes working closely with directors and school leaders to identify and prioritize any strategic priorities that will have an impact on the annual budget. For any new programs impacting the budget, a cost-benefit analysis is performed to ensure measurable goals are in place to evaluate the effectiveness of these programs in the future.

In January the Governor's office presents a statewide budget proposal. Although this ultimately will not be the final state budget, this is typically when the District has the first opportunity to see any proposed changes in state funding. Ultimately, both the House and Senate of the Arizona legislature must agree and approve the elements of the state's budget, and this activity typically occurs in late spring or early summer. The state budget becomes law and is finalized once signed by the Governor. The District does not know its final funding until the state ultimately passes and approves a statewide budget for the coming year.

From January through May, ongoing work takes place with directors, principals, and department leaders to develop a detailed operating budget for the upcoming fiscal year. This involves the areas of organizational staffing, departmental spending and estimating revenue projections. During this time employee compensation is also determined through a collaborative process with several employee groups. Because the state ultimately determines the District's funding level, and resources are often not adequate to address all the needs of the District, all spending requests are reviewed and prioritized before anything becomes finalized in the budget. This process ensures that any funding decisions are sustainable for the long-term.

Public budget presentations take place during board meetings throughout the spring as information becomes known and finalized. In late June the proposed budget is presented to the Governing Board, and the Board votes to adopt the budget at a public hearing held in early July.



Capital Budget

The development of the capital budget occurs concurrently with the creation of the District's operating budget. Capital budgets typically involve areas such as facilities, technology and curriculum. Each of these areas develops a long-range plan that identifies both short-term and long-term needs. Like the operating budget, the capital budget is aligned with and incorporates the priorities identified in the District's strategic plan. Development of the capital budget involves collaboration among directors, school leaders and project managers to ensure resources are allocated optimally to support student achievement. Once developed, the capital budget is presented to the Governing Board and community as part of the spring budget presentations.

Budget Timeline and Calendar

Date	Budget Type	Activity	Authority
By July 5	Proposed Expenditure Budget	An electronic copy of the proposed expenditure budget must be prepared and furnished to the Superintendent of Public Instruction and the county school superintendent, unless waived by the county school superintendent. Districts that maintain a website must provide a link on their website to the proposed budget summary on ADE's website.	A.R.S. §15-905(A)
By July 5	Proposed Expenditure Budget	Not later than July 5, but at least 10 days prior to the governing board meeting to adopt the proposed expenditure budget, a copy of the proposed expenditure budget or budget summary, and a notice of the public hearing and governing board meeting must be published in a newspaper of general circulation within the district, posted on the Arizona Department of Education's (ADE) website, or mailed to each household in the district.	A.R.S. §15-905(C)
By July 15	Proposed Expenditure Budget	The proposed expenditure budget must be presented at a public hearing immediately followed by a governing board meeting to adopt the budget.	A.R.S. §15-905(B), (D), and (E)
By July 18	Adopted Expenditure Budget	The adopted expenditure budget must be submitted to the county school superintendent and the Superintendent of Public Instruction and posted on ADE's website. Districts that maintain a website must provide a link on their website to the adopted budget on ADE's website.	A.R.S. §15-905(E)
By Dec. 5	Revised Expenditure Budget	If the Governing Board received notification from the Superintendent of Public Instruction that the adopted expenditure budget is in excess of the general budget limit or the unrestricted capital budget limit by 1 percent or more of the general budget limit, by December 5 or at least 10 days prior to the Governing Board meeting, publication and notice of a public hearing of the revised expenditure budget is needed.	A.R.S. §15-905(E)
By Dec. 15	Revised Expenditure Budget	If the Governing Board receives notification from the Superintendent of Public Instruction that the adopted expenditure budget is in excess of the general budget limit or the unrestricted capital budget limit by 1 percent or more of the general budget limit, it shall adopt a revised budget for the current year.	A.R.S. §15-905(E)
By May 15	Revised Expenditure Budget	Before May 15, expenditure budget revisions must be made and the revised budget approved at a governing board meeting. These include: revisions for certain overestimated or underestimated tuition revenues, revisions for overestimated or underestimated joint career and technical education and vocational education center average daily membership, and revisions for overestimated or underestimated allowable budget balance carryforward in the M&O Fund.	A.R.S. §15-905(I) and (J) A.R.S. §15-910.01 (C) A.R.S. §15-943.01 (B)

Budget Management

The District has mechanisms in place to ensure compliance with the adopted budget and has a strong focus on transparency and accountability with regard to budget management. An automated online control system is in place to provide real-time financial information as prescribed by the Uniform System of Financial Records (USFR). Budget 'control groups' are also created and assigned to individuals who have budget ownership. This provides another layer of control over expenditures and how they are recorded in the District's financial records.

Additionally, reports can be run in real-time and contain expense details, account information and remaining balances to ensure budget administrators have adequate visibility regarding their budgets. Requisitions, purchase orders and employee positions are also recorded as encumbrances against available budget appropriations at the time they are originated. This assists budget administrators with seeing a full year picture of their respective budget as well as any anticipated expenditures in the coming year.



FINANCIAL SECTION

Fiscal Year 2021-22 Budget Highlights



The coronavirus pandemic (COVID-19) continues to negatively impact Kyrene's finances in the Fiscal Year 2021-22 (FY22) budget. Along with additional expenditures needed to deal with the COVID-19 pandemic and create safe learning environments for students and staff, the operational revenues in the FY22 budget will also be negatively impacted from lower student enrollment in both classrooms and before and after school programs. Operational revenues are used to primarily pay for ongoing and recurring expenses related to regular education, special education, transportation and support functions. Although most of the District's operating revenues come from Maintenance and Operations (M&O) funding, other activities such as community educational programs also generate operating revenues.

Operational Revenues

Overall, the FY22 budget assumes a reduction of \$9.4M in ongoing operational revenues, which is a significant reduction of 8.5% vs. the prior year budget. The majority of the operational revenue decline can be attributed to expected enrollment declines. Kyrene works with an outside firm that specializes in providing demographic information for our district. After consultation with our demographer, the FY22 budget assumes a reduction of 1,250 students district-wide vs. last year's budget. This is a sizable year-over-year decline and should be noted that this decline is not related to families leaving the district. Kyrene's opportunity for student enrollment growth is limited. The District boundaries are "landlocked" with limited room for expansion growth and new housing, which limits the opportunity to increase the overall population residing within the district boundaries. In addition, the community is aging in place with limited turnover in neighborhoods, creating reduced opportunity for families with school age children to move into the District. The impact of past economic recessions has also resulted in an overall decline in birth rates across Maricopa County, resulting in fewer new or incoming kindergarten students. The enrollment decline that Kyrene experienced in the 2020-21 school year was also attributed to the COVID-19 pandemic. Kyrene was not unique in experiencing that enrollment impact as schools across Arizona saw a decline in enrollment of over 40,000 students.

Experiencing such sudden reductions in funding makes it extremely difficult to prepare and develop a balanced budget. The District undertook significant efforts early on to make sizable expenditure reductions in order to right size spending assumptions against these lower revenue and funding levels. In order to do this, a timeless spending model was developed as a guide for Kyrene to look at expenditure reductions at the District office and school sites so that maximum resources would continue to be allocated to the classroom. This model also was used to ensure that one particular group or area would not be disproportionately overburdened with expenditure and budget reductions. The concept of a timeless model is to look at how expenditures should ideally be spent in future years among the different operational areas across the district. Kyrene developed this model in conjunction with the Auditor General's annual spending report, because these expenditure ratios and spending categories give a good accounting for how expenditures have historically taken place across the District, and also helped set targets for District Office budgets that were aligned with and prioritized keeping classroom spending at the highest possible levels. Expenditure ratios and targets were established for non classroom areas such as administration, facility operations and transportation.

One-Time Funding Sources

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed in March 2020 and was the first federal stimulus bill that provided funding to deal with financial issues created from the coronavirus pandemic. During the 2020-21 school year two new federal stimulus bills were also passed in response to the COVID-19 pandemic. In December 2020 the Coronavirus Response and Relief Supplemental Appropriations (CRRSA Act) was passed, and the American Rescue Plan (ARP) was passed in March 2021. Each one of these three stimulus bills includes one-time sources of federal grant funding. One-time funding means that funds will not continue in the future and therefore are not sustainable and should not be used for ongoing expenditures. These grant funds are referred to as Elementary and Secondary School Emergency Relief (ESSER) funds and are intended for schools to address local recovery efforts in responding to the coronavirus pandemic. ESSER I, ESSER II, and ESSER III funds equate to the three individual federal stimulus bills that were passed.

Although these are one-time sources of federal grant funding, they can be used to cover any one-time costs related to COVID-19 or bridge any budget gaps caused by revenue shortfalls or additional expenditures related to the COVID-19 pandemic. Allocations of these federal funds are based on Title 1 student populations within each school district across the state of Arizona, which generally is a reflection of students living in poverty or in economically depressed areas. This means there was a wide variation in the size of the grants awarded to public schools across the state. Because Kyrene has a very low Title 1 population compared to other schools and school districts across Arizona, our district only received a small proportion of ESSER funds when compared to other Districts on a per pupil level. In fact, Kyrene's ESSER allocations were the 9th lowest amount in the state when looking at the ESSER funding amounts on a per student basis. This means that there is an extremely wide disparity when looking at the overall ESSER per student allocations, and these federal funding dollars don't necessarily correlate with the size of a school district.

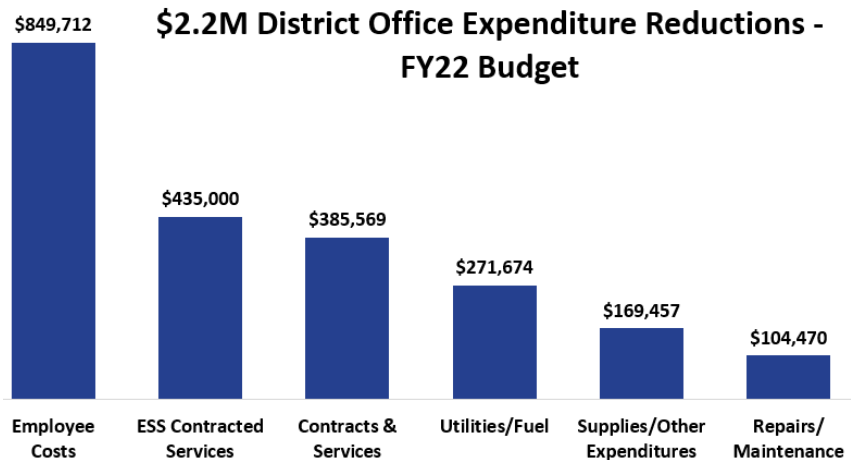
ESSER grant funds are very flexible in regards to the timeline for spending and do not have to be spent in any order. Another important thing to know about ESSER funding is that school districts and charters in Arizona do not receive any amounts up front, and funding is only distributed after eligible expenses have been incurred, submitted and approved. This process is how the federal government validates that the money has been spent appropriately according to the eligibility requirements. Below are the ESSER grant funds that Kyrene is eligible to receive.

Fund	Total Eligible Grant Amount	Funds Can Be Used Through
ESSER I	\$955,391	September 30, 2022
ESSER II	\$3,932,983	September 30, 2023
ESSER III	\$9,457,929	September 30, 2024

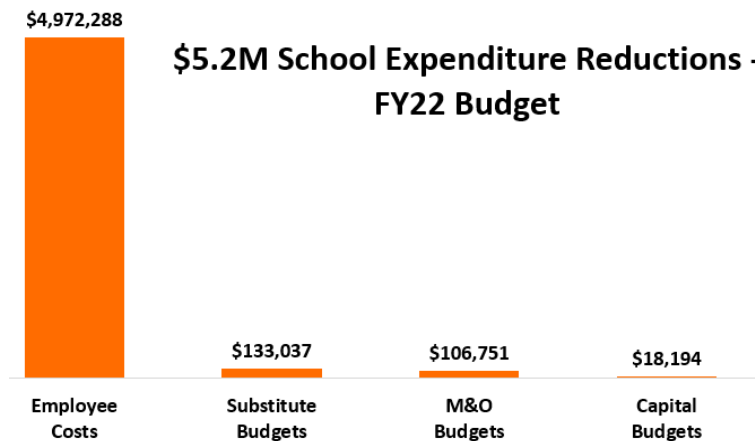
Expenditure Reductions

Although Kyrene's annual budget process always looks for opportunities to reduce expenditures in a responsible manner, the outcome from the timeless spending model was to set a target for an overall 8% reduction in district office expenditures for FY22, equating to \$3M. However, the District recognized it would be extremely difficult or impossible for certain areas to achieve or realize the entire targeted reductions in the coming year because certain fixed contracts were already in place. The District also recognized that additional time would also be necessary to implement other process and technology changes in order to reach these targets. Therefore, each District Office department was required to reduce expenditures by a minimum of 5% for the FY22 budget, with the remaining 3% target to be achieved in the following year.

The FY22 budget includes \$2.2M of District office expenditure reductions, which equates to a 6% overall reduction vs. the 8% target. The remaining 2%, which is roughly \$800K, will be further reduced in the FY23 budgets, and each department has developed an action plan on how to achieve those results. Expenditure reductions for FY22 occurred in a variety of areas and are listed below.



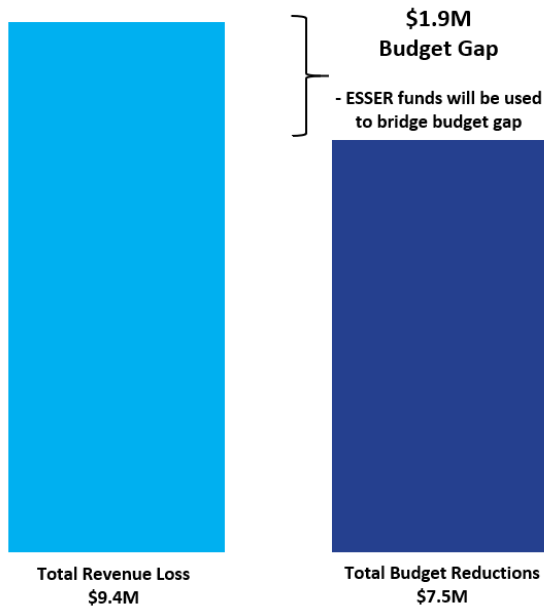
The overall FY22 change in school budgets is a reduction in expenditures of \$5.2M. The development of school budgets is different from determining District Office budgets because school staffing allocations and other budget allocations will naturally adjust up or down based on changes in enrollment. This automatic adjustment to school budgets is important because it means that classroom resources will always be in line with supporting student needs while still keeping dollars spent in the classroom at the highest level. Major categories of expenditure changes for school budgets are listed below. Because most school budgets are related to employee costs, this is the area showing the largest decrease and is related to anticipated enrollment declines.



