

REPORTING

Note X – Major Component Units

INSTRUCTIONS TO PREPARER

The determination that the component unit is a major should be based on the nature and significance of its relationship with to the primary government. The determination generally would be based on any of the following factors: (1) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (2) there are significant transactions with the primary government, or (3) there is a significant benefit or burden relationship with the primary government. GASB Statement 14, GASB Statement 61.

The major component units can be presented in the following ways:

- (1) Separate columns in the government wide financial statements,
- (2) Combining statements included in basic financial statements, or
- (3) Condensed financial statements within the notes to the financial statements.

If combining statements are used for presentation they are required to show the major component units (each in a separate column), the aggregate of all non-major component units in one column, and a total column.

If note disclosure is used to report major component units the city/county/district is required to present condensed financial statements. The following information should be displayed.

a. Condensed statement of net position:

- (1) Total assets distinguishing between capital assets and other assets. Amounts receivable from the primary government should be reported separately;
- (2) Total deferred outflows of resources;
- (3) Total liabilities distinguishing between long-term debt and other liabilities. Amounts payable to the primary government should be reported separately;
- (4) Total deferred inflows of resources;
- (5) Total net position distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts of net investment in capital assets.

b. Condensed statement of activities (for units engaged in governmental activities):

- (1) Expenses by major function (and unallocated depreciation if reported in a separate line);
- (2) Program revenues by type;
- (3) Net program (expense) revenue;
- (4) Tax revenues;
- (5) Other nontax general revenues;
- (6) Contributions to endowments and permanent funds principal;
- (7) Special and extraordinary items;
- (8) Change in net position;
- (9) Beginning net position; and
- (10) Ending net position.

c. Condensed statement of revenues, expenses, and changes in net position (for units engaged in business-type activities):

- (1) Operating revenue (by major source);
- (2) Operating expenses (depreciation/amortization should be identified separately);
- (3) Operating income (loss);
- (4) Nonoperating revenues (expenses) by major items;
- (5) Capital contributions and additions to permanent and term endowments;
- (6) Special and extraordinary items;
- (7) Transfers;
- (8) Change in net position;
- (9) Beginning net position; and
- (10) Ending net position.

Condensed statement of cash flows is **not** required.

If the city/county/district has major component units separate information may also need to be presented in the notes for investments, capital assets, and long-term debt, if that information is significant to the government. This information may be displayed in the same note (i.e., long-term debt, etc.); however, it should be shown separately from the city/county/district's information.