GASB CODIFICATION · FINANCIAL REPORTING

Section 2250

Additional Financial Reporting Considerations

GARS 2250

Five topics that cut across the basic statements: related party transactions, subsequent events, going concern, accounting changes and error corrections, and risks from concentrations or constraints. Plain-language reference only; not a substitute for the authoritative text.

¶.102 – .108

Related Party Transactions

Substance over form.
Transactions with related organizations, officials, or employee benefit trusts get disclosed even if no amount was ever formally recorded — and if substance differs from legal form, the substance governs.

Four things to disclose.
The nature of the relationship, a description of the transactions, the dollar amounts involved, and amounts due from or to related parties at each statement date.

¶.109 – .117

Subsequent Events: Two Kinds

Recognized events confirm what was already true.
They provide evidence of conditions that existed at the financial statement date, and should be folded into the estimates reported as of that date.

Nonrecognized events are new developments.
Debt-related transactions, government combinations or disposals, changes to the reporting entity's makeup, or anything else essential to a user's decisions — these get described and estimated in the notes, not baked into the numbers.

The evaluation date itself gets disclosed.
Every set of financial statements discloses the date through which subsequent events were evaluated.

¶.119 – .123

Going Concern Red Flags

Continuation is assumed until the evidence says otherwise.
Preparers evaluate substantial doubt about a government's ability to continue meeting its obligations for 12 months beyond the statement date (and a bit further, if known).

Four families of indicators.
Negative financial trends, other financial-difficulty signals (debt default, restructuring), internal matters (labor disputes, uneconomic commitments), and external matters (litigation, lost licenses or major customers).

Substantial doubt triggers specific note disclosures.
The conditions giving rise to the doubt, their possible effects, management's evaluation and mitigating plans, and any effect on how assets or liabilities are classified.

¶.125 – .153

Accounting Changes vs. Error Corrections

Three kinds of accounting change, three ways to report them.
A change in accounting principle is applied retroactively by restating beginning balances; a change in accounting estimate is reported prospectively, in the period it occurs; a change to or within the reporting entity adjusts the current period's beginning balances as if it happened at the start of the year.

An error correction always looks backward.
It's reported by restating beginning balances (and all prior periods presented, for comparative statements) for its cumulative effect.

Each type carries its own note disclosures.
Nature and reason for the change or error, financial statement line items affected, and — tabulated together — the effect on beginning net position, fund balance, or fund net position for each reporting unit.