

June 7, 2006

TO: School District Administrators  
FROM: Division of Administration and Finance  
SUBJECT: Temporary Loans

Districts that have made temporary loans from one fund to another for cash flow purposes are reminded that said loans must be repaid by June 28, 2006. The only exception to this rule is for those loans that were made within 90 days prior to June 30.

In many cases, the fund receiving the loan will not be able to repay it. In these circumstances, the temporary loan should be converted to a "permanent transfer" by way of journal entry.

Because of its inability to repay a loan, many funds are now reflecting a negative ending balance. It is unlawful for a fund to reflect a negative ending balance on the June 30 fiscal year ending date.

Districts are urged to review their financial statements (board financial summary), object code 9610, for each fund (especially the cafeteria fund) to verify that they will be in compliance with this law.

**For assistance, please call Steve Mattern, director, District Financial Services, at (661) 636-4691.**

SM:mrp