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

May 28, 2026

Wyeth Jessee, Superintendent  
Shelton School District  
700 South First Street  
Shelton, WA 98584

Re: Update to Binding Conditions for Shelton School District

Dear Superintendent Jessee:

This letter is an update to the Binding Conditions placed on the district as documented in our previous letter dated January 10, 2025. The existing Binding Conditions were a result of Shelton School District ending the 2023–24 school year with negative ending general fund balance of (\$2,356,092). The specific causes of this condition are documented in the original Binding Conditions letter.

The Binding Conditions outlined below are intended to give OSPI and ESD 113 an opportunity to continue our review and recommend school district decisions related to their current financial condition. The goal continues to be the restoration of a healthy financial position and the district exiting Binding Conditions after all financial statements of the 2026–27 school year have been submitted and approved by ESD 113 and OSPI.

1. A quarterly meeting to review current financial status will be held with ESD 113 and OSPI to include a review of the following: budgeted to actual expenditures and enrollment trends, current staffing levels, and an updated two fiscal year cash flow projection (current fiscal year and next fiscal year). These meetings for the 2026–27 school year will be scheduled by OSPI after considering individuals' calendar availability no later than July 31, 2026. 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. **(Continued condition)**
2. Monthly Budget Status Reports, as presented to the School Board of Directors, must be shared electronically with OSPI and ESD 113 within one week of the board meeting(s) and no later than the end of the subsequent month. OSPI and ESD 113 require monthly

budget status reports no later than the end of every subsequent month, including September through December. **(Continued condition)**

3. The district will review and amend its financial plan annually as part of its budget process to meet the minimum fund balance documented in School Board Policy 6022. It is recommended, but not required, that the School Board of Directors consider increasing the minimum target above the current 4% threshold. The adopted plan must be shared with ESD 113 and OSPI by September 15 each year. **(New condition)**
4. The overall actual ending General Fund balance for the 2025–26 school year, reported in the F-196 as of August 31, 2026, must be positive, and the unassigned fund balance must also be positive. **(Continued condition)**

We recognize the district has taken significant steps over the past year and is on track to far exceed expectations of this condition. We appreciate the district's efforts and actions.

5. The overall actual ending General Fund balance for the 2026–27 school year, reported in the F-196 as of August 31, 2027, must not be less than \$3,500,000 or meet the district's current 4% minimum fund balance target and the unassigned balance must be positive. **(Amended condition)**
6. The budgeted ending fund balance in the F-195 adopted for the 2027–28 school year must increase the total ending fund balance, where total revenues must exceed expenditures for the fiscal year. **(New condition)**
7. A two-year cash flow projection and financial plan for the 2027–28 fiscal year must be provided to OSPI and ESD 113 by August 1, 2027, that shows the district will not require long-term reliance on interfund loans, short-term borrowing, or apportionment advances to meet cash flow requirements. **(New condition)**

As indicated above, the district has made significant progress, and these updated Binding Conditions reflect an improved condition, but also a need for continued district actions to restore financial health.

As indicated in our previous letter, 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. And, while we expect the district's financial position to continue its current path towards solvency, if evidence suggests that the district's financial health is declining, the district may request, or be referred to, a Financial Oversight Committee. If called, this committee could recommend the district be placed on Enhanced Financial Oversight, or other more significant remedies. We appreciate all the work the district has done so far to avoid this result.

Superintendent Jesse

May 28, 2026

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Sincerely,



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



Dr. Flip Herndon  
Superintendent  
Educational Service District 113

**\*As this is an update to the original Binding Conditions letter provided in January 2025, no district signatures are required. OSPI will accept email confirmation of receipt of this letter as a means of formally accepting the updated conditions.**