



SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON OLD CAPITOL BUILDING • PO BOX 47200 • OLYMPIA WA 98504-7200 • <http://www.k12.wa.us>

August 31, 2006

Ms. JoAnn Anshutz, Superintendent
Vader School District No. 018
P.O. Box 190
Vader, WA 98593-0190

Dear Ms. Anshutz:

The general financial condition of the school district is viewed by this agency as serious.

The General Fund balance is projected to decline in FY 2005-06 to an ending balance of approximately (\$4,000). We are aware that the school district is obligated to pay approximately \$96,000 of nonhigh payment next year and the district levy failed for 2007. The 2006-07 ending fund balance is projected at approximately (\$24,000).

A three-year financial recovery analysis of the district prepared by Educational Service District (ESD) 113 indicates that the traditional method of restoring fund balance is likely to be unsuccessful. The district may not be able to restore a positive General Fund ending balance without future levies or other significant actions.

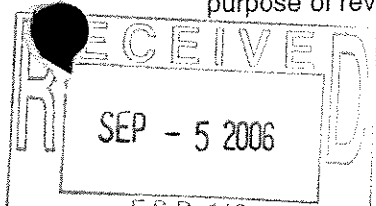
When a local school district balances its budget by including receivables from a future year, the district's finances are subject to ongoing scrutiny and binding conditions until the financial difficulties are resolved. These conditions shall remain in place until such time as OSPI provides a written release to the district.

Therefore, the responsibilities for administering the binding conditions as set forth below will be assigned to Mr. John Molohon, Assistant Superintendent, ESD 113, or his successor, hereafter referred to as the administrator. This responsibility will be in place until the binding conditions set forth below including restoration of a reasonable and prudent fund balance are met. To enforce this authority, if Mr. Molohon reports to the Office of Superintendent of Public Instruction (OSPI) that the district is not fulfilling any of the below conditions, OSPI reserves the right to withhold apportionment payments until such conditions are satisfactorily addressed.

In accordance with RCW 28A.505.110, the following binding conditions are placed upon the Vader School District:

Conditions Initiating Possible Actions To Resolve the Current Financial Crisis

1. The district board shall, with the advice of the administrator, explore, analyze, and initiate options which lead to resolution of the current financial crisis. Such options are likely to include passing a levy sufficient to meet district obligations, changing the school grade offerings, consolidation of the school district, and an appeal to the legislature for assistance.
2. The district shall develop and submit a plan to the administrator and OSPI which outlines a method by which the district will eliminate the existing deficit fund balance by the end of FY 2007-08, and reach a positive reasonable and prudent fund balance goal within three subsequent years. This plan shall be submitted no later than April 15, 2007 and should include a copy of a board resolution which establishes a reasonable and prudent fund balance amount.
3. The district superintendent shall conduct monthly budget meetings with the administrator with the purpose of reviewing the current budget and maintaining control of district finances.



Conclusion

The school district administration and board of directors shall utilize the services and advice of the administrator in administering this plan and implementing any new or revised financial and administrative policies, systems, and procedures that are necessary to fulfill the objectives of this plan.

In addition, all questions and interpretations of the terms established in this letter will be made by the administrator. Appeals of his interpretations may be made in writing to the Director, School Apportionment and Financial Services, OSPI.

A copy of this letter must be included with the district's FY 2006-07 budget and any extensions thereto must include a reference to this permission to budget receivables.

Sincerely,



Calvin W. Brodie
Director, School Apportionment and Financial Services
Office of Superintendent of Public Instruction

cc: Mr. Dave Kandoll, Chairperson
Vader School District Board of Directors

Mr. John Molohon, Assistant Superintendent
Educational Service District 113

Ms. Jennifer Priddy, Assistant Superintendent
Office of Superintendent of Public Instruction

Mr. Mike Dooley, Supervisor, School District/ESD Budgeting
Office of Superintendent of Public Instruction