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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

June 4, 2025

Elyse Mengarelli, Superintendent
Mabton School District
306 North Main Street
Mabton, WA 98935

Re: Approval of Request to Budget Future Receivables with Binding Conditions

Dear Superintendent Mengarelli:

In accordance with Chapter 392-123 of the Washington Administrative Code (WAC), Educational Service District 105 and the Office of Superintendent of Public Instruction (OSPI) have completed the review of Mabton School District's budget extension for the 2024–25 school year, in which the school board is prepared to adopt a budget with a negative ending general fund balance of (\$951,745).

To approve the request submitted to OSPI through Board Resolution 01-05-19-25, OSPI requires the district be placed on Binding Conditions. The Binding Conditions outlined below are intended to give OSPI and ESD 105 an opportunity to more closely review and recommend school district decisions related to their current financial condition. The goal is to ensure the district restores a healthy financial position and exits Binding Conditions within two school fiscal years. If progress towards a healthy financial position is not clearly evidenced within two school years, the district may be referred to a Financial Oversight Committee (FOC). If Enhanced Financial Oversight is required, the FOC can exercise more aggressive financial remedies up to and including school district dissolution.

For approval of Mabton's 2024–25 school year budget extension, each of the conditions outlined below must be met.

1. Monthly budget status reports presented to the school board must be shared electronically with ESD 105 and OSPI within one week of the board meeting and no later than the end of the subsequent calendar month.

2. A quarterly meeting to review current financial status will be held with ESD 105 and OSPI to include review of the following: budgeted to actual expenditures and revenues, enrollment trends, current staffing levels, and a current two fiscal year cash flow projection (current fiscal year and next fiscal year). These meetings will be scheduled by OSPI after considering the required individuals' calendar availability no later than July 31, 2025. 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-196 for the 2024-25 school year, submitted in November 2025, is not less than (\$951,745). This is the current projected ending fund balance in the approved budget.
4. The budgeted ending general fund balance in the F-195, adopted by August 1, 2025, for the 2025–26 school year, is not less than (\$500,000).
5. The actual general fund balance in the F-196 that is submitted to OSPI in November 2026, is not less than (\$500,000).
6. The budgeted general fund balance in the F-195, adopted by August 30, 2026, for the 2026–27 school year, is not less than \$300,000.
7. The actual general fund balance in the F-196 that is submitted to OSPI in November 2027, is not less than \$300,000.
8. The District reviews and adopts a strategic plan to meet the fund balance policy range as documented in School Board Policy 6022.
9. All financial reports and documents submitted to OSPI and ESD 105 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, the district will continue to operate under Binding Conditions. OSPI and ESD 105 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.

Background

The school district's 2024–25 budget extension adopted by the school board on May 27, 2025 was not balanced, and contained a negative ending fund balance of (\$951,745).

The district has reported the primary causes for their fund balance deficiency as:

- Total employee benefits and compensation paid are greater than what the state has provided.
- Student enrollment has decreased by 16.37% since 2021 and staffing levels have not decreased consistent with the reduced enrollment.
- Materials, supplies and operating costs have grown at rates that exceed the increases

provided by state funding – and the district has not made other reductions sufficient to offset these increases.

Sincerely,

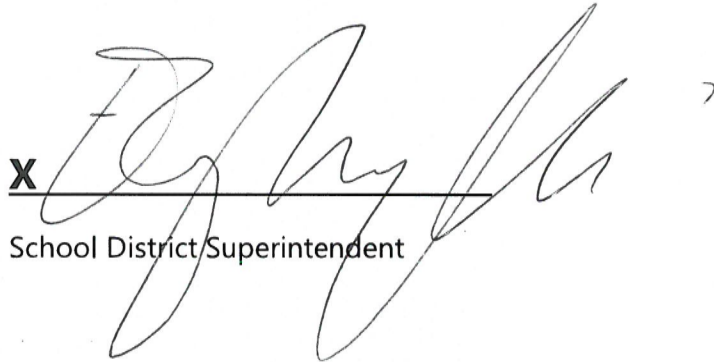


T.J. Kelly
Chief Financial Officer
Office of Superintendent of Public Instruction



Shane Backlund
Superintendent
Educational Service District 105

Acknowledgement of Acceptance of Conditions



X
School District Superintendent



X
School Board President