**annual comprehensive financial report (ACFR)**

**required Closing Package Survey**

**Related Party Transactions**

[GASB Standards 56 and 62]

In general, **Related Party Transactions** include those that occur “**outside the ordinary course of operations**.” Sometimes the relationship between the parties to a transaction is so close that a reasonable observer would conclude that one or both parties might be disinclined to fully pursue their separate interests (*related party transactions*). Related party transactions may include exchange or exchange-like transactions or non-exchange transactions. For more information about related party transactions, refer to relevant text of GASB standards included at the end this survey.

Examples of related party transactions per GASB 56 include:

* 1. Borrowing or lending on an interest-free basis or at a rate of interest significantly above or below market rates prevailing at the time of the transaction
	2. Selling real estate at a price that differs significantly from its appraised value
	3. Exchanging property for similar property in a nonmonetary transaction
	4. Making loans with no scheduled terms for when or how the loans will be repaid.

**List Department Codes for which this survey is being submitted:** 01A, 06A, 09A, 13A

**Department or Service Center Attestation:**

After having researched agency records and/or consulted with agency personnel, I am NOT aware of any potential Related Party Transactions that should be disclosed in the State of Maine’s financial statements.

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| --- | --- | --- |
|  | **Typed Name** | **Hand-written or Digital Signature (preferred)** |
| **Prepared by:** | Jane Doe |  |
| **Date:** | 9/1/2024 |

**OR**

After having researched agency records and/or consulted with agency personnel, I have identified potential Related Party Transactions and provided information in the table on page 2, or in attached documents, in order for the Office of the State Controller to make a final determination as to what information should be disclosed in the Notes to the Financial Statements.

|  |  |  |
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|  | **Typed Name** | **Hand-written or Digital Signature (preferred)** |
| **Prepared by:** | n/a |  |
| **Date:** | n/a |

If you have any questions about interpretation of GASB standards 56 and 62 provided or how to complete the survey, please contact your agency liaison. Note that related party transactions may not necessarily be limited to those provided as examples in the standards.

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| **Vendor or Entity Name** | **Description of Related Party Transaction(s) and/or Relationship**(Attach additional documentation such as vendor queries, cash receipts, contracts, MOUs, etc., if necessary) |
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Insert as many rows as necessary.

# GASB 56 - Related Party Transactions

1. State and local governments are required to disclose certain related party transactions. If the substance of a particular transaction is significantly different from its form because of the involvement of related parties, financial statements should recognize the substance of the transaction rather than merely its legal form.
2. Examples of transactions with related parties that have features that may indicate that governments should consider whether a form-over-substance condition exists include:
	1. Borrowing or lending on an interest-free basis or at a rate of interest significantly above or below market rates prevailing at the time of the transaction
	2. Selling real estate at a price that differs significantly from its appraised value
	3. Exchanging property for similar property in a nonmonetary transaction
	4. Making loans with no scheduled terms for when or how the loans will be repaid.
3. Determining the substance of a related party transaction may pose challenges not present in assessing transactions between unrelated parties. For example, a related party relationship may result in transactions that would not take place between unrelated parties or would be subject to different terms and conditions. In such cases, the substance of the related party transaction may differ from its legal form due to the related party relationship.
4. It may not be possible to determine whether a particular transaction would have taken place if the parties had not been related, or what the terms and conditions would have been. Therefore, it may be difficult to determine whether a transaction was consummated on terms comparable to those that would be present in arm’s-length transactions. Furthermore, governments frequently enter into transactions and engage in activities that are driven by societal needs and concern for the ―public good. Therefore, it may not be appropriate to compare some governmental programs and arrangements to what might have occurred in an arm’s-length transaction in the private sector or with unrelated parties.

# GASB 62

Issue Date: December 2010 (financial statement periods beginning after December 15, 2011)

**Related Parties**

1. Paragraphs 54–57 provide guidance on disclosures of transactions between **related parties.** Examples of related party transactions include transactions (a) between a government and its related organizations, joint ventures, and jointly governed organizations; (b) between a government and its elected and appointed officials, **management,** or members of their **immediate families;** and (c) between a government and trusts for the benefit of employees, such as pension and other postemployment benefit trusts that are managed by or under the trusteeship of the government’s management. Transactions between related parties commonly occur in the normal course of operations. Some examples of common types of transactions with related parties are sales, purchases, and transfers of realty and personal property; services received or furnished, for example, accounting, management, engineering, and legal services; use of capital assets by lease or otherwise; borrowings and lendings; guarantees; and reimbursements based on allocations of common costs. Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. For example, a government may receive services from a related party without charge and not record receipt of the services.

**Disclosures**

1. Financial statements should include disclosures of related party transactions, other than compensation arrangements, expense/expenditure allowances, and other similar items in the ordinary course of operations. The disclosures should include:
	1. The nature of the relationship(s) involved
	2. 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
	3. 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
	4. Amounts due from or to related parties as of the date of each statement of net assets28 presented and, if not otherwise apparent, the terms and manner of settlement.
2. Transactions involving related parties cannot be presumed to be carried out on an arm’s-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, should not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm’s-length transactions unless such representations can be substantiated.

**Glossary**

1. This paragraph contains definitions of certain terms *as they are used in paragraphs 54–56;* the terms may have different meanings in other contexts.

***Immediate Family(ies)***

Family members whom an elected or appointed official or a member of management might influence or by whom they might be influenced because of the family relationship.

***Management***

Persons who are responsible for achieving the objectives of the government and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes the chief executive officer (for example, city manager), directors or secretaries in charge of principal government departments or functions (such as service provision administration or finance), and other persons who perform similar policymaking functions. Persons without formal titles also may be members of management.

***Related Parties***

A government’s related organizations, joint ventures, and jointly governed organizations, as defined in Statement No. 14, *The Financial Reporting Entity,* as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties (for example, through imposition of will as discussed in Statement 14, as amended) or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.