

Department of Financial Services ~ Statewide Financial Statements Reporting Entity Determination Form

Agency: _____	OLO: _____
Entity Name: _____	Statute/Law/Rule Reference: _____

_____	_____
Prepared By	Date
_____	() - _____
Title	Phone Ext.
_____	_____
Effective Date	

Chief Financial Officer Use Only	
GAAFR: _____	Reviewed by: _____
	Date: _____

Purpose: The purpose of this form is to determine whether an entity is a component unit of the State or has a relationship with the State which requires the entity to be reported in the State's financial statements.

Instructions:

- Please read **all** introductory information (i.e., sources, instructions) for individual sections **prior** to completing the section.
- Answer the questions by placing an “x” in the appropriate box. The form will provide guidance to the next step based on the selected answer.
- The **original** form should be completed and returned to the Statewide Financial Reporting Section (SFRS).
- Attach additional explanations to this form as necessary.

Sources:

- Governmental Accounting Standards Board’s (GASB) statement(s):
- GASB Statement No. 14, The Financial Reporting Entity
 - GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14
 - GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14
 - GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14
 - GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

Definitions:

Component Unit (CU) - A legally separate organization for which the agency’s elected officials are financially accountable or an organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the financial reporting entity’s financial statements to be misleading.

Potential Component Unit (PCU) - A legally separate organization that may have a relationship with an agency.

Financial reporting agency consists of:

- The agency
- Organizations for which the agency is financially accountable
- Other organizations for which the nature and significance of their relationship with the agency is such that exclusion would cause the financial reporting entity’s financial statements to be misleading.

Financial accountable – The agency appoints a majority of the PCU’s board and either of the following is true:

- Can impose its will on the PCU
- There is a financial benefit/burden relationship between the agency and the PCU

Financial accountability can also occur if the PCU is fiscally dependent on the agency and there is a financial benefit/burden relationship between the agency and the PCU (regardless of whether the PCU has a separately elected governing board) a governing board appointed by a higher level of government or a jointly appointed board.

Financial Benefit/Burden Relationship - A PCU has the potential to provide specific financial benefits to (or to impose specific financial burdens on) the agency if (for example) any one of these conditions exists:

- The agency is legally entitled to or can otherwise access the organization's resources
- The agency is legally obligated or has otherwise assumed the obligation to finance the deficits of (or provide financial support to) the PCU
- The agency is obligated in some manner for the debt of the PCU

Exchange transactions (such as purchases or sales of goods or services) are not considered a financial benefit/ burden relationship.

Potential Component Unit (PCU)

1. Does your agency have... (Only select one.)

- A newly identified potential component unit ([Continue to question 2](#))
- A measurable right to the net resources of an organization that is based on an investment of financial or capital resources? ([Continue to question 2](#))

2. Enter the name of the PCU: _____
([Continue to question 3](#))

Legally Separate

According to GASB 14, paragraph 15, an organization is a legally separate from the agency if it is created as a body corporate (or a body corporate and politic) or if it possesses the corporate powers that would distinguish it as being legally separate from the agency. Having those corporate powers gives it the capacity to have a name, the right to sue and be sued without recourse to a governmental unit and the right to acquire property in its own name. It may be necessary to review the documentation on legal standing of a PCU with the agency's general counsel.

3. Is the PCU legally separate from the agency? (Only select one.)

- Yes ([Skip to question 5](#))
- No ([Continue to next question](#))

Legally Corporate Powers

According to GASB 14, paragraph 15, if the agency holds the legal corporate powers of the PCU, the PCU is part of the agency. If an organization other than the agency holds the legal corporate powers of the PCU, it is not included as part of the financial reporting agency.

4. Does the agency hold the legal corporate powers of the PCU? (Only select one.)

- Yes ([Skip to question 27](#))
- No ([Skip to question 28](#))

Voting Majority

According to GASB 14, paragraphs 22–24, if the agency appoints a simple majority of the PCU's governing board, it usually has a voting majority. However, if financial decisions require the approval of more than a simple majority, the agency is not accountable for the organization.

For the purpose of determining the appointment responsibility, the agency's appointment authority must be substantive (that is, appointed by the agency from any number of candidates of the agency's choice, with or without confirmation by the legislature). The agency's appointment authority is not considered to be substantive if statute or ordinance requires the board to be selected by the agency from a slate of candidates supplied from individuals or groups other than the agency's officials or appointees. "Appointment" of a voting majority can also include situations where the agency's officials are required by law to serve on the PCU's board.

If the board appointment is not continuing (for example, the original board was appointed by the agency, but any vacancies are filled by recommendations or votes from the current board members) then the voting majority criterion is not met. However, if the board appointment is not continuing, but the agency could

unilaterally abolish the PCU, then the board appointment criterion is met. The agency can unilaterally abolish the PCU if the agency can cause the PCU to cease operations. The abolishment occurs even if the legal structure or shell of the PCU remains intact. “Unilaterally abolish” is not the same as applying the provisions of the Sunset Act.

