

FISCAL ACCOUNTABILITY RULES

RULE 11.1 – COMPONENT UNITS

Purpose

GASB Statement No. 14, *The Financial Reporting Entity* and **GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*** established standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Rule

1. Agencies shall notify the Controller's Office when they negotiate a contract or instrument with a legally separate entity that meets any of the following:
 - a. The City appoints members of the board for the entity.
 - b. The entity is acting as an agent of the City.
 - c. The entity undertakes a multi-year fiscal obligation with the City.
2. The Controller's Office will prepare an analysis of the entity to determine if the entity should be appropriately characterized as a component unit within the Comprehensive Annual Financial Report.
3. Annually the Controller's Office will send a request to those entities previously deemed to be a Component Unit for specific audit information as well as a request for any updated Articles of Incorporation or other material change to the entities "charter".

Procedures and Forms

The **Controller's Office** is responsible for any procedures and forms associated with this rule.