

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



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

k12.wa.us

September 3, 2024

Chris Woods, Superintendent  
Yelm School District  
107 1<sup>st</sup> Street North  
P.O. Box 476  
Yelm, Washington 98597

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

Dear Superintendent Woods:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Educational Service District 113 and the Office of Superintendent of Public Instruction (OSPI) have completed the review of Yelm School District's budget for the 2024–25 school year, in which the school board is prepared to adopt a budget with a negative ending general fund balance of (\$1,312,549).

To approve the request submitted to OSPI through Board Resolution 11-23-24, OSPI must require the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and ESD 113 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 progress towards a healthy financial position is not clearly evidenced within two school years, the district may be referred to the Financial Oversight Committee (FOC). If Enhanced Financial Oversight is required, the EFOC can exercise more aggressive financial remedies up to and including school district dissolution.

For approval of Yelm's 2024–25 school year budget and four-year budget projection (2025–26 through 2028–29), each of the conditions outlined below must be met.

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 113 and OSPI within one week of the board meeting.
3. A quarterly meeting to review current financial status will be held with ESD 113 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 September 30, 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 actual ending general fund balance in the F-196 for the 2024-25 school year, submitted in November 2025, is not less than (\$1,312,549). This is the current projected ending fund balance in the approved budget.
5. The budgeted general fund balance in the F-195, adopted by August 30, 2025, for the 2025–26 school year, is not less than 1% of the budgeted annual general fund expenditures. The value of 1% is currently estimated at \$900,000.
6. The actual general fund balance in the F-196 that is submitted to OSPI in November 2026, is not less than 1% of actual general fund expenditures of the 2025–26 school year. The value of 1% is currently estimated at \$900,000.
7. The budgeted general fund balance in the F-195, adopted by August 30, 2026, for the 2026–27 school year, is not less than 3% of the budgeted annual general fund expenditures. The value of 3% is currently estimated at \$2,700,000.
8. The actual general fund balance in the F-196 that is submitted to OSPI in November 2027, is not less than 3% of actual general fund expenditures of the 2026–27 school year. The value of 3% is currently estimated at \$2,700,000.

If any of the above conditions are not met, the district will continue to operate under Binding Conditions. OSPI and ESD 113 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

The school district's 2024–25 budget adopted by the school board on August 22, 2024 was not balanced, and contained a negative ending fund balance of \$1,312,586.

The district has experienced several events over the past several years that are contributing to the district's current financial situation and include, but are not limited to:

- Double levy failure during the 2024 calendar year, leaving no levy revenue in calendar year 2025.
- Expiring federal ESSER and other COVID relief funds, without reductions being made as they expired.
- Significant loss of Local Effort Assistance (LEA) funding since 2018 from approximately

\$4.2 to approximately \$1.7 million dollars, a reduction of \$2.5 million dollars.

- Declining enrollment since the COVID pandemic began.
- The cost of goods and services continues to increase.

Sincerely,

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

Dr. Lester "Flip" Herndon  
Superintendent  
Educational Service District 113

**Acknowledgement of Acceptance of Conditions**

**X** \_\_\_\_\_

School District Superintendent

**X** \_\_\_\_\_

School Board President