Operational Budget Summary

Although Kyrene is reducing a substantial amount of costs from the FY22 budget at a total of \$7.5M, it is not enough to offset the revenue loss of \$9.4M. This means that the overall net change in operational revenues and expenditures results in an operational budget deficit of \$1.9M. The District will use a portion of its one-time federal ESSER grant funds to bridge the \$1.9M budget gap for next year in order to maintain a balanced budget for FY22. Because there is a structural budget gap for FY22, it means there was no sustainable funding available for the District to afford a permanent salary increase for employees, so no salary increases for employees have been budgeted or included in FY22. However, Kyrene will explore using the one-time ESSER grant funds to address employee compensation for FY22 in the form of one-time stipends.

FY22 Operational Budget Summary



Major Revenue Sources



Arizona school district revenues may be derived from local, county, state and federal sources, and may be received directly by the district or by the county school superintendent or county treasurer on the district's behalf. In general, districts receive local and state revenues based on an equalization formula set by state law. This "equalization formula funding" in Arizona provides the state funding for Revenue Control Limits (RCL) and capital funding (known as District Additional Assistance - DAA) for districts through locally levied property taxes and state-appropriated monies.

The RCL is primarily based on a calculation that incorporates student enrollment counts and weights, base level per student funding amounts determined annually by the state, and transportation funding as dictated by the state. The RCL provides the majority of funding for school districts to support ongoing maintenance and operations expenditures.

Primary tax levies are established by the state of Arizona to provide funding for Revenue Control Limits and District Additional Assistance (DAA) capital funding. These tax levies are determined by applying tax rates against the net limited assessed valuation across all commercial and residential properties within the school district. This tax calculation is based on a limited value determination as specified in the Arizona constitution, which limits the value of the property used for tax purposes each year to five percent growth, up to the full cash value of the property. Property taxes are collected and distributed in November and April of each year. Regardless of the collection of taxes or the timeliness of being received in a district, the district can spend up to the budget capacity authorized by the state.

Equalization assistance is the amount of money that the state provides to school districts over and above the amounts raised with a state-wide primary tax rate, known as the uniform Qualifying Tax Rate (QTR). If the tax collected from the QTR is sufficient to fund the RCL and DAA amounts, no equalization assistance from the state is required. However, if the tax rate necessary to fund the state-established funding levels is not sufficient, this difference is provided by the state through equalization assistance. For Kyrene, the amount of property tax collected under the QTR is not sufficient to cover the state-established funding levels for RCL and DAA amounts, so state equalization is needed to provide the proper levels of state funding.

Other Revenue Sources

Arizona school districts are also allowed to generate additional funding through voter-approved budget overrides for three possible areas: Maintenance and Operations (M&O), District Additional Assistance (DAA/Capital) and bond. Thanks to the support of our Kyrene community, all three budget ballot measures were approved by voters in November 2017 and provide the District with additional funding that is greatly needed to support our schools.

The Maintenance and Operations override funding is used to hire additional teacher positions that reduce class size, support elementary and middle school instructional programs such as art, music, band, chorus, languages, and physical education, and also provide student support services such as occupational and physical therapy services, academic and behavioral support services, speech, vision, and hearing services. This funding also allows the District to hire additional staff to provide a variety of resources and support services to students beyond what would be possible if relying solely on state funding.

The DAA/Capital override funding is used to provide instructional materials and technology for students, software and licensing, technology equipment, network equipment and vehicles needed to support students. Bond funding is used to maintain the school buildings and grounds, repair school buildings, purchase transportation vehicles or address other administrative capital needs. Without the support of our Kyrene community through these initiatives, there is not enough state funding to provide this level of capital support for our students and school facilities.



Kyrene also generates significant local revenues from the operation of robust and award-winning Community Educational programming throughout the District. This revenue is generated by serving more than 3,500 children through a variety of academic classes, programs, and recreation activities offered throughout the school year as well as during school breaks. Programs are designed to develop the “whole child” and support student achievement.

State and federal grants are another source of revenue for school Districts. These state and federal grants relate to additional funding provided to supplement educational programs provided by the District. These areas include Title, IDEA, or other specific areas as designated by the state of Arizona or federal government.

Expenditure Categories

Arizona School District expenditures are tracked and reported by fund, program, function, object and unit codes according to the criteria as defined in the Uniform System of Financial Records (USFR):

Fund. A fund is a fiscal and accounting entity with a set of accounts which are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds contain a self-balancing set of accounts that record cash and other financial resources, liabilities and equity/residual balances.

Program. Programs are activities designed to achieve a specific goal or set of objectives. The primary program classifications are Regular Education, Special Education and Transportation.

Function. Functions describe the activity for which a service is acquired, or an expenditure is made. The function classifications are Instruction, Support Services, Non-Instructional Services, Facilities Acquisition and Construction, Debt Service and Other Financing Uses.

Object. Objects are the most detailed classification level and describe the service or material obtained as the result of a specific expenditure. The object classifications are salaries, benefits, purchased services and supplies. Salaries and benefits include the costs for hourly and salary employees and are included as part of total employee compensation. For Kyrene, this is by far the largest expenditure category and comprises approximately 85% of all Maintenance & Operations (M&O) expenditures for the District.

Unit. A unit separates expenditures by a location or separate level.

Fund Categories



The District uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds utilized across the District can be divided and summarized into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds account for most of a district's financial resources based on the purposes for which these resources may or must be used. Governmental funds are classified into four fund types: general, special revenue, capital projects and debt service.

- **General Fund.** The general fund accounts for and reports all financial resources of a district except those required to be accounted for and reported in another fund. This is the largest fund type and contains the District's Maintenance & Operations (M&O) fund.
- **Special Revenue Funds.** Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- **Capital Project Funds.** Capital project funds account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays.
- **Debt Service Funds.** Debt service funds account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest. These funds would only be applicable when school districts have issued bonds.

Proprietary Funds

Proprietary funds account for a district's ongoing activities that are financed and operated in a manner similar to private business enterprises. Proprietary funds are generally self-sustaining with user charges as the primary source of revenues. The District has one proprietary fund type: internal service funds

- **Internal Service Funds.** Internal service funds account for activities that provide goods or services to other funds, departments, component units or to other governmental entities on a cost-reimbursement basis

Fiduciary Funds

Fiduciary funds account for assets a district holds in a trustee capacity or as an agent for individuals, private organizations and other governmental entities and which therefore may not be used to support the district's own programs. For the FY22 budget, the District does not utilize any fiduciary fund types. This is related to a change in Governmental Accounting Standards Board (GASB) No. 84 that revised the definition of student agency funds and also changed its classification from a fiduciary fund to a special revenue fund. Prior to GASB No. 84, the District reported student agency funds as part of the fiduciary funds category. For reporting and comparative purposes, any historical student agency fund activity will be included and shown as a special revenue fund type.

Financial Summary

The following chart shows a summary of the entire Fiscal Year 2021-22 (FY22) budget for all governmental and proprietary funds, followed by a table showing historical amounts. The governmental fund is by far the largest category for Kyrene and comprises over 90% of all FY22 revenues and expenditures.

FY22 Budget

	Governmental Funds	Proprietary Funds	Total
Beginning Balance	\$80,940,865	\$5,820,527	\$86,761,392
Revenue	\$217,218,344	\$16,156,351	\$233,374,695
% of Total	93.08%	6.92%	100.0%
Expenditures	\$214,728,120	\$16,036,736	\$230,764,856
% of Total	93.05%	6.95%	100.0%
Ending Balance	\$83,431,090	\$5,940,141	\$89,371,231

Total - All Funds

Financial Summary By Fund Category

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Governmental Funds	\$159,117,080	\$208,643,374	\$175,998,497	\$210,916,912	\$217,218,344
Proprietary Funds	\$16,648,815	\$16,232,376	\$19,334,687	\$19,180,095	\$16,156,351
Total Revenue	\$175,765,894	\$224,875,750	\$195,333,185	\$230,097,008	\$233,374,695
Expenditures:					
Governmental Funds	\$174,627,643	\$199,989,481	\$196,241,137	\$204,464,355	\$214,728,120
Proprietary Funds	\$19,226,104	\$19,549,636	\$20,149,359	\$20,495,024	\$16,036,736
Total Expenditures	\$193,853,747	\$219,539,117	\$216,390,495	\$224,959,379	\$230,764,856

For fiscal year 2021-22, the District is expecting to receive \$233.4M in total revenues for all funds, which is 1.4% (\$3.3M) higher than the previous year budgeted amount. Total expenditures for fiscal year 2021-22 are expected to be 2.6% (\$5.8M) higher than the previous year budgeted amount. The expected fund balance totals are anticipated to increase by \$2.6M. It is important to understand that changes in fund balances are mainly influenced by the following three factors:

Difference between total revenue vs. expenditures. In situations where revenues exceed expenditures, this results in a surplus fund balance for the year. Likewise, if expenditures exceed revenues this will result in a deficit fund balance.

Timing issues. This situation occurs when the period in which revenues are received is different from the period when expenditures actually take place. This is fairly common with state and federal grants, debt service or when bond sales occur.

Managing cash balances. School districts must manage expenditures and cash activities between multiple cash-based funds on an ongoing basis. For Kyrene, there are over 50 funds that have cash-based balances. Because cash funds can not have negative balances, this means management of these cash-based funds and balances must occur throughout the year. Often, there are multiple funds that meet the eligibility requirements to pay for expenditures according to the USFR and state laws, so this cash management activity can cause balances to fluctuate between multiple funds or fund types throughout the year.

Budget Summary - Governmental Funds

A financial summary for each fund type contained in the governmental fund category is listed below.

Governmental Funds Financial Summary By Fund

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
General Fund	\$98,723,194	\$108,244,540	\$113,266,445	\$117,462,557	\$108,472,419
Special Revenue	\$33,612,771	\$38,129,269	\$30,460,068	\$33,482,736	\$45,016,806
Capital Projects	\$6,896,857	\$40,321,038	\$9,246,387	\$37,853,965	\$41,611,464
Debt Service	\$19,884,257	\$21,948,527	\$23,025,598	\$22,117,654	\$22,117,654
Total Revenue	\$159,117,080	\$208,643,374	\$175,998,497	\$210,916,912	\$217,218,344
Expenditures:					
General Fund	\$98,691,468	\$106,910,425	\$111,687,124	\$117,148,606	\$108,467,166
Special Revenue	\$34,586,488	\$38,177,435	\$32,991,545	\$36,011,259	\$41,527,032
Capital Projects	\$22,200,439	\$31,090,172	\$30,650,558	\$30,802,871	\$42,616,268
Debt Service	\$19,149,248	\$23,811,449	\$20,911,910	\$20,501,618	\$22,117,654
Total Expenditures	\$174,627,643	\$199,989,481	\$196,241,137	\$204,464,355	\$214,728,120

The \$9.0M revenue decrease in the general fund relates to the anticipated enrollment declines across the District as the FY22 budget assumes a reduction of 1,250 students district-wide vs. the prior year budget. It should be noted that this decline is not related to families leaving the district. Kyrene's opportunity for student enrollment growth is limited. The District boundaries are "landlocked" with limited room for expansion growth and new housing, which limits the opportunity to increase the overall population residing within the district boundaries. In addition, the community is aging in place with limited turnover in neighborhoods, creating reduced opportunity for families with school age children to move into the District. The impact of past economic recessions has also resulted in an overall decline in birth rates across Maricopa County, resulting in fewer new or incoming kindergarten students. The enrollment decline that Kyrene experienced in the 2020-21 school year was also attributed to the COVID-19 pandemic. Kyrene was not unique in experiencing that enrollment impact as schools across Arizona saw a decline in enrollment of over 40,000 students.

The \$11.5M FY22 budgeted revenue increase in the Special Revenue fund type is mostly a combination of increases related to one-time funding for the Classroom Site fund and higher federal ESSER grant funding. The increase in Classroom Site funding occurred because the state had underestimated the sales tax revenue collections during the COVID-19 pandemic period and this resulted in approximately \$3.3M in additional one-time Classroom Site funding for the 2021-22 school year. These additional one-time Classroom Site funds are expected to be spent

after the FY22 budget period. The increased revenues from federal projects relates to the additional federal funding Kyrene is eligible to receive through ESSER grants, which provide funds to aid local recovery efforts in responding to the coronavirus pandemic. \$6.6M of total ESSER revenues have been included in the FY22 budget.

Budget Summary - General Fund

The general fund accounts for and reports all financial resources of a district except those required to be accounted for and reported in another fund. Although several individual funds comprise the activity for the general fund, the Maintenance & Operations (M&O) fund is by far the largest as it comprises 99% of total general fund revenues.

The following individual funds comprise the general fund for Kyrene, and a financial summary is also listed below.

Fund Name	Description
Maintenance & Operations	Supports day-to-day school operations
Medicaid	Money received from Medicaid reimbursement
School Plant	Sale/Lease of property
Indirect Costs	Transfers from federal project funds or Food Service
Insurance Proceeds	Money received from insurance claims
Unemployment Insurance	Unemployment insurance contributions
Advertising	Related to the sale of advertising

General Fund Financial Summary By Fund

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Maintenance & Operations	\$97,114,667	\$106,405,784	\$111,363,447	\$115,734,826	\$106,890,867
Medicaid Reimbursement	\$744,680	\$851,228	\$925,052	\$840,000	\$825,052
School Plant	\$27,174	\$51,123	\$40,095	\$30,000	\$90,000
Insurance Proceeds	\$12,269	\$89,979	\$30,025	\$15,000	\$2,500
Indirect Costs	\$812,400	\$833,602	\$753,425	\$835,000	\$660,000
Unemployment Insurance	\$1,473	\$2,731	\$152,077	\$2,731	\$1,500
Advertising	\$10,532	\$10,094	\$2,325	\$5,000	\$2,500
Total Revenue	\$98,723,194	\$108,244,540	\$113,266,445	\$117,462,557	\$108,472,419
Expenditures:					
Maintenance & Operations	\$96,465,272	\$105,172,230	\$109,573,088	\$115,067,168	\$106,285,589
Medicaid Reimbursement	\$970,100	\$1,193,554	\$1,270,145	\$1,287,090	\$1,261,604
School Plant	\$511,866	\$48,043	\$0	\$0	\$40,000
Insurance Proceeds	\$171,240	\$88,758	\$3,511	\$0	\$0
Indirect Costs	\$547,646	\$376,852	\$679,034	\$787,882	\$714,973
Unemployment Insurance	\$16,947	\$10,240	\$153,511	\$6,467	\$160,000
Advertising	\$8,397	\$20,747	\$7,835	\$0	\$5,000
Total Expenditures	\$98,691,468	\$106,910,425	\$111,687,124	\$117,148,606	\$108,467,166

Maintenance & Operations (M&O) Fund

The M&O fund accounts for all of the District's financial resources except those required to be accounted for in another fund. The M&O fund is where most of the day-to-day expenditures take place for regular education, special education and transportation. Typically, budgeted expenditures include salaries, employee benefits, supplies, utilities, general maintenance and repairs and other expenditures that are not of a capital nature.

