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

June 18, 2025

Jeff Foertsch, Superintendent Designee  
Prescott School District  
207 South A Street  
Prescott, WA 99348

Re: Financial Oversight Committee Recommendation

Dear Superintendent Designee Foertsch and School Board Chair Chabre:

This letter is to notify you that pursuant to the recommendation of the Financial Oversight Committee (FOC), I am placing the Prescott School District (PSD) under enhanced financial monitoring in accordance with RCW 28A.315.221. The Committee's findings and recommendations, the latest State Auditor's report, and comments from the community, show that immediate additional assistance is necessary to prevent dissolution in the future.

Prescott School District entered binding conditions in March 2024. Factors leading to the binding conditions included:

- The district ended the 2022–23 school year with a general fund balance of (\$6,739.58).
- The district's former business manager resigned, and the district did not have internal controls in place to ensure critical financial and operating systems could continue to operate accurately.
- The district failed to claim grants for three months because there was no access to the OSPI grant claiming system due to staff turnover in the district.
- Accounts Payable was not adequately supervised and invoices were not processed in a timely manner.
- Expenses were incurred without a funding source.

The initial binding conditions for PSD would have required the district to have an actual general fund balance at the end of the 2024–25 school year equal to 5% of actual expenditures.

A revised binding conditions letter was issued to PSD in September 2024. That letter required PSD to have an actual general fund balance in the F-196 to be not less than the actual general fund balance in the 2023–24 school year. That negative balance was (\$189,371.45). The letter further indicates that if a healthy financial position is not restored within two school years, the district may be referred to the Enhanced Financial Oversight Committee.

District leadership is responsible for organizing, reorganizing, and arranging the staff in a way that best serves the needs of the district. While under binding conditions, district leadership has failed to make progress toward financial solvency and instead has fallen further into debt and is unable to make vendor payments on a timely basis. The district is now in jeopardy of full insolvency and default. As a result, I am transitioning decision-making through enhanced financial oversight.

As such, I will be taking the following initial steps under enhanced financial oversight:

1. I will be appointing a special administrator to oversee and carry out the financial conditions imposed on the district. The special administrator is authorized to establish preapproval requirements for expenditures, contracts, grants, debt, and other financial activities as they deem necessary to ensure the district progresses towards financial solvency.
2. The special administrator is charged with facilitating a district process to develop a four-year financial plan by October 15, 2025, including:
  - A draft staffing plan for each of the 2025–26, 2026–27, 2027–28, and 2028–29 school years.
  - A debt elimination plan that would resolve all outstanding debt and eliminate all unpaid or delinquent vendor payments by the end of the 2026–27 school year, including interfund loans.
  - A cash flow projection that incorporates the staffing plan and debt elimination plan, which allows the district to meet ongoing obligations.
  - A fund balance projection that incorporates the elements above and demonstrates the district's ability to meet fund balance targets:
    - 2025–26 ending fund balance greater than negative \$1.2 million
    - 2026–27 ending fund balance greater than negative \$500,000
    - 2027–28 school year must be greater than positive \$300,000
    - 2028–29 school year must be greater than positive \$600,000

The PSD School Board and administration must play an active role in the development of this four-year financial plan.

3. The PSD School Board must hold a public hearing on its revised financial plan by October 31, 2025, and adopt a financial plan that meets the criteria above by November 15, 2025.
4. Based on the updated financial plan, the District may be required to revise its 2025–26 school year budget to be aligned with the approved plan.
5. The FOC will meet monthly with district leadership and the Board Chair of PSD to ensure the district is progressing towards financial solvency.
6. The FOC and/or special administrator are authorized to direct changes to such business processes if, upon their review, they determine greater accuracy can be achieved.

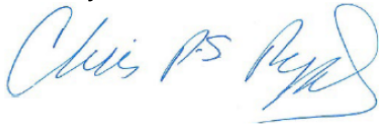
The special administrator may recommend additional, more aggressive financial remedies, up to and including beginning the process for school district dissolution if the PSD is unable to meet the conditions above or fail to follow the requirements put in place by the special administrator. The FOC is authorized to consider and approve these recommendations if deemed necessary.

June 18, 2025

Please anticipate hearing from my office soon with specific information and requirements about your work with the assigned special administrator.

Should you have any questions, please contact T.J. Kelly, OSPI Chief Financial Officer, at [thomas.kelly@k12.wa.us](mailto:thomas.kelly@k12.wa.us).

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Reykdal", with a stylized flourish at the end.

Chris Reykdal  
Superintendent of  
Public Instruction

cc: Steve McCullough, Superintendent, ESD 123