

**Governmental Accounting Standards Board (GASB) Statement No. 61
The Financial Reporting Entity: Omnibus
Component Unit Determination Checklist**

Purpose: The purpose of this document is to perform component unit analysis based on GASB 14 amended by 34 and 61.

Determining Financial Reporting Entity, Including Component Units

Fund Name:	
Fund Number:	

GASB Statement No. 61 Overview: This statement modifies certain requirements for inclusion of component units in the financial reporting entity. Legally separate entity included in the primary government's financial statement as a component units based the fiscal dependency criteria should also have financial benefit or burden relationship with the primary government. The statement also clarifies that the legally separate entity that does not meet the financial accountability criteria, can also be included as a component unit if the primary government's management determines that it would be misleading to exclude them.

Section I *Determination of Component Units*

A potential component unit should be included in the financial reporting as a component unit *only* if it is legally separate.

A.	Legally Separate	Yes/No	Legislation Reference
----	------------------	--------	-----------------------

To determine if the potential component unit is legally separate, answer the following questions:

1	Does the potential component unit have the capacity to have a name?		
2	Does the potential component unit have the right to sue or be sued in its own name?		
3	Does the potential component unit have the right to buy, sell, lease or mortgage property in its own name?		
If the answer to <i>either</i> of A1 or A2 is "No", the potential component unit belongs to the primary government and is not a legally separate entity. Do not complete the rest of this checklist. If the answers to <u>all</u> A1, A2, and A3 is "Yes", the potential component unit is legally separate. Proceed to Section B.			

Financial Accountability

A legally separate potential component unit should be included in the financial reporting entity *if* the primary government can appoint a voting majority of the potential component unit's governing board and either impose its will on the potential component unit or have a financial benefit or burden imposed upon it by the potential component unit.

B.	Board Appointment	Yes/No	Legislation Reference
----	-------------------	--------	-----------------------

To determine whether the primary government appoints a majority of the organization's governing body, answer the following questions:

1	Do the potential component unit's <u>financial decisions</u> require more than a simple voting majority (50 percent plus one vote) and does the primary government appoint <u>only</u> a simple majority?		
2	Is the appointment process limited to nominations provided?		
3	Does the primary government confirm appointments made by individuals or groups other than the primary government?		
4	Does the primary government have limited or no authority over continuing appointments?		
5	Does the primary government have limited or no authority to unilaterally abolish the governing body?		
If the answers to all of B1, B2, B3, B4, and B5, are "Yes", the primary government <u>cannot</u> appoint a voting majority of the potential component unit's governing body. Proceed to Section D, Financial Benefit or Burden relationship. If the answers to all B1, B2, B3, B4, B5, and B6 are "No", the primary government <u>can</u> appoint a voting majority of the potential component unit's governing board. Continue to section C.			

Governmental Accounting Standards Board (GASB) Statement No. 61
The Financial Reporting Entity: Omnibus
Component Unit Determination Checklist

C.	Imposition of Will	Yes/No	Legislation Reference
----	--------------------	--------	-----------------------

To determine whether the primary government can impose its will on the potential component unit, answer the following questions:

1	Does the primary government have the ability to remove the appointed governing board at will?		
2	Can the primary government modify or approve the budget of the organization?		
3	Does the primary government have the ability to modify or approve rates or fee changes affecting revenues? (Example: Increase rates for water usage)		
4	Can the primary government veto, overrule, or modify the decisions of the potential component unit's governing body except for C2 and C3)?		
5	Can the primary government appoint, hire, reassign, or dismiss persons responsible for day-to-day operations (management)?		
Note: According to GASB 14, in order to answer "Yes" to any part of Section C, the ability of the government must be substantive not just ministerial.			
If the answer to <u>any</u> of C1, C2, C3, C4, C5, is "Yes", the government can impose its will on the potential component unit. If the answers to C1, C2, C3, C4, and C5 are "No", proceed to Section D.			
Note:	If the answers to Section B are "No" and the answer to any items in Section C is "Yes", the potential component unit qualifies as Component Unit of the primary government. Proceed to Section II for Reporting.		

D.	Financial Benefit or Burden	Yes/No	Legislation Reference
----	-----------------------------	--------	-----------------------

To determine whether the potential component unit can impose a financial benefit or burden on the primary government, answer the following questions:

1	Is the primary government legally entitled to or can it otherwise access the potential component unit's resources?		
2	Is the primary government legally obligated or has it assumed obligations to finance deficits of the potential component unit?		
3	Is the primary government legally obligated to provide financial support to the potential component unit?		
4	Is the primary government obligated in some manner for the debt of the potential component unit?		
If the answers to <u>any</u> of D1, D2, D3, and D4 are "Yes", the potential component unit can impose financial benefit or burden on the primary government. Proceed to Section E. If the answers to <u>all</u> D1, D2, D3, D4 are "No", STOP. Do not complete the rest of the checklist.			
Note	If the answers to Section B are "No" and the answers to any items in Section D is "Yes", the potential component unit qualifies as Component Unit of the primary government. Proceed to Section II for Reporting.		

**Governmental Accounting Standards Board (GASB) Statement No. 61
The Financial Reporting Entity: Omnibus
Component Unit Determination Checklist**

The potential component unit whose voting majority cannot be appointed by the primary government can also be financially accountable to the primary government *if* it is fiscally dependent on the primary government and there is a potential for the organization to specific financial benefits, or impose specific financial burdens on the primary government.

E.	Fiscal Dependency	Yes/No	Legislation Reference
----	-------------------	--------	-----------------------

If all your answers to Section B are "No" and your answer to any items in Section D is "Yes", answer the following questions:

1	Does the primary government have the authority to approve or modify the potential component unit's budget?		
2	Does the primary government have the authority to approve or levy taxes, set rates or set charges for the potential component unit?		
3	Does the primary government have the authority to approve the issuance of bonded debt by the potential component unit?		
If answer to <u>either</u> E1, E2, E3 is "Yes", the potential component unit is fiscally dependent on the primary government. If the answers to E1, E2, E3 are <u>all</u> "No", the potential component unit is not fiscally dependent on the primary government.			
Note	If any answer to <u>Section D</u> is "Yes", and the answer to either item in <u>Section E</u> is "Yes", the potential component unit qualifies as a Component Unit of the primary government. Proceed to Section II for Reporting.		

GASB 61
The Financial Reporting Entity : Omnibus

Section II:

Determine Proper Reporting of Component Unit

	To identify if a Component Unit should be reported using the blended method in the primary government's financial statement, answer the following questions:	Yes/No	Legislation Reference
1(a)	Is the component unit's governing body substantively the same as the governing body of the primary government? <i>(Note: "Substantively the same" means sufficient representation of the primary government's entire governing body on the component unit's governing body to allow complete control of the component unit's activities.</i>		
(b)	Is there a financial benefit or burden relationship between the primary government and the component unit? <i>(Note: Refer to Section I, Part D for financial benefit or burden relationship)</i>		
(c)	Is the primary government responsible for the component unit's day to day operations?		
2	Does the component unit provides services entirely, or almost entirely to the primary government, or otherwise exclusively or almost exclusively, benefits the primary government even thou it does not provide services directly to it?		
3	Is the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government?		
	If the answer is "Yes" to <u>either</u> of 1(a) and 1(b) or 1(a) and 1(c) or 2, 3, use <u>blending method</u> to report Component unit. If <u>all</u> answers are "No", report component unit using <u>discretely presented method</u> .		