The M&O revenue budget is based on a number of formulas as defined by Arizona state laws but begins with an estimate of student enrollment which is used to estimate the Average Daily Membership (ADM) for the upcoming budget year. ADM is a key component in the Arizona funding formula for school districts and is a method of counting the number of enrolled students based upon the first 100 school days. The District relies on the guidance of a professional demographer to predict future enrollment based on local populations, birth rates, new housing activity and other factors.

Additional weights are applied to the ADM estimates as defined by A.R.S. §15-943 and are designed to take into consideration the additional cost of educating certain classifications of students. These weighted student counts are then multiplied by a base funding level as determined by the state. Additional funding can also be obtained by participating in a state approved teacher performance evaluation system in accordance with A.R.S. §15-952 as well as having a higher average years of teacher experience vs. the overall state average according to A.R.S. §15-941. The state of Arizona also provides funding to reimburse school districts for the cost of non-federal audit services. Transportation funding as defined by A.R.S. §15-945 and A.R.S. §15-946 is added to these amounts to determine the Revenue Control Limit (RCL) for the District.

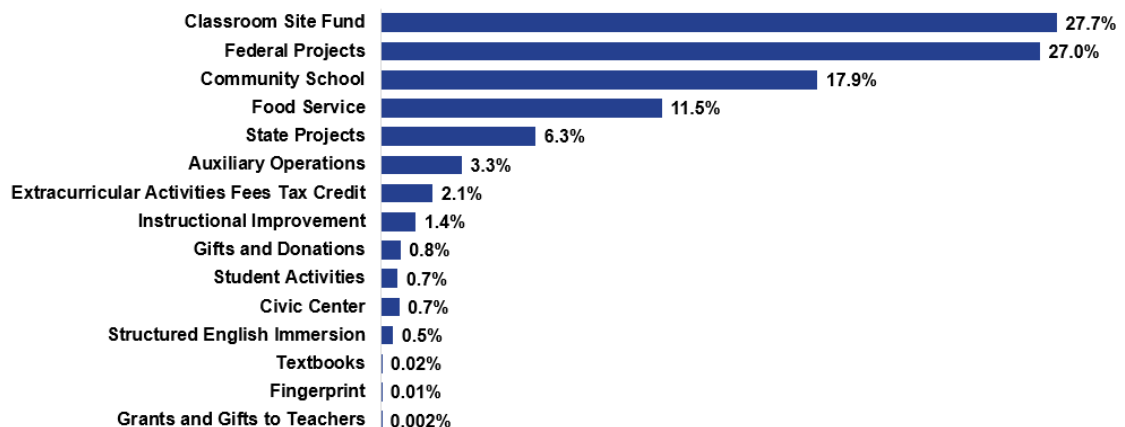
Any funding allocated to M&O from District Additional Assistance (DAA) is also included, plus any funding provided from voter approved M&O overrides and Prop 123 Funding. Prop 123 funding is related to the lawsuit settlement over inflationary funding that was passed by voters in May 2016 to increase school funding for a 10-year period. All of these amounts determine the total M&O revenue for the upcoming budget year.

Budget Summary - Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. This is the broadest fund type within the Governmental Funds category, as each of these individual funds is designated to handle very different types of activities.

For the FY22 budget, 84% of all Special Revenue Funds revenue originates from four individual funds: Classroom Site Fund, Federal Projects, Community School, and Food Service.

Special Revenue Funds - % of Budgeted Revenue





The Classroom Site Fund was created as a result of Prop 301 and is defined in A.R.S. §15-977. Funding for the Classroom Site Fund is based on a 0.6% sales tax with the proceeds to be used for public education. School districts receive a per pupil amount based on prior year 100th day enrollment figures. Funding for this initiative was originally set to expire in 2021, but legislation was passed to extend Prop 301 funding for an additional 20 years (through June 30, 2041).

Federal Projects include all Title funding, IDEA Part B, Elementary and Secondary School Emergency Relief (ESSER), and other federal reimbursement programs such as E-Rate. Title funds are supplemental funds that support the District's basic educational model and can be used for instructional staffing to support programs, materials, supplies or training. These funds are geared toward supporting low-income students, students who have limited English proficiency and Native American students. IDEA Part B funding provides services to children with disabilities under the Individuals with Disabilities Education Act (IDEA). However, the amount of funding provided by IDEA Part B and the state funding for special education does not come close to funding the overall special education needs of the District. Each year Kyrene has to dedicate M&O dollars or identify other funding sources to bridge this funding gap with special education. ESSER funds relate to federal funding for local areas to address recovery efforts in response to the COVID-19 pandemic. Funding was generated from the passage of three federal stimulus bills: the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed in March 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA Act) passed in December 2020, and the American Rescue Plan (ARP) passed in March 2021. The funding from all three stimulus bills was based on a school's overall proportion of Title I student population, and all ESSER funding is one-time in nature, meaning that it will not recur in the future.

The Community School fund includes the revenues generated from the Kyrene Community Education program. This revenue is generated by serving more than 3,500 children through a variety of academic classes, programs and recreation activities offered throughout the school year as well as during school breaks.

Food Service is used to record the financial activity of school cafeteria operations which involve the preparation and serving of meals in connection with school functions. This fund includes all activities associated with the District's third-party food service provider, as well as any other internal costs associated with the District.

The following individual funds comprise the Special Revenue Fund for Kyrene and a financial summary is also listed below. Governmental Accounting Standards Board No. 84 revised the definition of student agency funds and changed the classification from a fiduciary fund to a special revenue fund effective in fiscal year 2020-21. For reporting and comparative purposes, any historical student agency fund activity is included as a special revenue fund type.

Fund Name	Description
Auxiliary Operations	Bookstore operations, athletics, or extracurricular activities
Civic Center	Rental and use of school facilities
Classroom Site	Portion of state sales tax and State Trust Land revenues as part of Prop 301
Community School	Tuition based preschool, before and after school programs
County, City, and Town Grants	Monies received from county, city, and town grants
Extracurricular Activities Fees Tax Credit	Related to activities from public school tax credits
Federal Projects	Federally funded projects (includes Title, IDEA Part B, E-Rate, ESSER)
Fingerprint	Activities associated with fingerprinting employees
Food Service	Revenues generated from school cafeteria operations
Gifts & Donations	Non-capital donations to the District
Grants & Gifts to Teachers	Grants and gifts under \$1,500 designated for instructional purposes
Instructional Improvement	Monies received from gaming revenue
State Projects	State funded projects (includes Results Based Funding, Gifted, State Grants)
Structured English Immersion	State grant for English Language Learner (ELL) instruction and programs
Student Activities	Student organizations, clubs, activities
Textbooks	Replacement or repair of lost/damaged textbooks or library books

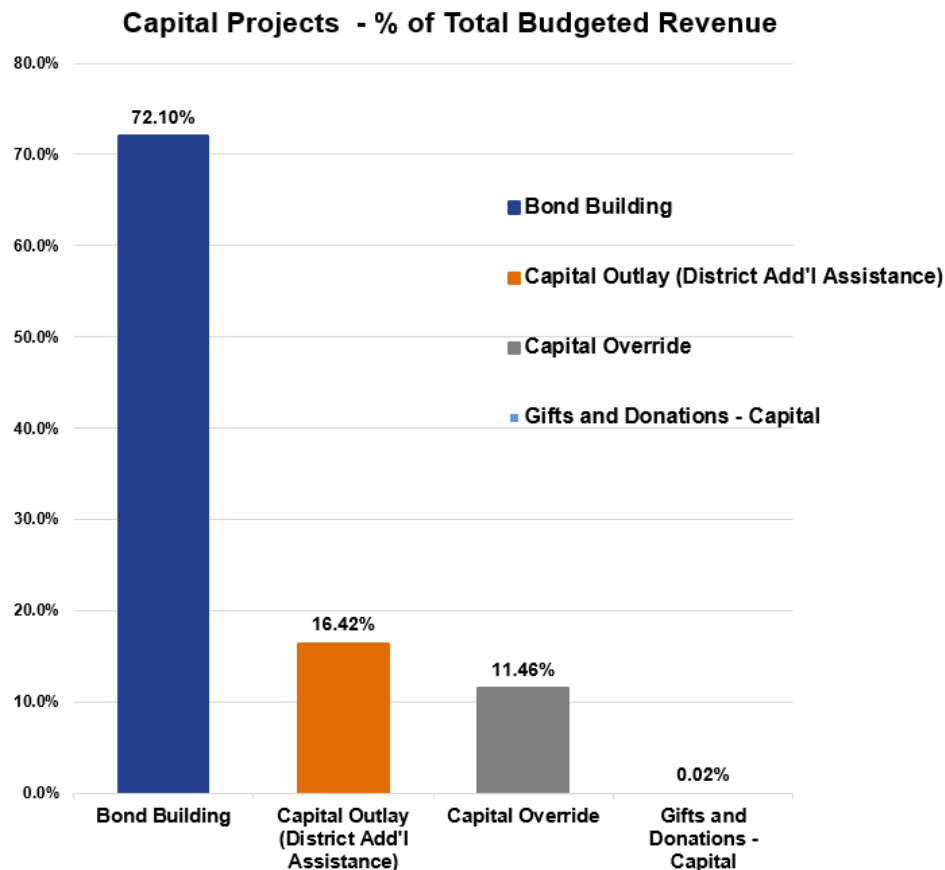
Special Revenue Fund Financial Summary By Fund

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Classroom Site Fund	\$7,282,927	\$7,977,335	\$8,154,432	\$7,715,823	\$12,483,343
Federal Projects	\$4,717,958	\$6,770,740	\$4,904,197	\$4,909,785	\$12,169,093
Community School	\$9,812,419	\$11,045,428	\$7,461,242	\$8,916,312	\$8,057,609
Food Service	\$5,417,745	\$5,899,399	\$4,465,152	\$5,542,745	\$5,182,275
State Projects	\$1,517,810	\$1,639,647	\$1,992,919	\$2,183,555	\$2,848,200
Auxiliary Operations	\$1,793,668	\$1,728,682	\$1,239,972	\$1,751,537	\$1,484,000
Extracurricular Activities Fees Tax Credit	\$921,491	\$924,921	\$709,196	\$950,430	\$950,000
Instructional Improvement	\$720,497	\$744,592	\$774,258	\$500,000	\$634,560
Gifts and Donations	\$338,055	\$390,037	\$291,918	\$363,268	\$350,000
Student Activities	\$352,613	\$264,811	\$158,536	\$309,845	\$300,000
Civic Center	\$464,394	\$393,628	\$296,746	\$250,000	\$327,000
Structured English Immersion	\$237,433	\$331,402	\$0	\$70,000	\$215,727
Textbooks	\$8,241	\$9,489	\$6,455	\$9,934	\$9,000
Fingerprint	\$7,450	\$8,073	\$3,979	\$8,500	\$5,000
Grants and Gifts to Teachers	\$10,069	\$1,085	\$1,067	\$1,000	\$1,000
County, City, and Town Grants	\$10,000	\$0	\$0	\$0	\$0
Total Revenue	\$33,612,771	\$38,129,269	\$30,460,068	\$33,482,736	\$45,016,806
Expenditures:					
Classroom Site Fund	\$8,117,422	\$9,155,055	\$9,047,806	\$8,465,519	\$9,705,679
Federal Projects	\$4,755,227	\$5,792,265	\$5,374,011	\$6,793,729	\$12,314,093
Community School	\$11,487,920	\$11,130,083	\$7,697,036	\$8,888,230	\$7,981,035
Food Service	\$5,260,853	\$6,577,347	\$4,938,239	\$5,832,880	\$4,770,328
State Projects	\$324,301	\$959,557	\$2,537,069	\$1,763,933	\$2,618,739
Auxiliary Operations	\$1,626,089	\$1,756,564	\$1,220,938	\$1,386,121	\$1,484,000
Extracurricular Activities Fees Tax Credit	\$857,685	\$923,162	\$601,639	\$950,430	\$950,000
Instructional Improvement	\$573,176	\$617,227	\$640,105	\$624,741	\$491,354
Gifts and Donations	\$362,216	\$416,143	\$279,197	\$363,269	\$350,000
Student Activities	\$368,830	\$235,794	\$156,859	\$309,845	\$300,000
Civic Center	\$566,503	\$261,053	\$487,384	\$609,629	\$324,077
Structured English Immersion	\$237,433	\$331,402	\$0	\$0	\$215,727
Textbooks	\$8,534	\$9,586	\$4,971	\$9,934	\$9,000
Fingerprint	\$0	\$9,677	\$4,055	\$12,000	\$12,000
Grants and Gifts to Teachers	\$9,471	\$2,099	\$1,251	\$1,000	\$1,000
County, City, and Town Grants	\$30,828	\$420	\$983	\$0	\$0
Total Expenditures	\$34,586,488	\$38,177,435	\$32,991,545	\$36,011,259	\$41,527,032

The \$11.5M FY22 budgeted revenue increase in the Special Revenue fund type is mostly a combination of increases related to one-time funding for the Classroom Site fund and higher federal ESSER grant funding. The increase in Classroom Site funding occurred because the state had underestimated the sales tax revenue collections during the COVID-19 pandemic period, and this resulted in approximately \$3.3M in additional one-time Classroom Site funding for the 2021-22 school year. These additional one-time Classroom Site funds are expected to be spent after the FY22 budget period. The increased revenues from federal projects relate to the additional federal funding Kyrene is eligible to receive through ESSER grants, which provide funds to aid local recovery efforts in responding to the coronavirus pandemic. \$6.6M of total ESSER revenues have been included in the FY22 budget.

Budget Summary - Capital Projects

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Most of the District funding for capital projects comes from bond proceeds and capital override funding, and these two areas represent 84% of the total FY22 budgeted revenue for total Capital Project funds.



Bonds and capital overrides are opportunities for school districts to raise additional capital funding beyond the amounts provided by the state. However, these funds are only available if approved by voters within the district's boundaries. The specific usage of bonds and capital override funds are designated by state statute and can only be spent on the areas identified and listed on the voter pamphlet. These funds have a limited scope on how the money can be spent and cannot be mixed with other funds or used to cover other expenditure categories.

The capital override funding is used to provide instructional materials and technology for students, software and licensing, technology equipment, network equipment or vehicles needed to support students. Bond funding is used to maintain the school buildings and grounds, repair school buildings, purchase transportation vehicles or address other administrative capital needs. Without the support of our Kyrene community through these initiatives, there is not enough state funding to provide this level of capital support for our students and school facilities.

