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| Board Agenda Item # | Agenda # III H |
| Date: | March 9, 2017 |
| To: | Magnolia Board of Directors |
| From: | Caprice Young, Ed.D., CEO & Superintendent |
| Staff Lead: | Nanie Montijo, Chief Financial Officer |
| RE: | Treatment of Loss from MSA Santa Clara School Closure |

Proposed Board Recommendation

I move that the board approve the proposed inter-agency loan to MERF in the amount of \$442,020.37. This amount covers the cash needed to pay back the state funds received by Santa Clara and pay all other liabilities outstanding as of July 1, 2016.

Background

In July, 2016, the MSA Santa Ana closed permanently. State funds received must be returned to the granting agencies. Accounts payables must also be paid to settle the remaining balances of liabilities still outstanding as of July 1, 2016.

Budget Implications

- Total loss impacting the MERF reserves and ending fund balance: \$1,176,563.13
- Total cash required to pay off state funds and other liabilities: \$ 442,020.37

How Does This Action Relate/Affect/Benefit All MSAs?

- The total loss is to be absorbed by MERF Home Office.

Name of Staff Originator: Nanie Montijo, CFO and Kristin Dietz, Edtec

Attachments: Schedule of Cash Balances and Availability to loan to MERF.

| | | | | | | | | | | | | |
|--------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Magnolia Public Schools | | | | | | | | | | | | |
| Cash Summary by Month - Consolidated | | | | | | | | | | | | |
| 2016/17 | | | | | | | | | | | | |
| Actual & Projected | | | | | | | | | | | | |
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| Cash Balance | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Projected | Projected | Projected | Projected | Projected |
| MSA-1 | 1,395,059 | 1,085,221 | 1,092,516 | 944,763 | 958,225 | 1,172,877 | 1,291,473 | 906,342 | 870,823 | 1,061,805 | 836,585 | 729,819 |
| MSA-2 | 801,804 | 591,159 | 416,852 | 333,103 | 271,478 | 319,512 | 463,630 | 479,217 | 453,923 | 632,545 | 401,712 | 418,648 |
| MSA-3 | 280,960 | 135,044 | 117,162 | (3,925) | 155,655 | 189,580 | 305,810 | 151,874 | 97,226 | 220,168 | 341,099 | 247,441 |
| MSA-4 | 528,713 | 389,398 | 374,424 | 450,096 | 469,733 | 526,521 | 595,702 | 477,578 | 483,830 | 582,157 | 591,594 | 601,711 |
| MSA-5 | 774,785 | 770,160 | 818,876 | 767,991 | 764,242 | 828,703 | 676,816 | 438,022 | 358,880 | 479,394 | 592,879 | 604,517 |
| MSA-6 | 541,677 | 481,044 | 495,932 | 492,501 | 447,316 | 552,060 | 590,195 | 513,738 | 455,108 | 544,861 | 433,658 | 425,269 |
| MSA-7 | 739,743 | 522,286 | 512,498 | 446,807 | 441,090 | 560,945 | 503,517 | 358,774 | 214,760 | 405,980 | 468,969 | 418,912 |
| MSA-8 | 2,103,858 | 1,851,064 | 1,693,808 | 1,643,637 | 1,550,886 | 1,647,901 | 1,297,234 | 990,753 | 681,107 | 951,359 | 969,460 | 985,990 |
| MSA-SA | 4,217,689 | 2,893,202 | 3,099,860 | 964,978 | 756,114 | 768,941 | 900,865 | 1,171,151 | 1,257,219 | 1,005,815 | 974,835 | 846,879 |
| MSA-SD | 815,640 | 632,930 | 688,849 | 709,429 | 656,537 | 743,359 | 771,449 | 681,452 | 1,727,664 | 857,091 | 891,903 | 744,665 |
| MERF | 247,439 | 345,247 | 174,483 | (82,628) | (6,979) | 8,121 | 408,554 | 76,525 | 453,513 | 349,180 | 455,115 | 350,020 |
| Total ending Cash Balance | 12,447,368.1 | 9,696,755.3 | 9,485,260.3 | 6,666,751.5 | 6,464,296.7 | 7,318,520.0 | 7,805,246.7 | 6,245,427.3 | 7,054,052.3 | 7,090,355.9 | 6,957,809.1 | 6,373,871.7 |

| MERF LOSS FROM CLOSURE OF SANTA CLARA | | | |
|---------------------------------------|-----------|-----------|---|
| description | debit | credit | Notes |
| Payable to State | | 437,467 | Assumed from MSA-SC - need to pay to State |
| Due from MSA-SC | | 734,543 | Write off loans to MSA-SC |
| Capital Lease payable | | 35,646 | Assume capital lease - computers, monhtly payment |
| Due to/from - other MSA-5 | 2,857 | | Need to settle - schools to pay MERF |
| Due to/from - other MSA-6 | 669 | | Need to settle - schools to pay MERF |
| Due to/from - other MSA-7 | 791 | | Need to settle - schools to pay MERF |
| Due to/from - other MSA-8 | 2,002 | | Need to settle - schools to pay MERF |
| Due to/from - other MSA-SA | 14,121 | | Need to settle - schools to pay MERF |
| Other balance sheet items | 10,651 | | To be researched - possible additional bad debt write off |
| Bad Debt Expense | 734,543 | | to write off loans to MSA-SC - uncollectible |
| Audit Adjustment | 444,986 | | Transfer CY Net Loss to MERF |
| PP Adjustments | | 2,965 | Assume Net Asset deficit from MSA-SC, offset by bad debt |
| | 1,210,621 | 1,210,621 | |
| | | - | |
| | | | |
| Total reduction to MERF Net Assets | 1,176,563 | | |
| Total anticipated cash need | 442,020 | | |
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