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Olympia, WA 98504-7200



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

[ospi.k12.wa.us](http://ospi.k12.wa.us)

June 30, 2026

Pete Peterson, Superintendent  
Kiona-Benton City School District  
1105 Dale Avenue  
Benton City, WA 99320

Re: Budget Extension Approval and Interim Binding Conditions

Dear Superintendent Peterson:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Education Service District 123 (ESD 123) and the Office of Superintendent of Public Instruction (OSPI) have completed the review of the Kiona-Benton City School District's budget for the 2025–26 school year, in which the school board adopted a budget extension with a negative ending general fund balance of (\$988,746).

To approve the request submitted to OSPI through Board Resolution 4-2026, OSPI requires the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and ESD 123 an opportunity to more closely review and recommend school district decisions related to their current financial condition.

Our goal is to ensure the district restores a healthy financial position and exits Binding Conditions within three school fiscal years. If progress towards a healthy financial position is not clearly evidenced, the district may be referred to a Financial Oversight Committee (FOC) at any time. If Enhanced Financial Oversight is required, the FOC can exercise more aggressive financial remedies up to and including school district dissolution.

The binding conditions below will be in place until updated binding conditions are placed upon the district following a thorough review of the district's financial position, staffing and financial plans, and enrollment data/projections. We expect updated binding conditions or an FOC to be formed after the district's 2025–26 financial statements have been submitted to ESD 123 and OSPI for review.

Kiona-Benton School District's 2025–26 school year budget extension is approved, subject to the following Binding Conditions, which are in effect immediately and until updated binding conditions are communicated to the district.

1. Monthly budget status reports presented to the school board must be shared electronically with ESD 123 and OSPI within one week of the board meeting and no later than the end of the subsequent calendar month.
2. Monthly meetings to review current financial status will be held with ESD 123 and OSPI to include review of the following:
  - a. Budgeted to actual expenditures and revenues
  - b. Enrollment trends and projections
  - c. Current and planned staffing levels and costs
  - d. Cash flow projections through August 2027 (current fiscal year and next fiscal year).
  - e. Financial plans including specific expenditure reductions identified to restore fund balances within the next three school years (by August 2028).

These meetings will begin in August 2026 and will be scheduled by OSPI after considering the required individuals' calendar availability no later than July 15, 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.

3. The actual ending general fund balance in the F-195 for the 2026–27 school year, must not have expenditures greater than anticipated revenue.
4. The ending general fund balance in the F-196 submitted to OSPI in November 2026 must not be greater than the negative (\$988,746) projected in the F-200 submitted by the District for the school year.
5. The actual expenditures for the 2025–26 school year must not exceed the approved budget extension amounts included in District resolution 4-2026.
6. The District Board of Directors formally adopt a strategic financial plan by December 1, 2026 to meet the fund balance policy of 6 percent of the prior year's expenditures as documented in School Board Policy 6022. This plan must be pre-approved by OSPI and ESD 123 prior to adoption.
7. All financial reports and documents submitted to OSPI and ESD 123 will be on the modified basis of accounting and include all debt incurred by the district including interfund loans, non-voted debt, and voted debt.

If any of the above conditions are not met, OSPI and ESD 123 will either refer the district to an FOC or place more directive binding conditions on the district. In addition, OSPI reserves the right to update any of the conditions stated above, if the financial situation of the district changes significantly from what is currently projected. OSPI and ESD 123 will continuously review the district's fiscal projections and adherence to the stated conditions above.

Superintendent Peterson

June 30, 2026

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Background

The school district's 2025–26 budget extension adopted by the school board on June 8, 2026 was not balanced, and contained a negative ending fund balance of (\$988,746).

The district has identified its recent double-levy failure as the primary cause of its financial situation. At the same time, the district indicated that it has experienced large operational cost increases due to inflation combined with lower revenue caused by declining enrollment. While the district reduced personnel and operating costs to address a portion of their levy revenue loss, the reductions were insufficient to offset increases in food services, transportation, and insurance.

The district shared that they will be continuing to make reduction efforts in the 2026–27 school year to address both the loss of levy funding and a continued decline in district enrollment.

Sincerely,



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



Steve McCollough  
Superintendent  
Educational Service District 123

**Acknowledgement of Acceptance of Conditions**

**X** \_\_\_\_\_

School District Superintendent

**X** \_\_\_\_\_

School Board President