GASB CODIFICATION · FINANCIAL REPORTING

Section 2600

GARS 2600

Reporting Entity and Component Unit Presentation and Disclosure

Once Section 2100 says an organization belongs in the reporting entity, this section governs how it actually shows up — discretely presented, blended, or fiduciary — and what gets disclosed about it. Plain-language reference only; not a substitute for the authoritative text.

¶.105 – .107

Discrete vs. Blended Presentation

Discrete presentation is the default.
Most component units appear in separate rows and columns from the primary government, to the right of its total column, in the government-wide statements.

Blending treats a component unit as part of the primary government.
Its balances and transactions are folded into the primary government's own fund and government-wide statements, rather than shown separately.

Fiduciary component units go a third way.
They appear only in the fiduciary fund statements, combined with the primary government's own fiduciary funds.

¶.112

When to Blend

A substantively-the-same governing body, plus benefit/burden or operational control.
If the component unit's board is essentially the primary government's own officials, and there's either a financial benefit/burden relationship or the primary government manages it like its own department.

Services flow almost entirely to the primary government.
Much like an internal service fund, the component unit exists to serve the government itself rather than the public.

Debt repaid almost entirely with primary government resources.
Typically through a continuing appropriation pledged as the debt's primary repayment source.

A sole-corporate-member nonprofit.
The primary government is the only corporate member under the component unit's articles of incorporation or bylaws.

¶.108 – .110

Major Component Units

“Major” is a judgment call, not a formula.
Based on whether the unit's services are essential to users, its transactions with the primary government are significant, or its benefit/burden relationship is significant.

Presented separately unless it hurts readability.
Each major component unit gets its own column in the statements when practical; otherwise combining statements for major units follow the fund statements, with nonmajor units aggregated.

Significant transactions get named in the notes.
For each major component unit, the nature and amount of significant transactions with the primary government or other component units.

¶.128 – .129

Related Organizations & Other Relationships

Appointment without accountability creates a related organization.
If a primary government appoints a voting majority of a board but isn't financially accountable, that organization is disclosed as a related organization, not a component unit.

The nature of the relationship still gets disclosed.
The primary government notes the nature of its accountability; similar related organizations can be grouped together in that disclosure.

Paraphrased for plain-language reference from GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2600, “Reporting Entity and Component Unit Presentation and Disclosure.” Principal sources: GASB Statements 14, 34, 39, 61, 63, 80, 84, 90. This summary is not authoritative — consult the current Codification (GARS-Online) or your auditor for application to a specific district.

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