

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



Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

k12.wa.us

September 30, 2024

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

Re: Update to Binding Conditions

Dear Superintendent Bradford:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Educational Service District (ESD) 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 original binding conditions were established in a letter dated March 11, 2024. This letter provides an update to those binding conditions which 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 no later than the end of the 2024–25 school year. If a healthy financial position is not restored 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 dissolution.

Acceptance of Prescott's 2022–23 school year financial statement, submitted in November 2023, is contingent upon each of the conditions outlined below being met. These updated conditions include benchmarks for the remainder of the 2024–25 school year.

1. The ending general fund balance reported in the 2023–24 F-196 in November 2024 must not be less than (\$0).

2. Monthly budget status reports and updated cash flow projections presented to the school board must be shared with ESD 123, OSPI, and the Walla Walla County Treasurer's Office within one week of the board meeting.
3. A quarterly meeting to review current financial status will be held with ESD 123, OSPI, and the Walla Walla County Treasurer's Office 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 October 18, 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 beginning fund balance in the F-195, adopted by August 1, 2024, for the 2024–25 school year, must not be less than the ending general fund balance for the 2023-24 school year.
5. The actual general fund balance in the F-196, submitted in November 2025, is not less than the actual general fund balance in the F-196 submitted in November 2024. The district's expenditures during the 2024–25 must not exceed revenue for the period plus general fund balance as of September 1, 2024.

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.

General Updates

Since entering binding conditions in March 2024, the district has been timely with its financial reporting, communicated transparently, and has complied with all the required reporting. The district has reduced expenditures in their 2024–25 budget by approximately \$750,000 as compared to the previous year. They are also currently working through some cash flow challenges that will require the use of interfund loans and/or securing financing through a short term loan from a private bank. OSPI expects to receive a request for an advance of apportionment funds in October 2024 that will also assist with the current cash flow challenges.

OSPI and ESD 123 will continue to monitor the district's progress and decision making while on binding conditions. Any necessary updates will be communicated through a formal letter to be received by the district, ESD 123, and will be posted to the following [School District Budget Challenges and Financial Insolvency \(ospi.k12.wa.us\)](https://ospi.k12.wa.us) webpage.

Superintendent Bradford

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Sincerely,

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

Steve McCullough
Superintendent
Educational Service District 123

*As this is an update to the original binding conditions letter provided in March 2024, no signatures are required. OSPI will accept email confirmation of receipt of this letter as a means of formally accepting the updated conditions.