The following individual funds comprise the Capital Fund for Kyrene and a financial summary is also listed below.

Fund Name	Description
Adjacent Ways	Improvement of public ways adjacent to school property
Bond Building	Proceeds from district bond issued for capital related purchases or construction
Building Renewal Grant	Funding received from the School Facilities Board for qualifying capital items
Capital Outlay (District Additional Assistance)	State funding used to purchase or lease capital items
Capital Override	Voter approved funding used to purchase approved capital items
Condemnation	Proceeds from right-of-way settlements or sales by condemnation
Energy and Water Savings	Related to energy-related capital investments or rebates/grant funding
Gifts & Donations - Capital	Accounts for any capital items that have been donated to the District
Litigation Recovery	From expected settlements or proceeds as a result of legal action to repair/replace buildings or property

Capital Projects Financial Summary By Fund

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Bond Building	\$0	\$33,057,894	\$0	\$30,800,000	\$30,000,000
Capital Outlay (District Add'l Assistance)	\$44,776	\$401,279	\$1,307,309	\$211,816	\$4,769,315
Capital Override	\$6,834,000	\$6,834,000	\$6,834,000	\$6,834,000	\$6,834,000
Gifts and Donations - Capital	\$5,272	\$12,836	\$178	\$8,149	\$8,149
Adjacent Ways	\$10,331	\$13,337	\$11,772	\$0	\$0
Building Renewal Grant	\$1,144	\$21	\$1,091,584	\$0	\$0
Litigation Recovery	\$1,310	\$1,620	\$1,496	\$0	\$0
Condemnation	\$24	\$51	\$47	\$0	\$0
Energy and Water Savings	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$6,896,857	\$40,321,038	\$9,246,387	\$37,853,965	\$41,611,464
Expenditures:					
Bond Building	\$16,531,382	\$24,306,410	\$19,827,462	\$23,499,836	\$30,800,000
Capital Outlay (District Add'l Assistance)	\$295,715	\$373,143	\$1,561,765	\$460,886	\$4,974,119
Capital Override	\$5,223,406	\$6,377,070	\$8,157,598	\$6,834,000	\$6,834,000
Gifts and Donations - Capital	\$3,848	\$11,135	\$10,984	\$8,149	\$8,149
Adjacent Ways	\$146,089	\$0	\$0	\$0	\$0
Building Renewal Grant	\$0	\$0	\$1,092,749	\$0	\$0
Litigation Recovery	\$0	\$22,414	\$0	\$0	\$0
Condemnation	\$0	\$0	\$0	\$0	\$0
Energy and Water Savings	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$22,200,439	\$31,090,172	\$30,650,558	\$30,802,871	\$42,616,268

Budget Summary - Debt Service Fund



Debt service funds account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest. These funds cannot be used for any purpose other than to pay principal and interest on bonds. Debt service is the only individual fund within the debt service fund type. Any revenue or expenditure activity in the debt service fund is solely based on Maricopa County collecting property taxes or making principal and interest payments on outstanding bonds.

Revenues are collected and deposited by the County in October and May, and any bond principal and interest payments are made in January and July. A financial summary of debt service activity is listed below.

Debt Service Funds Financial Summary By Fund

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Debt Service	\$19,884,257	\$21,948,527	\$23,025,598	\$22,117,654	\$22,117,654
Total Revenue	\$19,884,257	\$21,948,527	\$23,025,598	\$22,117,654	\$22,117,654
Expenditures:					
Debt Service	\$19,149,248	\$23,811,449	\$20,911,910	\$20,501,618	\$22,117,654
Total Expenditures	\$19,149,248	\$23,811,449	\$20,911,910	\$20,501,618	\$22,117,654

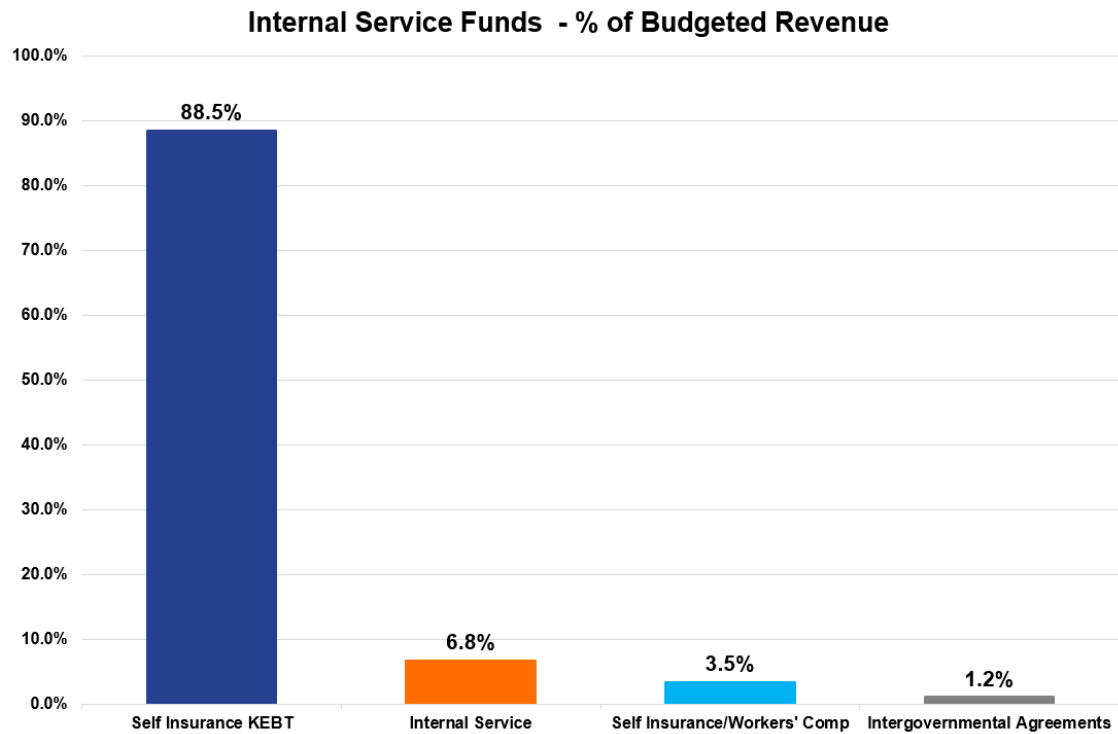
Budget Summary - Proprietary Funds

Proprietary funds are used to account for a district's ongoing activities that are financed and operated in a manner similar to private business enterprises. Proprietary funds are generally self-sustaining with user charges as the primary source of revenues. The District has one proprietary funds type: internal service funds.

Budget Summary - Internal Service Funds

Internal service funds account for activities that provide goods or services to other funds, departments, component units or to other governmental entities on a cost-reimbursement basis. For Kyrene, the self insurance Kyrene Employee Benefits Trust (KEBT) fund comprises 89% of the total FY22 budgeted revenue for Internal Service funds. These revenue amounts for KEBT represent the total combined health care contributions from both the District and employees.

The following individual funds comprise the Internal Service Fund for Kyrene and a financial summary is also listed below.



Fund Name	Description
Internal Service	Activities that provide goods/services (Print Shop)
Self Insurance/Workers' Comp	Workers' compensation insurance
Intergovernmental Agreements	Related to Intergovernmental Agreements (IGA)
Self Insurance KEBT	Activities related to Kyrene Employee Benefits Trust (KEBT)

Internal Service Funds Financial Summary By Fund

	Actual 2017-18	Actual 2018-19	Actual 2019-20	Adopted Budget 2020-21	Adopted Budget 2021-22
Revenue:					
Internal Service	\$1,412,867	\$1,235,459	\$1,449,579	\$1,400,000	\$1,100,000
Self Insurance/Workers' Comp	\$366,191	\$535,034	\$578,502	\$585,116	\$565,487
Intergovernmental Agreements	\$234,366	\$241,983	\$235,552	\$187,163	\$194,083
Self Insurance KEBT	\$14,616,384	\$14,219,741	\$17,070,779	\$17,007,816	\$14,296,781
Total Revenue	\$16,629,807	\$16,232,217	\$19,334,412	\$19,180,095	\$16,156,351
Expenditures:					
Internal Service	\$1,366,392	\$1,155,155	\$1,341,824	\$1,574,141	\$945,691
Self Insurance/Workers' Comp	\$503,944	\$528,593	\$576,223	\$585,116	\$565,487
Intergovernmental Agreements	\$234,366	\$237,951	\$236,874	\$672,273	\$258,777
Self Insurance KEBT	\$17,100,623	\$17,627,937	\$17,994,438	\$17,663,493	\$14,266,781
Total Expenditures	\$19,205,324	\$19,549,636	\$20,149,359	\$20,495,024	\$16,036,736

Capital Master Plan

The District has developed a comprehensive Capital Master Plan to manage capital spending that is funded by bond proceeds. This Capital Master Plan encompasses a ten-year period and provides a detailed listing of all bond eligible projects across the district. Projects are eligible for bond funding based on the criteria approved by voters within the district boundaries as specified in the voter election pamphlet. Bonds are debt securities that are issued to finance capital related purchases and projects. These bond funds have a limited scope on how the money can be spent, and funds cannot be mixed with other funds or used to cover other expenditure categories.

Voters in Kyrene approved a bond in 2017, which has allowed the District to fund the projects identified in the Capital Master Plan. Without the bond funding, there would be insufficient funding to maintain and improve the District's schools and facilities, meet transportation needs, provide adequate technology and supply necessary equipment.

Capital Master Plan - Development Process

Development of the Capital Master Plan involves collaboration among directors, school leaders and project managers to ensure resources are allocated optimally to support student achievement. Once developed, the Capital Master Plan is presented to the Governing Board and community as part of the spring budget presentations.

Projects identified in the Capital Master Plan encompass a variety of areas and are reviewed and prioritized multiple times throughout the year before any money is authorized to be spent. An ongoing analysis is performed for District school buildings, grounds and facilities to determine how and when projects are scheduled to be completed. This process incorporates criteria used to determine short-term and long-term facility and maintenance needs, and is based on three areas:

Life Cycle Analysis. The District has worked with an outside construction vendor to conduct an audit of major replaceable systems, determine existing conditions and determine an appropriate useful life. Replaceable systems are major components within the school and facility buildings such as air conditioning, roofs, plumbing, electrical systems, carpeting/flooring, playground equipment, etc. Establishing a useful life for each system allows the district to predict, maintain and schedule replacement expenditures accurately for future years. As with any replaceable system, it is possible that an asset may exceed its useful life with proper maintenance. With safety being the highest priority, the District always attempts to maximize and possibly extend the life of its facilities and replaceable systems in a responsible manner. However, at times systems may fail before the anticipated useful life. For these reasons, each year these replaceable systems on the Capital Master Plan are evaluated and prioritized as necessary. A general contingency is also budgeted as part of the Capital Master plan in the event a replaceable system fails during the course of the school year.

Preventative Maintenance. The District performs periodic maintenance throughout the year on its facilities, grounds and replaceable systems. Inspections are performed during these maintenance periods to determine when certain systems may need to be replaced or repaired.

Independent Structural Analysis. The District utilizes an independent third-party structural engineering firm to inspect schools for structural issues. Each school is inspected every five years on a rotating basis to determine whether any structural related areas require attention.

Projects are prioritized during the annual budget process so that funding occurs in a fiscally responsible manner while ensuring the most important projects receive appropriate funding. Projects are prioritized based on the following criteria:

- Safety and security
- Preventing/eliminating the possible loss of instructional time

- Compliance with regulatory requirements
- Alignment with and connection to the District's strategic plan

The components and projects within the Capital Master Plan are consistent with the criteria contained in the voter authorization pamphlet and contains three main categories:

Maintain Schools. Includes construction projects, classroom related capital (such as equipment and furniture) and technology.

Transportation. Includes school buses, other vehicles to transport students and transportation related systems.

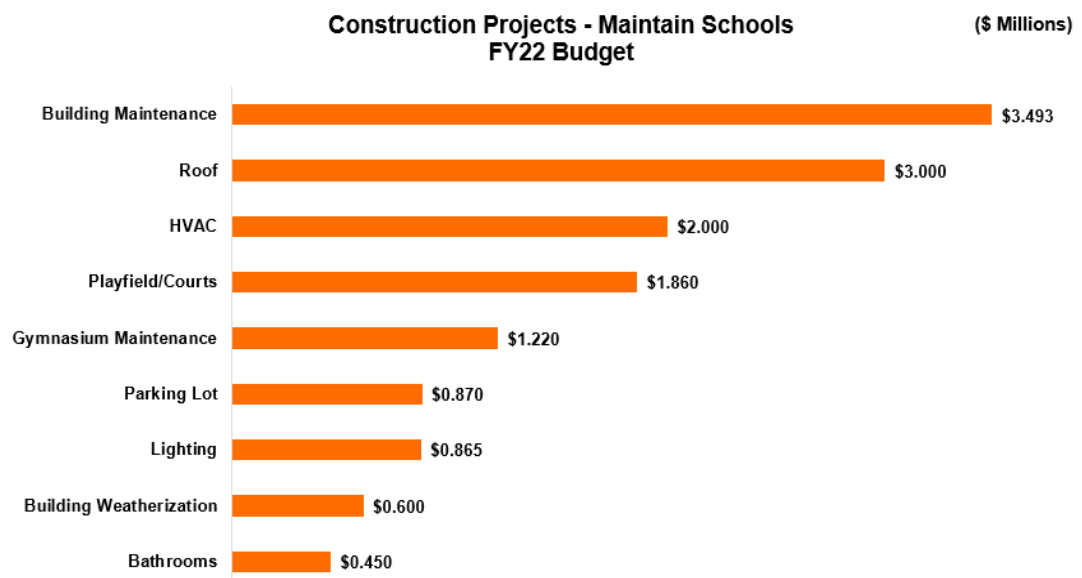
Administrative. Relates to construction projects, equipment, furniture and technology at the District Office facilities.

FY22 Expenditure Budget. Information for the FY22 Capital Master Plan expenditure budget is provided below for each major category as well as an additional breakdown for specific projects within the Maintain Schools category.

