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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

March 11, 2024

Justin Bradford, Superintendent
Prescott School District
207 South A Street
P.O. Box 95
Prescott, Washington 99348

Re: Approval of Request to Budget Future Receivables with Binding Conditions

Dear Superintendent Bradford:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Educational Service District 123 and the Office of Superintendent of Public Instruction (OSPI) have accepted Prescott School District's year-end financial statement for the 2022–23 school year, in which the district has certified to have a negative ending general fund balance of (\$6,739.58).

To approve the request submitted to OSPI through Board Resolution 20240125, OSPI must require the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and ESD 123 an opportunity to more closely review and potentially recommend school district decisions related to their current financial condition. The goal is to ensure the district restores a healthy financial position and exits Binding Conditions within two school fiscal years. If a healthy financial position is not resorted within two school years, the district may be referred to the Enhanced Financial Oversight Committee (EFOC). If Enhanced Financial Oversight is required, the EFOC can exercise more aggressive financial remedies up to and including school district resolution.

Acceptance of Prescott's 2022–23 school year financial statement, each of the conditions outlined below must be met. These conditions include benchmarks for the remainder of the 2023–24 school year and throughout the 2024–25 school year.

1. The ending general fund balance reported in the F-196 in November 2024 must not be less than (\$0).

2. Monthly budget status reports presented to the school board must be shared with ESD 123 and OSPI within one week of the board meeting.
3. A quarterly meeting to review current financial status will be held with ESD 123 and OSPI to include review of the following: budgeted to actual expenditures and revenues, enrollment trends, current staffing levels, and current multi-year cash flow projection. These meetings will be scheduled by OSPI after considering the required individuals' calendar availability no later than March 22, 2024. These meetings must include, at a minimum, the Superintendent and Business Official of the school district. The President of the School Board is recommended but not required to attend these meetings.
4. The budgeted general fund balance in the F-195, adopted by August 1, 2024, for the 2024–25 school year, is no less than 5% of total general fund expenditures.
5. The actual general fund balance in the F-196, submitted in November 2025, is not less than 5% of actual expenditures for the 2024–25 school year.

If any of the above conditions are not met, the district will continue to operate under Binding Conditions. OSPI and ESD 123 will continuously review the district's fiscal projections and adherence to the stated conditions above. We, collectively, reserve the right to update any of the conditions stated above, if the financial situation of the district changes significantly from what is currently projected.

Background

Prescott School District has experienced several factors that have led to their current financial position. The main contributing factors are listed below:

- The district's former Business Manager resigned in May and was replaced in mid-July. There was no overlap between the outgoing and incoming managers, preventing communication regarding district processes and ensuring access to critical systems.
- The district was unable to claim grants for the last three months of the 2022–23 fiscal year, because there was no access to OSPI grant claiming systems.
- The Accounts Payable position was not closely supervised due to the remote location of the prior business manager. The district discovered several large outstanding Accounts Payable invoices in August that needed to be processed for payment.
- Covering the previously bargained increases in salaries for employees who are not funded through basic education funding.
- Continuing to incur expenses previously covered by a grant program despite its funding.

Sincerely,

T.J. Kelly
Chief Financial Officer
Office of Superintendent of Public Instruction

Steve McCullough
Superintendent
Educational Service District 123

Acknowledgement of Acceptance of Conditions

X _____

School District Superintendent

X _____

School Board President