

**5-1000.00 SHORT-TERM LOANS**

**5-1010.00 INTRODUCTION**

**5-1010.10 DEFINITIONS**

“**Short-term loans**” are obligations which are to be repaid within one year of the date issued. They may include loans from the Board of Investments and tax anticipation notes payable obtained by the district to provide operating cash pending receipt of revenues, or to finance a specific project or purchase.

“**Long-Term Loans**” are obligations which must be repaid later than one year after the loan is made. See “NOTES/LONG-TERM LOANS” in section 5.1340.00 of this manual.

“Interfund Loans” see section 5.0520.50 of this manual.

**5-1020.00 RECORDING SHORT-TERM LOANS**

Short-term loans are loans with repayment terms of less than 12 months. They are usually for cash flow purposes. When repaid, the liability is reversed on the district’s accounting records. Proceeds from short-term loans are **not** Other Financing Sources, and the repayment is **not** an Other Financing Use.

Assume the district borrows \$20,000 on September 1 for building improvements to be repaid within one year. Interest on the loan is 10% and will be paid when the loan is paid. Interest on short-term loans is recorded as an interest expenditure in the accounting period in which the liability is incurred. This means that interest expense on a short-term loan borrowed during the current year which will be repaid in the next fiscal year must be recorded as a payable, if material, at fiscal year-end.

**To record receipt of a short-term loan:**

Fund Which Receives Proceeds

Debit: 101	Cash	\$20,000
Credit: 650	Loans Payable (Current)	\$20,000

(To record receipt of a short-term loan. Do not record as revenue.)

The payable remains a liability of the fund until the loan is repaid.

**At fiscal year-end, to record the liability for interest expense on the loan:** Calculate the interest payable from the date of the loan through June 30. In this case, 10 out of 12 months of interest is payable by fiscal year-end. The interest payable amount is  $(\$20,000 \times .10) \times 10/12 = \$1,667$ .

Fund Which Received Proceeds

Debit: 802	Expenditures	\$ 1,667
Credit: 656	Interest Payable-Current	\$ 1,667

Expenditures Subsidiary Ledger

XXX-1XX-52XX-850	Interest Expense	\$ 1,667
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(To record interest payable at year-end on a short-term note payable.)

**5-1020.00      RECORDING SHORT-TERM LOANS (Cont'd)**

**To record the payment of a short-term loan (whether paid in same fiscal year or next fiscal year):**

Fund Which Received the Proceeds

Debit: 650	Loans Payable	\$20,000
Debit: 656	Interest Payable-Current	\$ 1,667
Debit: 802	Expenditures	\$ 333
Credit: 620 or 101	Warrants Payable or Cash	\$22,000
Expenditure Subsidiary Ledger		
XXX-1XX-52XX-850	Interest Expense	\$ 333

(To record repayment of a short-term loan, with interest. The loan payable is reversed from the payable account at the principal amount. Interest is charged as a current expenditure.)