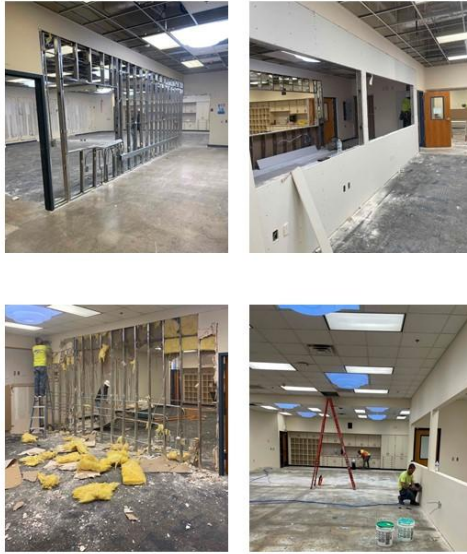
Total FY22 Capital Master Plan Expenditures (\$ Millions)		
Category	FY21 Estimate	FY22 Budget
Maintain Schools	\$19.7	\$26.9
Transportation	\$1.4	\$1.3
Administrative	\$0.7	\$2.6
Total	\$21.8	\$30.8

FY22 Budget - Maintain Schools (\$ Millions)		
Area	FY21 Estimate	FY22 Budget
Construction Projects	\$13.9	\$14.4
Instruments, Equipment, Furniture	\$1.5	\$1.3
Technology	\$4.3	\$11.2
Total	\$19.7	\$26.9

The following table contains additional details for the \$14.4M budget for the Maintain Schools - Construction Projects category. These areas encompass a wide variety of projects across all 25 school locations.



POD Construction at Kyrene de las Manitas



Around the District...

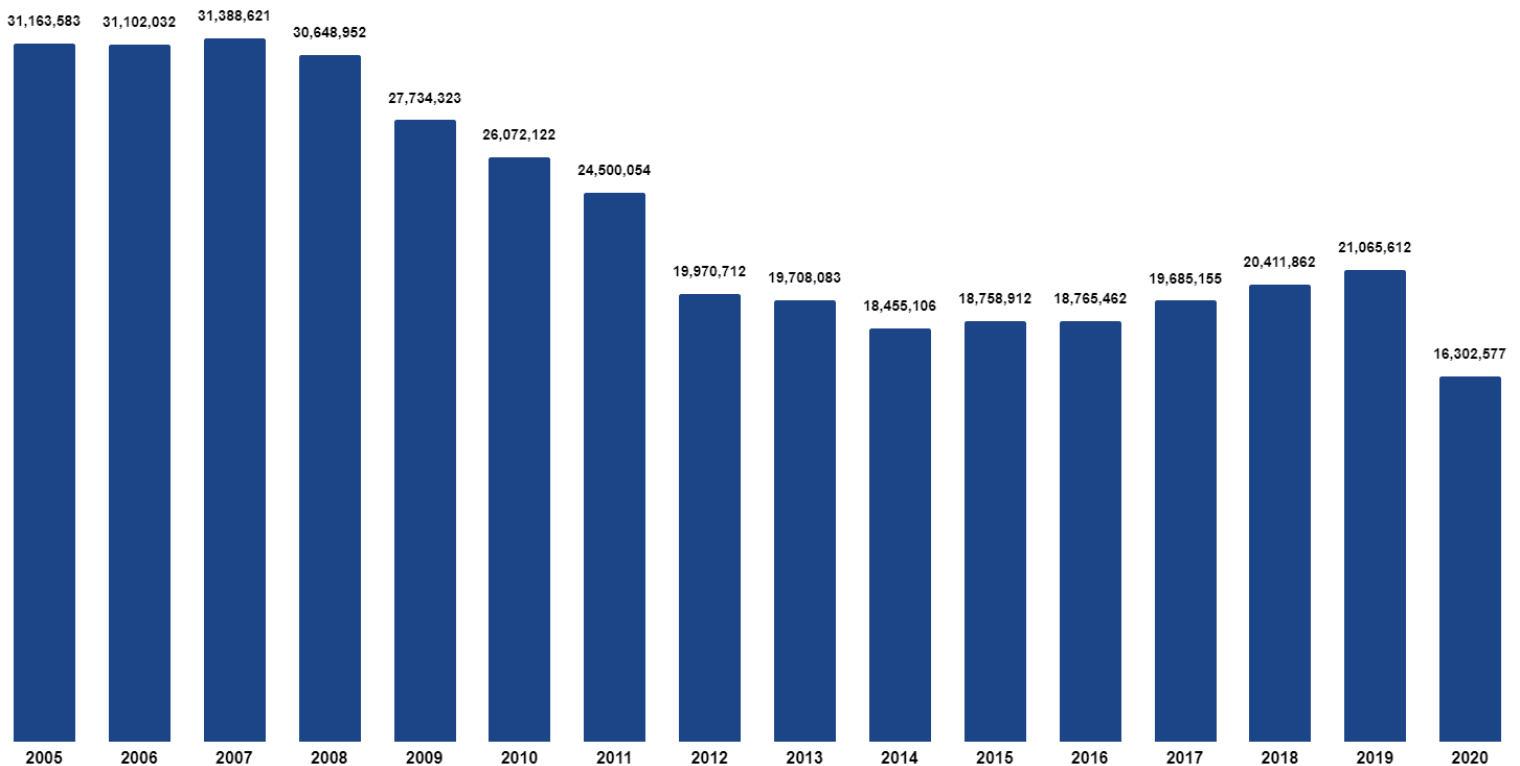


Long Term Reductions in Energy Usage

As part of its Capital Plan strategy, the District has a history of implementing strategies to reduce energy consumption in schools and district support buildings. Looking at the graph below, actual district-wide energy consumption in kilowatt-hours (kWh) has been reduced by 48% over a 15 year period. Reducing energy consumption through changes in staff behavior and conservation related projects allows the District to reduce overall utility expenditures and direct these savings for use in educational related activities.

Annual Kilowatt-Hours (kWh) Consumed

- A reduction of 48% since 2005



Energy Conservation Initiatives

- Kyrene has installed and utilizes an Energy Management System (EMS) for central control of lighting and HVAC across the entire district. The facilities maintenance team maintains cooling and heating set-points and run-time for district-wide lighting and cooling/heating systems which helps drive major reductions in kWh usage. This helps to ensure that the maximum electrical consumption for these activities occurs during off-peak hours.
- The district upgrades HVAC mechanical systems on an ongoing basis at the end of their useful life at all schools. This lifecycle approach allows the facilities team to get the maximum useful life out of existing HVAC systems in a safe and responsible manner and replace them with new, more efficient systems whenever system upgrades are needed.
- The facilities department is currently in the process of upgrading its lighting from T-8 fluorescent bulbs to LED bulbs in classrooms and offices. In addition to converting to more energy efficient LED light bulbs, a lighting control system is also being implemented to control light intensity and ensure proper lighting levels in the classroom at significantly reduced costs.
- Another energy reduction approach involves installing occupancy sensors district-wide in over 1,000 classrooms and offices to control lighting in unoccupied rooms. When students or staff are present in a room the sensors turn on lights automatically. The sensors turn lights off when they do not detect anyone present in the room.
- Energy conservation projects for the 2021-22 school year include conversion of both C.I. Waggoner Elementary and Kyrene Middle School from fluorescent lighting to LED lighting. This project also involves the installation of a lighting control system that can modulate lighting intensity and classroom occupancy.

Debt Obligations

Arizona school district general obligation bonds are subject to two limits: the constitutional debt limit on all general obligation bonds and the statutory debt limit on Class B Bonds. The Net Full Cash Assessed Value is used as the basis for determining the debt limits of the District. "Class B" designates, for the purposes of this statutory limit, those bonds authorized at elections held after December 31, 1998. The security and source of payment of Class B bonds is the same as Class A bonds (those authorized at elections held prior to December 31, 1998). The tables below show the unused or available bonding capacity for Kyrene based on the constitutional debt limit capacity and statutory debt limit capacity. Kyrene's current outstanding debt is significantly below either of these debt limits, so there is adequate debt capacity to provide future funding for the capital projects identified on Kyrene's Capital Master Plan.

Unused Borrowing Capacity - Arizona Constitutional Debt Limit

2020-21 Kyrene Net Full Cash Assessed Value	\$2,893,800,000
15% Constitutional Debt Limit	15%
2020-21 Arizona Constitutional Debt Limitation	\$434,070,000
Less Total Bonds Outstanding *	\$213,069,977
Unused Constitutional Borrowing Capacity	\$221,000,023

* Includes outstanding bonds and premium

Unused Borrowing Capacity - Class B Statutory Debt Limit

2020-21 Kyrene Net Full Cash Assessed Value	\$2,893,800,000
10% Threshold	10%
2020-21 Statutory Limitation on Bonds *	\$289,380,000
Less Class B Bonds Outstanding **	\$204,594,977
Unused Statutory Borrowing Capacity	\$84,785,023

* Greater of 10% of the Net Full Cash Assessed Value or \$1,500 per student (\$23,980,500)

** Includes outstanding bonds and premium

Pension and Other Post-Employment Benefits (OPEB)

District employees participate in and are covered by the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan.

The District currently does not offer any OPEB. The District's employees, including their spouses and survivors, may be eligible for certain retiree health care benefits under health care programs provided by the state of Arizona. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the state. Such individuals may obtain the health care benefits offered by the state by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the state. The benefits are available to all retired participants in the state's health care program. The District does not make payments for OPEB costs for such retirees.

The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information, and the report is available on the ASRS website at www.azasrs.gov.

Benefits Provided

The District withholds employee ASRS contributions and remits employee and District contributions in accordance with the ASRS Employer Manual. The ASRS provides retirement, health insurance premium supplement, long-term disability and survivor benefits. State statute establishes benefit terms.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible.

For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Retirement benefits are calculated based on age, average monthly compensation and service credit as follows:

	Retirement Initial Membership Date	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

**with actuarially reduced benefits*

Contributions

In accordance with Arizona state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

The District's ASRS contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.



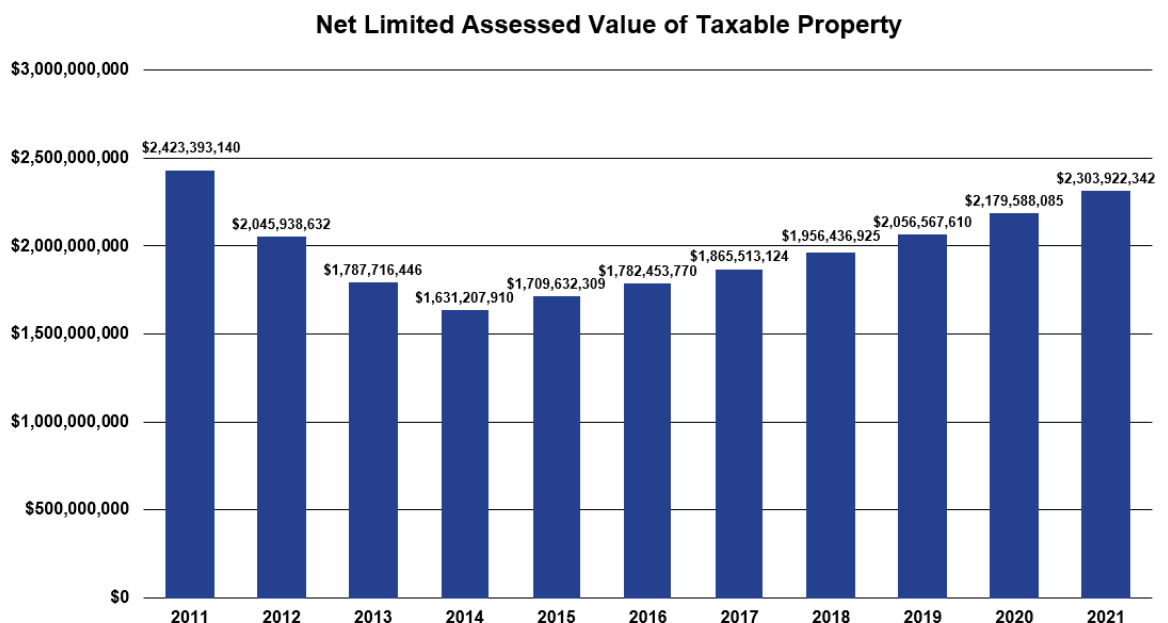
INFORMATIONAL SECTION

Assessed Value of Taxable Property

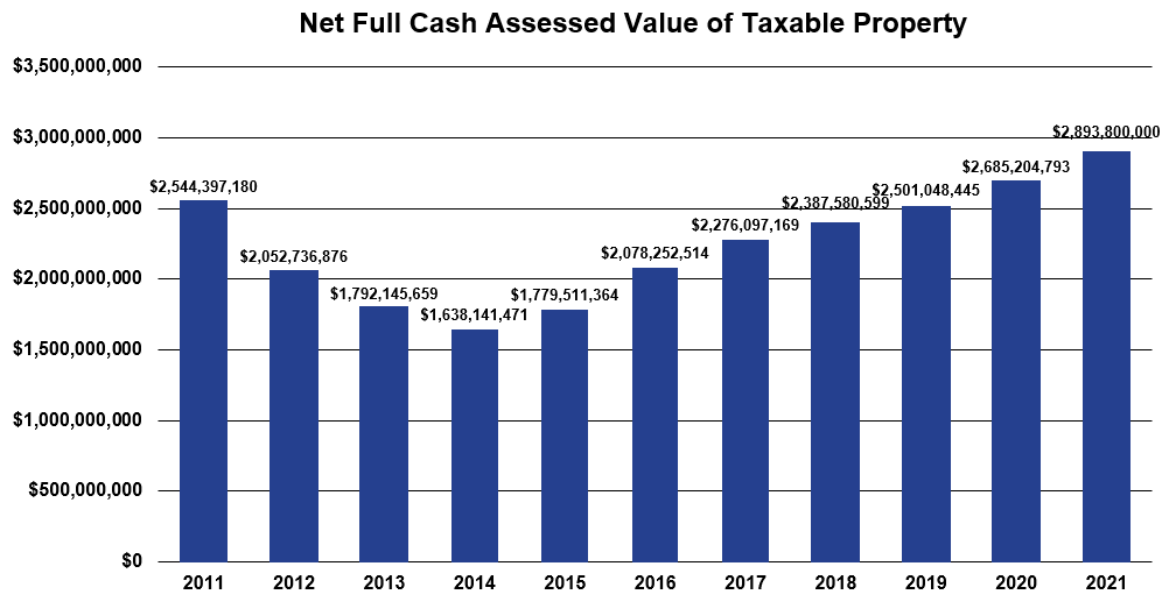
A sizable portion of school district financing in Arizona comes from local property taxes on real and personal property, and valuations are conducted by either the Assessor of the County or the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural, and traditional commercial and industrial property. Property valued by the Arizona Department of Revenue is referred to as “centrally valued property”, and generally includes large mine and utility entities. Locally assessed property is assigned both a full cash and limited property value, and centrally valued property is only assigned a full cash value.

In the context of a specific property parcel, the full cash value is statutorily defined to mean “the value determined as prescribed by statute”, or if a statutory method is not prescribed it is synonymous with market value, meaning that the estimated value is derived annually by using standard appraisal methods and techniques. Generally, this includes either using a market value approach, a cost approach, or an income approach. The full cash value is also the basis for determining constitutional and statutory debt limits for the Kyrene School District.

