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MEMORANDUM

To: Chris Reykdal, Superintendent of Public Instruction
From: T.J. Kelly, Chief Financial Officer *T. Kelly*
Date: March 20, 2026
Re: Recommendations of Financial Oversight Committee (FOC)

On January 12, 2026, you filed a petition for dissolution of the Prescott School District in response to a recommendation from the Financial Oversight Committee (FOC)¹. This was, in part, due to the district being unable to build a budget for the 2026–27 school year which proved that the district would remain financially solvent. At that time, the district was given until April 1, 2026, to identify sufficient new resources that would allow the district to submit a satisfactory financial plan to the special administrator and the FOC. If such a satisfactory financial plan was provided to the FOC for review and approval, then the petition for dissolution would be withdrawn.

Recent Events and Fiscal Projections

Since January 12, the following events have occurred, which have either provided Prescott School District with new resources or have provided evidence that the district will remain financially viable through at least the end of the 2026–27 school year.

- The voters of Prescott School District have approved their local supplemental levy, providing additional resources for the 2026–27 school year.
- The school board approved the closing on the sale of the Teacher’s Cottage and has deposited those resources in the school district’s General Fund.
- The Washington State Legislature has approved a language change allowing the state to provide funding to repay outstanding interfund loans to the debt service fund and the transportation vehicle fund.
- District residents have provided additional local resources in support of the district’s general fund.

¹ The Financial Oversight Committee (FOC) members are T.J. Kelly, Chief Financial Officer, OSPI; Paul Stone, School District and ESD Accounting Supervisor, OSPI; Julie Rupe, Director of School Finance, ESD 113; Michael Paquette, Assistant Superintendent, ESD 123 (non-voting). Shawn Lewis supports the district and the FOC as the Special Administrator.

- Jeff Foertsch, Mireya Onofre, and Andrew Raab have updated the 2025–26 and 2026–27 cash flow statements for the General Fund to reflect the revenues and expenditures now expected.
- The FOC has determined that the district is not likely to meet minimum expenditure levels for certain programs this school year and has been approved by OSPI to carryover all unspent funds to 2026–27 to allow the district to spend the funds in a more gradual and appropriate manner given the cash flow emergency that faced the district earlier this year.

Financial Oversight Committee Recommendations

Based on the recent events and updated fiscal projections as outlined above, the FOC recommends the following:

- The FOC no longer recommends the dissolution of the Prescott School District.
- Superintendent Reykdal should rescind the dissolution petition filed with ESD 123.
- The Prescott School District must develop a 2026–27 budget that ensures all outstanding debt is paid and necessary expenditures are covered by available resources without relying on future receivables.
- The Prescott School District must develop a four-year budget (F-195F) to be approved by ESD 123 and the OSPI special administrator, which demonstrates the district is on a continued path to financial solvency.

Continued State Oversight

While the overall situation is showing signs of improvement, Prescott School District will remain on Enhanced Financial Oversight through the 2026–27 school year. The district may return to binding conditions in December 2027 after receipt of the 2026–27 school year financial statements and verification of continued financial improvement.