

Old Capitol Building  
PO Box 47200  
Olympia, WA 98504-7200



Washington Office of Superintendent of  
**PUBLIC INSTRUCTION**  
Chris Reykdal, Superintendent

k12.wa.us

June 24, 2024

Nick Perigo, Interim Superintendent  
Mount Baker School District #507  
4956 Deming Road  
P.O. Box 95  
Deming, Washington 98244

Re: Binding Conditions Agreement: Updates and Extension

Dear Interim Superintendent Perigo:

Last August, in accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Northwest Educational Service District (NWESD) 189 and the Office of Superintendent of Public Instruction (OSPI) completed the review of Mount Baker School District's budget for the 2023–24 school year, in which the school board adopted a budget with a negative ending general fund balance of (\$1,175,381).

Following approval of the request submitted to OSPI through Board Resolution 22/23:13, OSPI required the district be placed on Binding Conditions. The goal of Binding Conditions is to ensure the district restores a healthy financial position and exits Binding Conditions within two school fiscal years. This is accomplished, in part, through collaboration with OSPI and NWESD as they closely review and potentially recommend school district decisions related to their current financial position. If a healthy financial position is not achieved within two school years, or within an alternate time as approved by OSPI and NWESD, the district may be referred to the Financial Oversight Committee (FOC). If Financial Oversight is required, the FOC can exercise more aggressive financial remedies up to and including school district dissolution.

Since the district was originally placed on Binding Conditions in August 2023, the district has communicated clearly and effectively with OSPI and NWESD. There have been no missed deadlines regarding the reporting of information nor have there been unexpected cancellations of, nor absences from key meetings. The district is on track to meet its target general fund balance at the end of the 2023–24 school year of not less than (\$1,175,381). Cash flow remains a challenge for the district, however, it is one that the district has a strategy to address. The district

has successfully built a relationship with the Whatcom County Treasurer to assist in the support for short-term cash flow needs. Complicating the district's expenditure reduction efforts is a scheduled 3% further reduction in regionalization revenue in the 2024–25 fiscal year. The district has indicated that the original time of two school years on Binding Conditions may not be sufficient to meet their minimum fund balance target, without significantly impacting student experience and risking further enrollment decline. Due to the confidence that OSPI and NWESD share in the district's leadership regarding the current financial situation, we are granting an extension of one year (through the 2025–26 fiscal year as noted in binding conditions 1–8 below) to meet their 4% minimum fund balance target.

To ensure the continued progression of financial improvement for Mount Baker School District, each of the conditions outlined below must be met. These conditions include benchmarks within the 2023–24; 2024–25; and 2025–26 school fiscal years.

1. The ending general fund balance reported in the F-196 in November 2024 must not be less than the current budgeted deficit of (\$1,175,381).
2. Monthly budget status reports presented to the school board must be shared with NWESD 189 and OSPI within one week of the board meeting.
3. A quarterly meeting to review current financial status will be held with NWESD 189 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 continue to be scheduled by OSPI after considering the required individuals' calendar availability. 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 apportionment advance amount of \$1,108,119 provided in January 2024 must be paid back in full with 50% repaid in June 2024 and the remaining balance repaid in August 2024.
5. The budgeted Excess of Revenues/Other Financing Sources Over/(Under) Expenditures and Other Financing Uses as reported on the 2024–25 F-195 must be greater than \$0. As background, the approved 2023–24 F-195 value for this net amount was a deficit of \$(2,187,381).
6. The actual general fund balance in the F-196, submitted in November 2025, is greater than the amount noted in binding condition number 1 above. In December 2025, an ending fund balance target will be determined for the 2024–2025 year.
7. The budgeted year-end general fund balance in the F-195, adopted by August 1, 2025, for the 2025–26 school year, is greater than or equal to 4% of the total general fund expenditures. Currently the best estimate of that figure is approximately \$1.2 million.
8. The actual year-end general fund balance in the F-196, submitted in November 2026, must be greater than or equal to 4% of the total general fund expenditures. Currently the best estimate of that figure is approximately \$1.2 million.

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If any of the above conditions are not met, the district will continue to operate under Binding Conditions and may be advanced to Financial Oversight. OSPI and NWESD 189 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.

We look forward to the continued partnership, as the district works to return the district to financial stability at the local level.

Sincerely,



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



Larry Francois  
Superintendent  
Educational Service District 189

\*While mid-year updates to binding conditions letters to not require signature from the School District, signatures are required for annual updates. Please sign the page below and return to OSPI no later than July 3, 2024.