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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

k12.wa.us

April 17, 2026

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

Re: Update to Binding Conditions for Mabton School District

Dear Superintendent Mengarelli:

This letter is an update to the binding conditions placed on the district as documented in our previous letter dated June 4, 2025. The existing binding conditions were a result of Mabton School District's budget extension for the 2024–25 school year, in which the school board adopted a budget with a negative ending general fund balance of (\$951,745). 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 105 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 105 and OSPI.

The following represent the continued or revised binding conditions placed upon the Mabton School District:

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. **(Continued condition)**
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 for the 2026–27 school year will be scheduled by OSPI after considering the required 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)**

3. The actual ending total general fund balance in the F-196 for the 2025–26 school year, submitted in November 2026, is not less than \$500,000. **(New condition)**
4. The budgeted ending general fund balance in the F-195, adopted by August 1, 2026, for the 2026–27 school year, is not less than \$750,000. **(New condition)**
5. The budgeted ending general fund balance in the F-195, adopted by August 1, 2027, 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)**
6. A two-year cash flow projection and financial plan for the 2027–28 fiscal year must be provided to OSPI 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)**
7. The actual general fund balance in the F-196 that is submitted to OSPI in November 2027, must show a total ending fund balance of at least 5% of total revenues for the previous school year where unrestricted fund balance levels should be greater than \$0. **(New condition)**
8. The district reviews and amends its strategic plan annually as part of its budget process to meet the fund balance policy range as documented in School Board Policy 6022. **(New condition)**
9. All financial reports and documents submitted to OSPI and ESD 105 will be on the modified basis of accounting and include all debts incurred by the district including interfund loans, non-voted debt, and voted debt. **(Continued 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 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. 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 Mengarelli

Page 3

April 17, 2026

Sincerely,



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



Shane Backlund
Superintendent
Educational Service District 105

***As this is an update to the original binding conditions letter provided in June 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.**