The limited property value is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. For locally assessed property in existence in the prior year, the limited property value is limited to the lesser of full cash value or an amount 5% greater than the limited property value determined for the prior year. The limited property value is used as the basis for determining and levying both primary and secondary taxes. The graphs below illustrate the historical limited assessed values and full cash assessed values for Kyrene.



Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue



Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue

Property Tax Rates and Amounts

Primary and Secondary Taxes

Arizona property taxes are divided into two categories: primary and secondary. Primary and secondary tax levies are determined by applying tax rates against the net limited assessed valuation across all commercial and residential properties within the school district. Property taxes are collected and distributed in November and April of each year. Regardless of the collection of taxes or the timeliness of being received in a district, the district can spend up to the budget capacity authorized by the state.

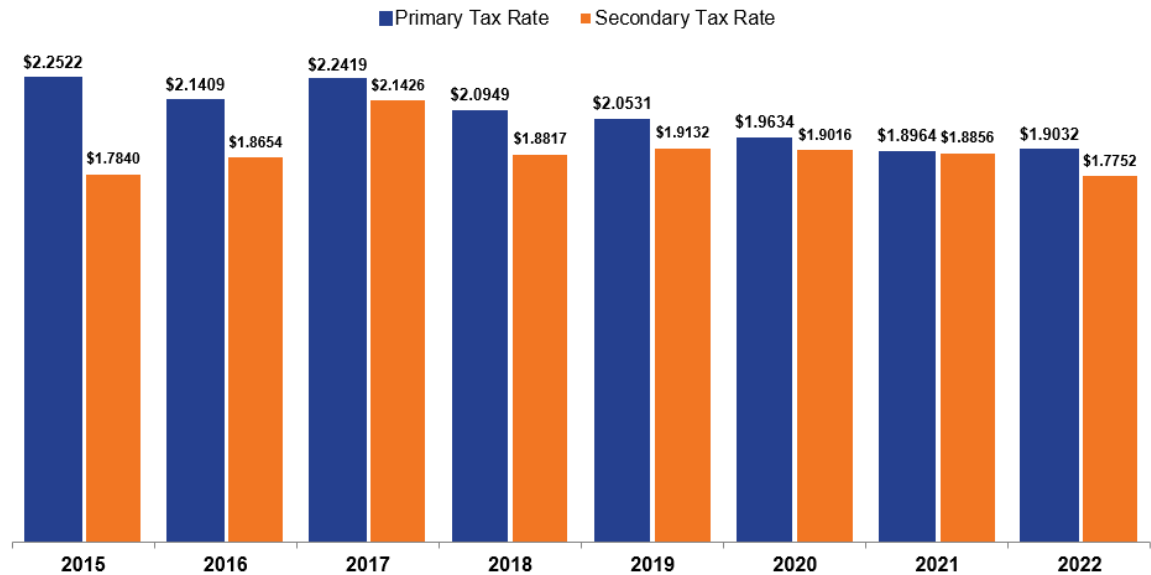
Per state statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the state are classified as “primary taxes”. The primary taxes levied by each county, city, town, and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit, plus any taxes on property not subject to taxation in the preceding year. The 2% limitation does not apply to primary taxes levied on behalf of school districts. The combined taxes on owner occupied residential property only, for purposes other than voter-approved bond indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the limited property value of such property. This constitutional limitation on the combined tax levies for owner occupied residential property is implemented by reducing the school district’s taxes. To offset the effects of reduced school district property taxes, the state compensates the school district by providing additional state equalization assistance.

Per state statute, taxes levied for payments of voter-approved bonds and voter-approved budget overrides are classified as “secondary taxes”. These budget overrides can relate to either Maintenance and Operations or District Additional Assistance. However, unlike primary taxes, there are constitutional or statutory limitations on annual levies for voter-approved bonds and overrides.

Tax Rate Trends

The following chart illustrates the historical trends in primary and secondary tax rates. The secondary tax rate only relates to bonds or overrides that were approved for the Kyrene School District. The tax rate is stated in dollars per \$100 of net limited assessed property valuation.

Property Tax Rates Per \$100 of Assessed Valuation



Source: Maricopa County School Superintendent- School Finance, Tax Rate Information and Resources

Property Taxes Levied and Collected

The State of Arizona tax year has been defined as the calendar year. The appropriate tax rate for each jurisdiction within the state is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals or other reasons reduces the amount of taxes received by each jurisdiction.

The following table illustrates the historical property tax amounts levied vs. actual tax collections for the Kyrene School District.

Fiscal Year	Taxes Levied	Total Collections *	% Collected
2021	\$87,343,478	N/A	N/A
2020	\$84,394,751	\$83,881,340	99.39%
2019	\$82,078,525	\$82,041,248	99.95%
2018	\$77,777,126	\$77,755,521	99.97%
2017	\$81,568,153	\$81,543,875	99.97%
2016	\$71,578,928	\$71,561,270	99.98%

* Collections as of August 31

Source: Office of the Treasurer of the County and the District

Student Enrollment Trends

Projecting and monitoring enrollment data is critical in the development of the District's budget as it helps estimate future year revenue and is used to project employee staffing expenses. School funding in Arizona is calculated based on student enrollment in the current school year, and these enrollment projections provide the District with an estimated revenue expectation for the current year budget. Those projections, when analyzed by student characteristics, provide direction on where to target the allocation of resources. Since Kyrene has a long history of analyzing enrollment data, the District is able to identify trends and this leads to decisions on how to allocate resources district-wide.

Every other year an in-depth analysis of enrollment data is performed by the District. This analysis incorporates factors that influence enrollment, and provides multi-year student enrollment trends. In the off years, a smaller study is conducted to provide school and grade level projections to help monitor and/or anticipate drivers for school needs. When analyzing enrollment, variables such as housing and occupancy rates, household and population characteristics and residential development are considered when calculating 10-year District-level and small-area projections of enrollment by grade. In addition, projections by school and attendance area are also illustrated to better understand the predictability of enrollment by school.

40th day enrollment data is used to calculate projections and provides the District with information that is in line with the budget setting process. Additionally, after budgets have been created, the District monitors enrollment throughout the year to evaluate resource allocations and makes changes related to staffing and assignment of learning materials where needed. Data sets include 10th Day, 40th Day, 100th Day, and end of year.

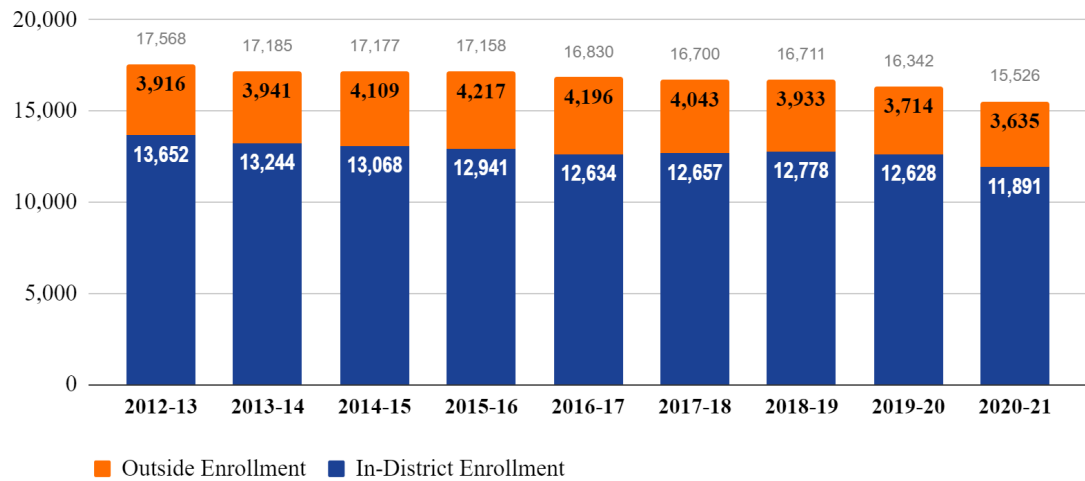
Kyrene's opportunity for enrollment growth is limited. The District boundaries are "landlocked" with limited room for growth in expansion and new housing, which limits the opportunity to increase the overall population residing within the district boundaries. In addition, the community is aging in place, which reduces the opportunity for families with school age children to move into the District. The impact of past economic recessions has also resulted in a declining birth rate across Maricopa county, resulting in fewer new incoming kindergarten students. Long and short-term analyses of enrollment data help the District better understand whether contributing factors are changing over time and what their impact may be on overall enrollment.



Figure 1 provides multiple years of enrollment data for Kindergarten through Grade 8. The 40th day headcount in Fiscal Year 2020-21 was 15,526 students. There has been a recent overall downward trend in district-wide enrollment due to the reasons mentioned above. Prior to 2020-21, the District was experiencing a 1% average annual enrollment decline. However, for the 2020-21 school year, the enrollment declined by 5%. This enrollment decline was consistent with the experiences of other schools and school districts across the state, as Arizona saw a statewide decline in enrollment of over 40,000 students as a result of the COVID-19 pandemic.

Figure 1

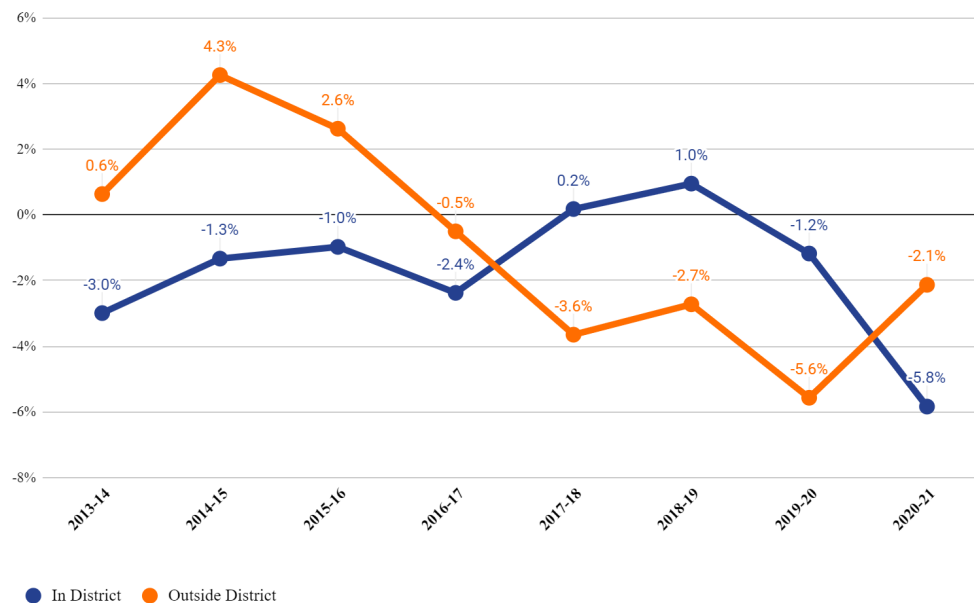
K-8 Enrollment Over Time by Boundary Status



Kyrene’s student enrollment includes many students who live outside of the district boundaries. Historically, approximately 75% of the total student enrollment comes from “in district” boundaries, with the remaining 25% coming from areas outside of Kyrene’s geographic boundaries. By focusing the lens of this enrollment analysis on boundary status, **Figure 2** shows that in-district enrollment in 2020-21 experienced a decline of 5.8% compared to a previous annual average of approximately 1%. The out-of-district enrollment declined 2.1% in 2020-21 vs. a decline of 5.6% in the 2019-20 school year.

Figure 2

Annual Percent Change by Boundary Status



Kyrene also analyzes enrollment changes across grade levels. By understanding the specific grade-level changes, classroom staffing and resources needs are appropriately forecasted and budgeted for. **Figure 3** illustrates the enrollment impact on grades K-1. These declining numbers are the result of being a land-locked District with declining birth rates and low turnover rates in the housing market.

Figure 3

K-1 Enrollment Over Time

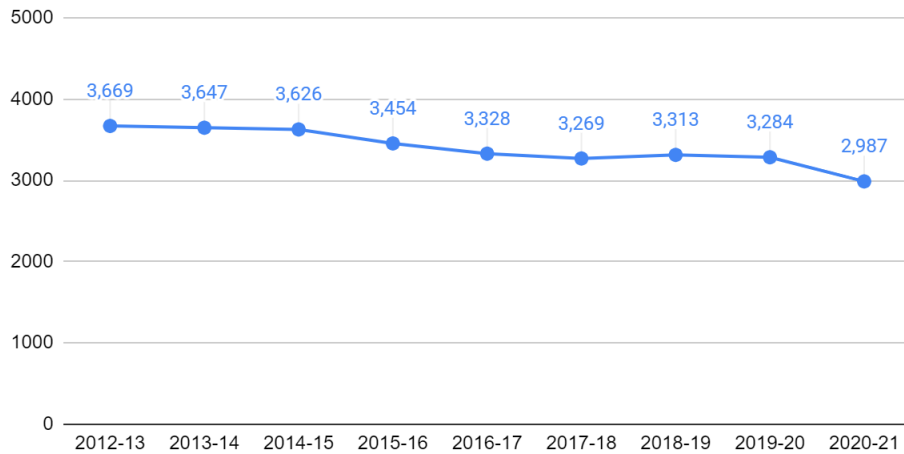


Figure 4 highlights the enrollment for grades 2-8, which shows more historical stability than the early entrance years.

Figure 4

Grades 2-8 Enrollment Over Time

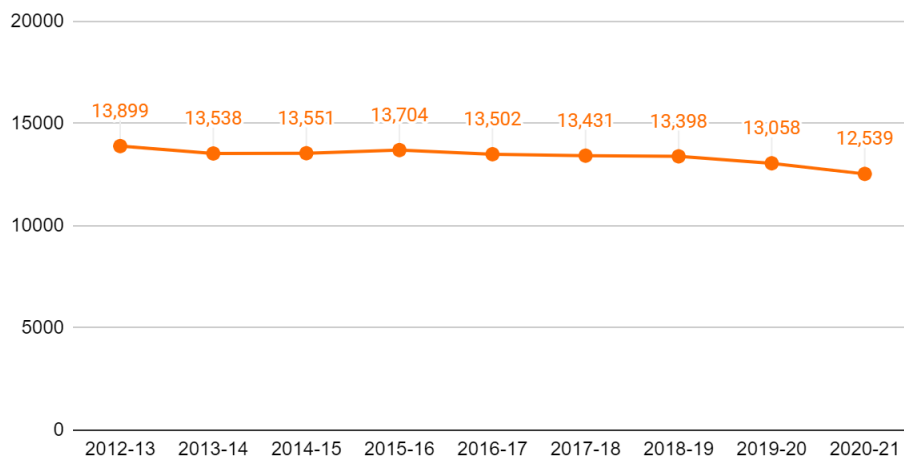
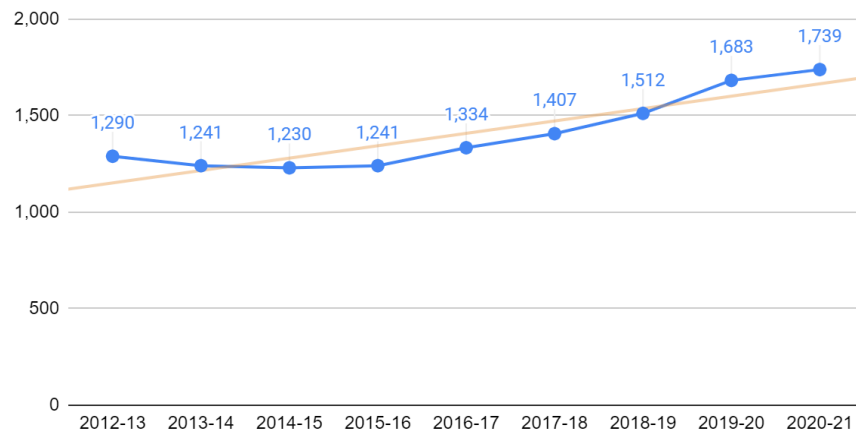


Figure 5 shows the enrollment trend for students who have been identified to receive special education services. In recent years, Kyrene has experienced an increase in the number of these students, with an overall increase of 35% over the time period shown. Kyrene uses this information to include any additional costs that are needed to support this group of students district-wide.

