Reporting of the USDA Federal Loans

**This alert is directed to recipients of the USDA federal loans.**

The interpretation for reporting loan balances on the Schedule of Expenditure of Federal Awards (SEFA/BARS Schedule 16) for the Water and Waste Disposal Systems for Rural Communities (CFDA 10.760) and Community Facilities Loans and Grants (CFDA 10.766) programs was revised.

According to previous interpretation loan balances were not reported during or after the project.

Now, per the Compliance Supplement, **during the project**, the government must report any loan balances, in addition to project expenditures, in accordance with 2 CFR Section 200.502(b). **After the project is completed**, the government **does not** report any outstanding loan balances as the loans are no longer considered to have continuing compliance requirements. The BARS Manuals have been updated to reflect this revision. Attached below is the updated BARS Manual guidance.

This change is effective immediately. The **fiscal year 2018 SEFA should be corrected** (unless the audit has been completed and the report issued). Please contact the SAO HelpDesk with any questions.

**Updated BARS Manual Guidance** (Reporting/Supplemental Schedules/Schedule of Expenditures of Federal Awards, subsection 4.8.5.130, Question 2, [BARS GAAP: Schedule 16/SEFA](https://www.sao.wa.gov/bars_gaap/reporting/supplementary-and-other-information/expenditures-of-federal-awards-schedule16/) and [BARS Cash: Schedule 16/SEFA](https://www.sao.wa.gov/bars_cash/reporting/supplementary-and-other-information/expenditures-of-federal-awards-schedule16/)).

**USDA Interim Financing: Water and Waste Disposal Systems for Rural Communities (CFDA 10.760), Community Facilities Loans and Grants (CFDA 10.766).** After the USDA has made a commitment on a loan as evidenced by an approved “request for obligation of funds”, the borrower may obtain interim financing from commercial sources (e.g., a bank loan) during the construction period. **Expenditures from these commercial loans which will be repaid from a USDA loan should be considered Federal awards expended, included in determining Type A programs, and reported in the Schedule of Expenditures of Federal Awards.** The subsequent issuance of the USDA loan is not reported as an expenditure on the SEFA. **New interpretation by USDA:** Per the Compliance Supplement, **during the project**, the entity must report any loan balances, in addition to project expenditures, in accordance with 2 CFR 200.502(b). **After the project is completed**, the entity **does not** report any outstanding loan balances as the loans are no longer considered to have continuing compliance requirements. CAUTION: The federal participation rate (the amount the awarding agency will pay with federal funds) may be different than indicated in the grant/loan agreement.  In some cases, the agreement may indicate there will be no federal participation when there actually will be, or it may indicate federal participation when there won’t. Report the federal portion of the expenditures actually paid as opposed to the amount indicated in the agreement. Example: The agreement indicates the cost of the project will be reimbursed with a mix if funds: 50 percent federal and 50 percent state. After the year-end, the awarding agency sends a letter indicating the amounts it reimbursed was 75 percent federal and 25 percent state. Report the 75 percent. Confirm with the awarding agency if you have not received notification from them of amounts paid to ensure the correct amounts are reported.  If the amount is not known at the time the SEFA is due, report it all as federal and include a note disclosure.