

**Department of Elementary and Secondary Education
School Finance**

Loans

Loans - (Includes Tax Anticipation Notes, DNR Energy Loans)

Loans that are to be repaid within a one-year period are considered short term loans. Short term loan proceeds are typically not recorded as revenue, but rather shown only in the general ledger since the loan is paid off within the same fiscal year. Tax anticipation notes which can occur in any fund and provide operating cash pending receipt of revenue are an example of such a loan available to school districts. Loans that extend beyond one fiscal year are treated different than short term loans as described above. A DNR energy loan is an example of a loan that typically extends over several fiscal years. In this case, loan proceeds are recorded as revenue and the principal payments are recorded as an expense. Below are examples of the entries needed for each type of loan available to a district:

Example Entries to Record Tax Anticipation Notes and Repayment

General Journal entries to record the receipt of Tax Anticipation Note proceeds:

<u>Date</u>	<u>Description</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
10/20/xx	Cash in Banks	1111	\$10,000	
	Loans Payable	2121		\$10,000

General Journal entries to record the repayment of the Tax Anticipation Note:

<u>Date</u>	<u>Description</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
1/15/xx	Loans Payable	2121	\$10,000	
	Expenditures - Control (Interest on Loan)	6031	\$150	
	Cash in Banks	1111		\$10,150

Subsidiary Ledger entry posted in the Budget Analysis Ledger would be:

<u>Function</u>	<u>Object</u>	<u>Description</u>	<u>Amount</u>
5220	6622	Interest	\$150
		Total	\$150

Under no circumstances should short term loan proceeds be added to revenue or non-revenue receipts to increase the ending fund balance during an accounting period or at the end of the fiscal year.

Example Entries to Record DNR Energy Loans

General Journal entries to record the receipt of DNR Energy Loan proceeds:

<u>Date</u>	<u>Description</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
10/20/xx	Amounts Available for the Payment of Loans	1641	\$10,000	
	Loans Payable	2121		\$10,000

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<u>Date</u>	<u>Capital Projects Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
10/20/xx	Cash in Banks	1111	\$10,000	
	MO Department of Natural Resources Energy Loan	5366		\$10,000

General Journal entries to record the principal and interest payment on a DNR Energy Loan:

<u>Date</u>	<u>Capital Projects Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
1/15/xx	Principal - Short Term Loans	5121-6612	\$10,000	
	Interest - Short Term Loans	5221-6622	\$150	
	Cash in Banks	1111		\$10,150

<u>Date</u>	<u>Description</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
1/15/xx	Loans Payable	2121	\$10,000	
	Amounts Available for the Payment of Loans	1641		\$10,000