Figure 5

Special Education Enrollment Over Time



Kyrene also monitors and analyzes student populations by socio-economic status. Schools that have larger numbers of students identified as economically disadvantaged are prioritized to receive additional funding through Title I, and are also staffed with lower staff-to-student ratios.



Figure 6 displays school-level enrollment over time. By rolling over grade-level enrollment and applying factors such as trend history, the District is able to include school-based budgeted resources for the upcoming year as well as plan for future needs. For example, in February of each year, the District rolls forward grade level counts prior to the issuance of teacher contracts. Along with projections and staffing retention rates, these values define the number of staff a site needs for the following year. This information is crucial because teacher staffing makes up approximately 50% of all employee costs across the District. Furthermore, it allows other departments to begin to identify curriculum and resource needs and also budget accordingly.

Figure 6 Enrollment by School Over Time	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Grades K-5									
Kyrene de las Brisas	760	775	779	755	737	698	681	669	595
Kyrene de los Cerritos	549	512	519	501	501	510	499	487	423
Kyrene del Cielo	766	757	770	774	760	688	697	681	605
Kyrene de la Colina	623	564	534	529	487	506	479	504	446
Kyrene de la Esperanza	577	568	523	559	536	571	581	539	454
Kyrene de la Estrella	428	444	423	408	430	446	474	490	393
Kyrene de los Lagos	542	493	496	521	488	470	502	526	521
Kyrene de las Lomas	762	733	706	693	660	607	585	533	419
Kyrene de las Manitas	635	618	573	530	510	456	437	442	363
Kyrene de la Mariposa	620	574	552	559	524	530	540	525	449
Kyrene del Milenio	687	654	642	638	635	615	594	547	502
Kyrene de la Mirada	436	496	545	585	598	581	622	611	554
Kyrene Monte Vista	468	507	556	633	668	652	675	673	572
Kyrene de los Ninos	562	663	707	733	506	534	544	481	403
Kyrene del Norte	542	527	513	460	589	570	494	483	436
Kyrene de la Paloma	503	518	496	509	474	469	481	482	409
Kyrene de la Sierra	674	640	613	535	552	553	535	493	437
Kyrene C.I. Waggoner	617	597	613	637	643	617	568	545	473
Subtotal	10,751	10,640	10,560	10,559	10,298	10,073	9,988	9,711	8,454
Grades K-8									
Kyrene Digital Academy	--	--	--	--	--	--	--	--	1,321
Kyrene Traditional Academy	386	431	504	525	541	632	700	764	619
Subtotal	386	431	504	525	541	632	700	764	1,940
Grades 6-8									
Akimel A-al Middle School	1,119	1,064	1,063	1,074	1,063	1,069	1,085	1,006	911
Altadena Middle School	1,085	1,080	1,065	1,086	1,043	1,074	1,061	1,028	942
Aprende Middle School	1,074	1,022	1,040	1,032	1,093	1,130	1,146	1,128	1,051
Centennial Middle School	1,064	990	1,058	1,030	999	937	937	914	761
Kyrene Middle School	1,154	1,107	1,058	1,032	972	943	930	942	789
Pueblo Middle School	935	851	829	820	821	842	864	849	678
Subtotal	6,431	6,114	6,113	6,074	5,991	5,995	6,023	5,867	5,132
Total	17,568	17,185	17,177	17,158	16,830	16,700	16,711	16,342	15,526

The regular reporting of this type of data allows Kyrene to prepare for potential changes in enrollment, plan for any impact on the budget, and also watch for any anomalies or variances from previous projections. The resulting outcome is a budget that is aligned to District priorities and that is responsive to student needs, creating an equitable framework for the allocation of resources.

Bond and Debt Service

A bond is a promise to pay a specified sum of money (called the principal) at a specified date in the future, together with periodic interest at a specified rate. Bonds are debt securities issued to finance capital related purchases and projects and are the primary funding source for Kyrene's Capital Master Plan. They are used to maintain the school buildings and grounds, repair school buildings, purchase transportation vehicles and address other administrative capital needs. Kyrene voters approved and authorized \$116,950,000 in new bonds to be issued in the November 2017 election. Without the support of our Kyrene community, there is not enough state capital funding to support the capital needs for our school facilities.

Bonds must be issued within 10 years of voter approval, and are often paid off over long periods of time, typically up to 20 years. Kyrene's last bond issuance was in the fall of 2020 and \$28,005,000 of bonds were sold at that time. The table below provides the details of the total debt service as of November 3, 2020. These debt obligations are used to fund the projects identified in Kyrene's Capital Master Plan.

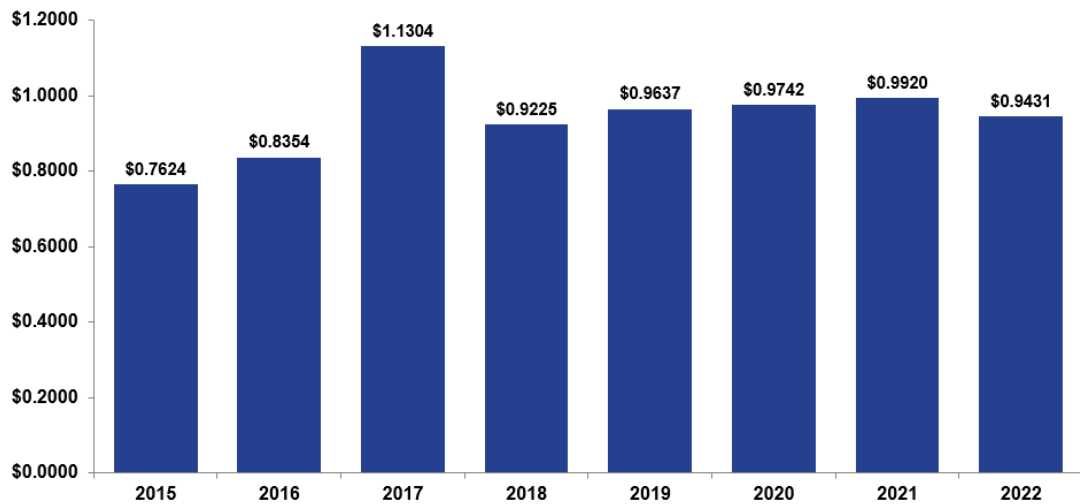
Total Debt Service Outstanding Debt as of 11-3-2020

Payment Date	Principal Payments	Interest Payments	Total Debt Service
1/1/2021		\$3,679,962.50	\$3,679,962.50
7/1/2021	\$19,235,000.00	\$4,523,209.72	\$23,758,209.72
1/1/2022		\$3,907,362.50	\$3,907,362.50
7/1/2022	\$13,950,000.00	\$3,907,362.50	\$17,857,362.50
1/1/2023		\$3,635,662.50	\$3,635,662.50
7/1/2023	\$13,345,000.00	\$3,635,662.50	\$16,980,662.50
1/1/2024		\$3,348,362.50	\$3,348,362.50
7/1/2024	\$13,950,000.00	\$3,348,362.50	\$17,298,362.50
1/1/2025		\$3,015,737.50	\$3,015,737.50
7/1/2025	\$11,730,000.00	\$3,015,737.50	\$14,745,737.50
1/1/2026		\$2,767,862.50	\$2,767,862.50
7/1/2026	\$11,660,000.00	\$2,767,862.50	\$14,427,862.50
1/1/2027		\$2,495,362.50	\$2,495,362.50
7/1/2027	\$11,815,000.00	\$2,495,362.50	\$14,310,362.50
1/1/2028		\$2,270,687.50	\$2,270,687.50
7/1/2028	\$12,535,000.00	\$2,270,687.50	\$14,805,687.50
1/1/2029		\$1,997,187.50	\$1,997,187.50
7/1/2029	\$12,710,000.00	\$1,997,187.50	\$14,707,187.50
1/1/2030		\$1,706,462.50	\$1,706,462.50
7/1/2030	\$13,375,000.00	\$1,706,462.50	\$15,081,462.50
1/1/2031		\$1,432,212.50	\$1,432,212.50
7/1/2031	\$11,445,000.00	\$1,432,212.50	\$12,877,212.50
1/1/2032		\$1,204,300.00	\$1,204,300.00
7/1/2032	\$12,035,000.00	\$1,204,300.00	\$13,239,300.00
1/1/2033		\$954,850.00	\$954,850.00
7/1/2033	\$12,675,000.00	\$954,850.00	\$13,629,850.00
1/1/2034		\$691,475.00	\$691,475.00
7/1/2034	\$7,625,000.00	\$691,475.00	\$8,316,475.00
1/1/2035		\$512,475.00	\$512,475.00
7/1/2035	\$5,855,000.00	\$512,475.00	\$6,367,475.00
1/1/2036		\$395,375.00	\$395,375.00
7/1/2036	\$5,575,000.00	\$395,375.00	\$5,970,375.00
1/1/2037		\$274,625.00	\$274,625.00
7/1/2037	\$4,025,000.00	\$274,625.00	\$4,299,625.00
1/1/2038		\$184,000.00	\$184,000.00
7/1/2038	\$4,250,000.00	\$184,000.00	\$4,434,000.00
1/1/2039		\$88,000.00	\$88,000.00
7/1/2039	\$2,150,000.00	\$88,000.00	\$2,238,000.00
1/1/2040		\$45,000.00	\$45,000.00
7/1/2040	\$2,250,000.00	\$45,000.00	\$2,295,000.00
Total	\$202,190,000.00	\$70,057,172.22	\$272,247,172.22

Secondary Property Tax Rates - Bond Only

Per state statute, taxes levied for payments for the debt service related to voter-approved bonds are classified as “secondary taxes”. Below is a historical summary of the secondary property taxes for the Kyrene School District that are solely related to the debt service payments for bonds.

Bond Only - Secondary Property Tax Rates Per \$100 of Assessed Valuation

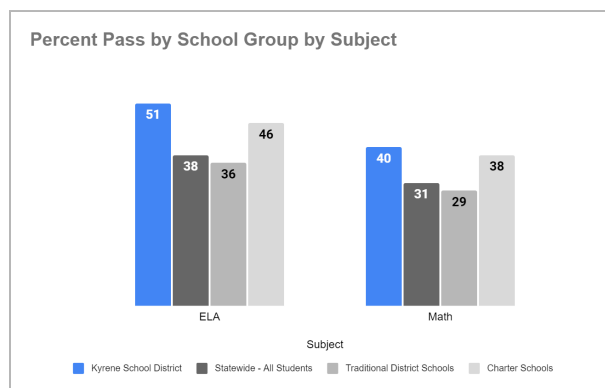


Source: Maricopa County School Superintendent- School Finance, Tax Rate Information and Resources

Performance Measures

High Performing Students

Kyrene’s strategic plan emphasizes the goal of preparing all students to achieve their full potential in school and life by providing a dynamic learning environment that maximizes student growth and performance. In alignment with the District’s vision, dollars are invested more heavily in the classroom than in any other area, and Kyrene students continue to out-perform their peers as well as the state of Arizona. Varying results at the school level provide opportunities to determine targeted resource allocations. For example, the inclusion of achievement outcomes in the framework of school-based budget decisions may help indicate the need for, and distribution of, additional intervention resources. The Spring 2021 AzM2 (general assessment) and Multi-State Alternate Assessment (MSAA) results are provided below.



Kyrene Students Continue to Outperform Peers

English Language Arts (ELA)

- 51% of Kyrene students passed the ELA assessment, surpassing the statewide average and the average for District and Charter Schools.
- 5 Kyrene schools scored in the top 10% of all Arizona schools.¹
- 7 Kyrene school scored in the top 30 of all district schools.²

Mathematics

- 40% of Kyrene students passed the Math assessment, surpassing the statewide average and the average for District and Charter Schools.
- 3 Kyrene schools scored in the top 10% of all Arizona schools.¹
- 4 Kyrene schools scored in the top 30 of all district schools.²

¹FY21 performance is in the top 10% of all district and charter schools who had reportable results (1,517 schools).

²FY21 performance is in the top 30 of all district schools who had reportable results (1,227 schools).

The COVID-19 pandemic impacted most aspects of education in the 2020-21 school year, including annual statewide assessment data. As a result, the process for student test taking and the results from this year's tests look different than previous school years, making year-over-year comparisons irrelevant. While districts across the state may not be able to use 2021 test scores to compare student achievement between years, the District is still able to use them as a temperature check and to address COVID-19 education recovery efforts. The assessment results, when combined with other data, present an opportunity to determine and prioritize the types of resources and student-based supports that are needed for the coming year. We owe it to students to use every piece of information we have to help them succeed. AzM2 results may also be used to help prioritize State and Federal grant funds for COVID-19 related recovery efforts.

