

## REPORTING

### **Note X - Related Party Transactions**

#### INSTRUCTIONS TO PREPARER

These disclosures are required for any transactions with related parties, other than normal transactions conducted in the ordinary course of operations (such as compensation of employees or licensing or permitting for other governments). When evaluating the necessity of a disclosure, governments should consider both the form and substance of the transaction.

As defined in GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, related parties include:

- A government's related organizations, joint ventures, and jointly governed organizations
- Elected and appointed officials of the government, executive management and immediate family members of officials and executive managers
- Other parties that the government can significantly influence
- Other parties that can significantly influence the government
- Other parties that are under the influence of a related party to the government

Disclosure should include:

- a. The nature of the relationship(s) involved.
- b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which financial statements are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements.
- c. The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.
- d. Amounts due from or to related parties as of the date of each statement of net position presented and, if not otherwise apparent, the terms and manner of settlement.

This disclosure could be appropriately combined with other information in other notes, such as a joint venture note or reporting entity note. These disclosures are also required should the government transact business with its own officials or employees beyond the limited amounts permitted in Chapter 42.23 RCW.

Also disclose complex transactions with other parties not discussed in other notes. These disclosures include:

- Loans with forgiveness clauses, parties in contract, property secured, terms to convert the loan to a grant, amount to be repaid if forgiveness conditions are not met.

- Grants with recoverable clauses, parties in contract, terms removing recoverable clause, the asset the grantor has an interest in, the amount the grantor can require to be returned, and the conditions that trigger return of the grantor interest.
- Reporting an asset for an Investment in Tax Credit Partnership when using discrete presentation of a component unit. The disclosure should include the method used to calculate the investment, classification of the TCP as a component unit with joint venture characteristics using GAAP criteria, GASB Statement 14, paragraphs 72 and 78.
- Formation and use of not-for-profit corporation by the authority, listing the not for profit corporation, other parties, and function the not-for-profit corporation performs for the authority.

REAC has indicated it will be performing an expanded note disclosure review on the above items.