

REPORTING

Note X – Related Party Transactions

INSTRUCTIONS TO PREPARER

The disclosures for this note are required whenever the authority transacts a significant amount of business with another closely affiliated entity. To determine the necessity of the disclosure, the governments should evaluate both form and substance of the transaction. Please refer to GASB Statement 56, Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards and GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements for more details.

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 a joint venture note or in a reporting entity note. These disclosures are also required should the authority 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 they will be performing expanded note disclosure review on the above items.