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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

October 20, 2025

Jessica Schenck, Superintendent
Mount Baker School District #507
4956 Deming Road
P.O. Box 95
Deming, Washington 98244

Re: Binding Conditions Agreement Update

Dear Superintendent Schenck:

In July 2023, 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 or has a plan to do so successfully 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.

Since the district was originally placed on binding conditions in July 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 2024–25 school year of not less than \$600,000. 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.

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 2024–25; and 2025–26 school fiscal years.

1. Monthly budget status reports presented to the school board must be shared with NWESD 189 and OSPI within two days of the board meeting. (Continuing Requirement)
2. 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. (Continuing Requirement).
3. The actual general fund balance in the F-196, submitted in November 2025, must be greater than \$600,000.
4. 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 \$1.3 million.
5. 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 \$1.3 million.

The district has made significant progress and has exceeded many of the original financial targets established. However, additional time will be required for the district to meet all binding conditions, which is currently expected in November 2026. To be released from binding conditions, the district must meet the financial benchmarks identified above and show evidence of the following:

1. Evidence of a practical and sustainable budget plan for the upcoming two school years.
2. Continued utilization of sound tools and procedures for budgeting and financial reporting.
3. Continued improvement of district financial health as measured by OSPI's Financial Health Indicator Tool, including:
 - Continued focus on building unrestricted fund balance in future fiscal years;
 - Continued improvement of cash balances in future fiscal years; and
 - A four-year budget (F-195 F) that reflects an ending positive fund balance position in each year.

We look forward to continued partnership, as the district continues its progress towards financial stability through local decision making.

Sincerely,

A handwritten signature in black ink that reads "T.J. Kelly". The signature is written in a cursive style with a large, stylized "T" and "K".

T.J. Kelly

Chief Financial Officer

Office of Superintendent of Public Instruction

***As this is an update to the original binding conditions letter provided in July 2023 and an updated letter in June 2024, no district signatures are required. OSPI will accept email confirmation of receipt of this letter as a means of formally accepting the updated conditions.**