English Language Arts		Mathematics	
School Name	% Passing	School Name	% Passing
<i>Statewide - All Students</i>	38	<i>Statewide - All Students</i>	31
<i>Traditional District Schools</i>	36	<i>Traditional District Schools</i>	29
<i>Charter Schools</i>	46	<i>Charter Schools</i>	38
<i>Kyrene School District</i>	51	<i>Kyrene School District</i>	40
Kyrene de las Brisas School	57	Kyrene de las Brisas School	48
Kyrene de los Cerritos School ¹	66	Kyrene de los Cerritos School	55
Kyrene del Cielo School ¹	69	Kyrene del Cielo School ¹	63
Kyrene de la Colina School	45	Kyrene de la Colina School	32
Kyrene de la Esperanza School	36	Kyrene de la Esperanza School	28
Kyrene de la Estrella School	52	Kyrene de la Estrella School	47
Kyrene de Los Lagos School ²	61	Kyrene de Los Lagos School	52
Kyrene de las Lomas School	38	Kyrene de las Lomas School	24
Kyrene de las Manitas School	52	Kyrene de las Manitas School	38
Kyrene de la Mariposa School	44	Kyrene de la Mariposa School	39
Kyrene del Milenio School	46	Kyrene del Milenio School	43
Kyrene de la Mirada School ¹	67	Kyrene de la Mirada School ¹	62
Kyrene Monte Vista School ^{1,2}	72	Kyrene Monte Vista School	60
Kyrene de los Ninos School	22	Kyrene de los Ninos School	21
Kyrene del Norte School	55	Kyrene del Norte School	45
Kyrene de la Paloma School	52	Kyrene de la Paloma School	46
Kyrene de la Sierra School ^{1,2}	81	Kyrene de la Sierra School ^{1,2}	68
C I Waggoner School	52	C I Waggoner School	46
Kyrene Digital Academy	53	Kyrene Digital Academy	37
Kyrene Traditional Academy	47	Kyrene Traditional Academy	40
Kyrene Akimel A-ai Middle School	46	Kyrene Akimel A-ai Middle School	33
Kyrene Altadena Middle School ²	61	Kyrene Altadena Middle School	49
Kyrene Aprende Middle School	55	Kyrene Aprende Middle School	45
Kyrene Centennial Middle School	34	Kyrene Centennial Middle School	19
Kyrene del Pueblo Middle School	46	Kyrene del Pueblo Middle School	28
Kyrene Middle School	39	Kyrene Middle School	31

¹ FY21 performance is in the top 10% of all district and charter schools who had reportable results (1,517 schools).

² FY21 performance is in the top 30 of all district schools who had reportable results (1,227 schools).

High Quality Talent

To ensure the highest quality learning, one of Kyrene's strategic goals is to attract and retain high quality teachers, administrators and education support professionals. Kyrene allocates funds to recruit and retain the best and brightest. Even during a nationwide teacher shortage, 100% of certified teacher positions were filled by the 10th day of school. Having a teacher in each classroom on the first day of school promotes a stable learning environment for our students.

Operational Spending



As part of the budget process, Kyrene strives to maximize funding allocated to the classroom in order to produce the most direct benefits to students. The results from this activity can be measured and evaluated by reviewing an independent report prepared and published by the Arizona Auditor General's office. This report is produced annually in the spring and provides information for the previous fiscal year.

Arizona Revised Statutes §41-1279.03 requires the Auditor General to monitor school districts to determine the percentage of every dollar spent in the classroom and conduct performance audits of Arizona's school districts. However, Arizona charter schools, which are also funded with taxpayer and public dollars, are not subject to this requirement. The audit and report monitors state-wide operational spending trends in instruction and other operational categories such as student support, instructional support, administration, plant operations, food service and transportation. It also identifies spending for peer districts within Arizona as well as overall state results. Peer groups are identified based on districts that have a similar size, type and location. For Kyrene, its peer group includes districts categorized by the Auditor General as very large and large elementary school districts in cities and suburbs.

Classifications

Operational spending includes costs incurred for the District's day-to-day operations and includes the categories listed below. These categories follow Arizona's Uniform Chart of Accounts for school districts, which meets the requirements of the U.S. Department of Education's account classifications. This provides the ability to compare individual school districts' measures to peer districts' measures, Arizona's measures to national averages, and Arizona's measures over time. Operational spending includes instructional and non-instructional spending. The definition of instructional spending used in the Auditor General's report is based on the definition of "instruction" developed by the U.S. Department of Education's National Center for Education Statistics. Operational spending excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs that are outside the scope of preschool through grade 12 education, such as adult education and community service programs. Total operational spending includes the instructional and non-instructional expenditures as shown below:

Instructional Spending

Classroom personnel. Salaries and benefits for teachers, teacher's aides, substitute teachers, graders and guest lecturers.

General instructional supplies. Paper, pencils, crayons, etc.

Instructional aids. Textbooks, workbooks, instructional software, etc.

Activities. Field trips, athletics, and co-curricular activities, such as choir or band.

Tuition. Paid to out-of-State and private institutions.

Non-instructional Spending

Administration. Salaries and benefits for superintendents, principals, business managers, clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities and administrative technology services. This category also includes other costs related to these services as well as the governing board.

Plant operations. Salaries, benefits, and other costs related to equipment repair, building maintenance, custodial services, groundskeeping and security. This category also includes costs for heating, cooling, lighting and property insurance.

Food service. Salaries, benefits, food supplies and other costs related to preparing, transporting and serving meals and snacks.

Transportation. Salaries, benefits, and other costs related to maintaining buses and transporting students to and from school and school activities.

Student support. Salaries and benefits for attendance clerks, social workers, counselors, nurses, audiologists and speech pathologists. This category also includes other costs related to these support services to students.

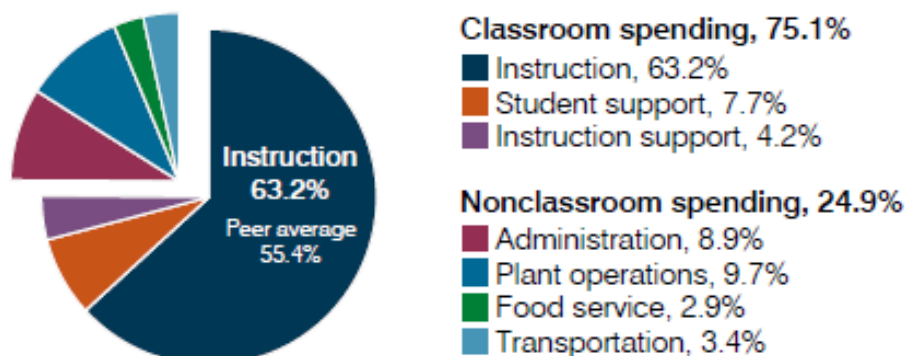
Instruction support. Salaries and benefits for curriculum directors, special education directors, teacher trainers, librarians, media specialists and instruction-related IT staff. This category also includes other costs related to assisting instructional staff in delivering instruction.

Spending by Operational Area

The results from the latest independent Arizona Auditor General report from 2020 are listed below. This report is produced annually in the spring and provides information for the previous fiscal year. According to the report, Kyrene's instructional spending was 63.2%. This amount is substantially higher than Kyrene's peer district average of 55.4% and the overall state average of 54.9%.

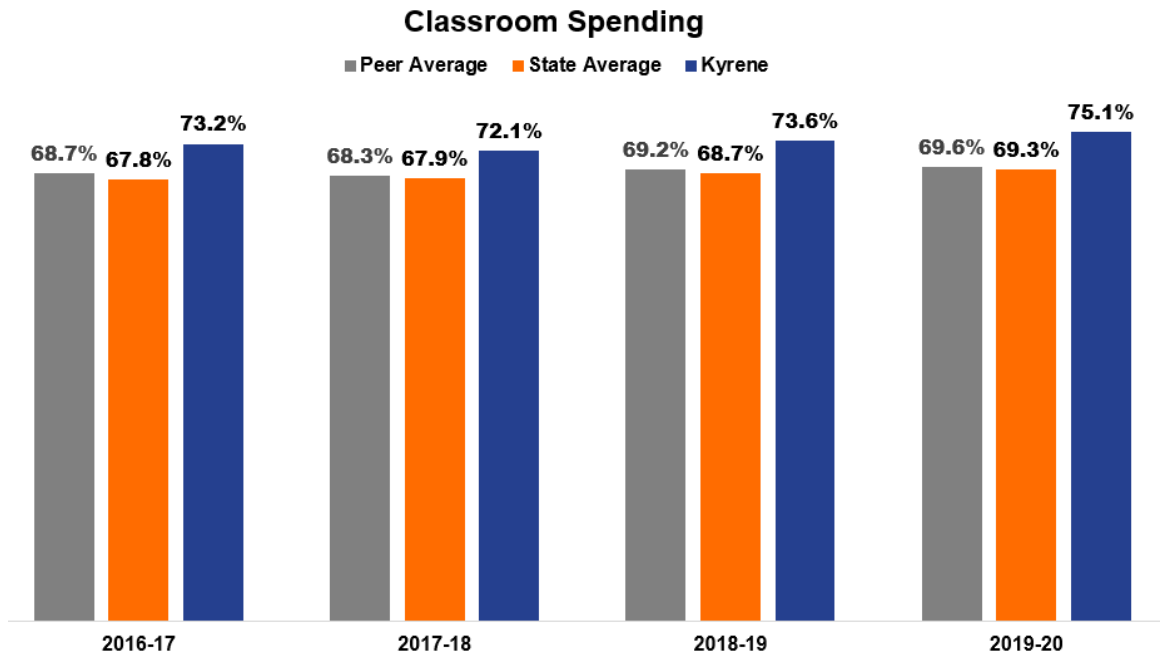
The combined spending for instruction, student support, and instruction support is also identified as "classroom spending" by the Auditor General. These amounts represent the total funding spent for overall classroom activities within a school district. For Kyrene, this amount is one of the highest in the state at 75.1% and is significantly higher than both the peer district average of 69.6% and the overall state average of 69.3%. This means that three out of every four dollars spent by Kyrene went into the classroom to provide the most direct benefits for students.

These results and distinctions for Kyrene in 2020 are similar to the data in previous Auditor General reports as Kyrene has consistently put more dollars into the classroom than both its peer groups and the overall state average. Information from the most current Auditor General report for total operational spending and historical classroom spending is provided below.



Historical Classroom Spending Comparisons

The combined spending for instruction, student support, and instruction support is characterized as “classroom spending” by the Auditor General. These amounts represent the total funding spent for overall classroom activities within a school district. The graph below shows that Kyrene has consistently outperformed the state of Arizona and peer comparison groups as identified by the Auditor General’s office.



GLOSSARY OF COMMONLY USED TERMS

Accrual Basis: Governmental accounting method where districts recognize increases and decreases in economic resources as soon as the underlying transaction or event occurs. Revenues are recognized when they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of the related cash inflows and outflows.

Arizona Department of Education (ADE): This agency, operating under the direction of the Superintendent of Public Instruction, provides direct services to school districts. The agency executes the policies of the State Board of Education and the State Board of Vocational and Technological Education – implementing state academic standards, administering statewide assessments, disseminating information, administering and allocating federal and state funds and providing program improvement assistance to schools and districts.

Arizona Revised Statutes (A.R.S.): The name given to the statutory laws in the state of Arizona.

Arizona State Retirement System (ASRS): The ASRS is a state agency that administers a pension plan, long term disability plan, retiree health insurance plans and other benefits to qualified government workers.

ARP: The American Rescue Plan (ARP) was passed by the federal government in March 2021 to provide one-time federal funding to address recovery efforts in response to the COVID-19 pandemic.

Average Daily Membership (ADM): A method of counting the number of enrolled students based upon the first 100 school days in session. ADM is a key component in the Arizona school finance funding formula.

Balanced Budget: The budget is considered balanced when total expenditures are equal to or less than total revenues. The District also considers the budget to be balanced in instances when fund balances from previous years are spent on one-time or non-routine expenditures.

Bond: A promise to pay a specified sum of money (called the principal) at a specified date in the future, together with periodic interest at a specified rate. Bonds are debt securities issued to finance capital related purchases and projects.

Budget: A financial plan for a defined period (often one year) that includes estimates of revenues and expenditures.

Capital Expenditure: An expenditure intended to benefit future periods. Generally, the acquisition of or improvement to land, buildings, or equipment.

CARES Act: The Coronavirus Aid, Relief, and Economic Security Act was passed by the federal government in March 2020 to provide one-time federal funding to address recovery efforts in response to the COVID-19 pandemic.

CRRSA Act: The Coronavirus Response and Relief Supplemental Appropriations Act was passed by the federal government in December 2020 to provide one-time federal funding to address recovery efforts in response to the COVID-19 pandemic.

District Additional Assistance (DAA): The amount of capital funding provided by the state and is calculated by multiplying the state approved funding level by the unweighted actual student count (based on the prior year 100th day).

E-Rate: Federal program that reimburses school districts for network infrastructure, broadband, and telecommunications upgrades such as switches, routers, fiber optics, access points and ethernet cabling.

ESSER: Elementary and Secondary School Emergency Relief federal one-time funding for local areas to address recovery efforts in response to the COVID-19 pandemic.



Full Cash Value: Statutorily defined to mean “the value determined as prescribed by statute”, or if a statutory method is not prescribed it is synonymous with market value, meaning that the estimated value is derived annually by using standard appraisal methods and techniques.

Function: Method of classifying expenditures that describe the activity for which a service is acquired, or an expenditure is made.

Fund: A grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governing Board: The governing body of a school district in Arizona, whose members are elected by voters within the school district.

IDEA Part B: Federal funding to provide services to children with disabilities under the Individuals with Disabilities Education Act (IDEA).

Limited Property Value: Property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes, which limits the value of the property used for tax purposes each year to 5% growth, up to the full cash value of the property

Maintenance and Operations (M&O): The largest fund within the general fund type that is used to fund most of the operational day-to-day activities to run a school district. Typically, this includes costs to support regular education, special education and transportation.

Modified Accrual Basis: Government accounting method where revenue is recognized when it becomes measurable and available to finance expenditures of the current period. Expenditures are typically recognized in the period in which the liability is incurred.

Object: Method of classifying expenditures at the most detailed level and describes the service or material obtained as the result of a specific expenditure.

Primary Taxes: Per state statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the state of Arizona.

Program: Method of classifying expenditures for activities designed to achieve a specific goal or set of objectives.

Prop 123: The lawsuit settlement over Arizona state inflationary funding that was passed by voters in May 2016 to increase school funding for a 10-year period.

Prop 301: The legislative initiative that created the Classroom Site Fund as defined in A.R.S. §15-977. Funding for the Classroom Site Fund is based on a 0.6% sales tax with the proceeds to be used for public education and increasing teacher salaries.

Qualifying Tax Rate (QTR): The annual statewide property tax rate calculated to determine the local tax levy before a district is eligible for equalization assistance.

Revenue Control Limit (RCL): A budgeted spending limit that is based on state determined funding and calculated by adding the base support level plus the transportation revenue control limit.

Secondary Taxes: Per state statute, taxes levied for payments of voter-approved bonds and voter-approved budget overrides.

Title Funding: Federal supplemental funding to support the base educational model. Funds can be used for instructional staffing to support programs, materials, supplies or training.

Title 15: A compilation of selected education laws passed by the Arizona State Legislature.

Uniform System of Financial Records (USFR): A publication that is a joint responsibility of the Arizona Auditor General and Arizona Department of Education. This document interprets Arizona Title 15 and contains the guidelines and directions by which Arizona schools must financially comply.

Unit: Method of classifying expenditures by a location or separate level.