5. Does the agency appoint a voting majority of the PCU’s board? (Only select one.)

- Yes (Skip to question 7)
- No (Continue to next question)

Fiscally Dependent

According to GASB 14, paragraph 21b, as amended by GASB 61, paragraph 6a, a PCU is a component unit if it is **fiscally dependent** on the agency (regardless of whether the PCU’s governing board is appointed by the agency) and there is a potential financial benefit/burden relationship between the agency and the PCU.

A PCU is fiscally dependent on the agency if it is unable to complete one or more of the following actions without substantive approval by the agency:

- A. Determine its budget without the agency having the authority to approve and modify that budget
- B. Levy taxes or set rates or charges for services without the approval of the agency
- C. Issue bonds or other debt without approval by the agency

Fiscal dependency does not require that the PCU receive financial assistance from the agency. The fiscal dependency concept is not based on the existence of either a financial burden on or benefit for the agency. A PCU being subject to compliance approvals does not meet the fiscal dependency criterion outlined above. Examples of ministerial or compliance-oriented approvals are:

- A requirement that an agency approve a PCU’s debt after review for compliance with certain limitations (such as debt margins)
- A requirement for an agency to review a PCU’s budget in evaluating qualifications for state funding.
- A requirement for an agency to approve tax rates assessed by a PCU after review of compliance with tax rate and levy limitations.

However, if an agency has the authority to reduce or modify a PCU’s budget, the approval is substantive rather than ministerial or compliance oriented.

6. Is the PCU fiscally dependent on the agency? (Only select one.)

- Yes (Continue to next question)
- No (Skip to question 9)

Financial Benefit/Burden

According to GASB 14, paragraph 21a, as amended by GASB 61, paragraph 6a, the agency is financially accountable if the agency appoints a voting majority of the PCU’s governing body and either of the following apply:

- A. The agency can impose its will on that PCU
- B. The PCU can provide a financial benefit to or can impose a financial burden on the agency

GASB 14, paragraph 27, as amended by GASB 61, paragraph 6b, states that a financial benefit or burden is created if any one of the following relationships exists:

- A. The agency has access to the PCU’s resources. The ability to use the resources only needs to exist — the actual use of those resources is not required. If the agency has an interest in the remaining assets of a PCU when liquidated, it is not considered to have access to a PCU’s resources.
- B. The agency is legally required or has assumed the responsibilities to finance the PCU’s deficits or financially support the PCU.
- C. The agency is obligated in some manner for the debt of the PCU, for example:
 - 1. The agency is legally responsible for debt that is not paid after other default remedies have been pursued.
 - 2. The agency is required to provide funds to cover temporary deficiencies.
 - 3. The agency is either required to fund reserves maintained by the PCU or create its own reserve fund.

4. The agency is authorized to either fund reserves maintained by the PCU or create its own reserve fund and has established such a fund. (If a fund is not established, then consider 6 and 7 below.)
 5. The agency is authorized to either provide financing for a reserve fund maintained by the PCU (for the purpose of repurchasing outstanding debt) or create its own reserve fund and has established such a fund. (If a fund is not established, consider 6 and 7 below.)
 6. The debt contract states that the agency may cover defaults (even though it is not required to do so).
 7. It is probable that the agency will assume responsibility for the PCU's debt in the event of default if legal decisions within the state (or previous actions by the agency) related to actual or potential defaults on another organization's debt exists.
7. You determined that the agency appoints a voting majority of the potential component unit's board; therefore, is there a financial benefit/burden relationship between the agency and the PCU? (Only select one.)
- Yes (Continue to next question)
- No (Skip to question 16)
8. You determined that the potential component unit is fiscally dependent on the agency; therefore, is there a financial benefit/burden relationship between the agency and the PCU? (Only select one.)
- Yes (Skip to question 17)
- No (Continue to next question)

Misleading to Exclude (GASB 14, paragraphs 39-41)

According to GASB 14, paragraphs 39-41, a PCU that does not meet the specific financial accountability criteria must be included as a component unit to prevent the reporting entity's financial statements from being misleading. This determination is based on the nature and significance of the organization's relationship with the agency.

For example, a PCU issues debt on behalf of the agency and serves as a conduit for receiving dedicated revenues of the agency that are designated for repayment of the debt. The nature and significance of this relationship (between the PCU and the agency) would warrant including the PCU as a component unit of the agency.

Other organizations are evaluated as PCUs if they are closely related to (or financially integrated with) the agency. Closely related PCUs include those that are financially integrated with the agency. Financial integration may be exhibited or documented through the wording of charters or bylaws of either the agency or the PCU.

Examples include:

- The bylaws state that failure to distribute resources to the agency may cause the PCU to lose its tax-exempt status
- Participation of the PCU's employees in programs sponsored by the agency
- Representation in financial aid accountability systems of work-study fellowships granted to students of an agency for work performed for the PCU
- Participation of the agency's employees in research activities of the PCU and inclusion of that activity in the agency's effort reports
- Agency's provision of office space and administrative services to or from the PCU

9. Is the PCU closely related to (or financially integrated with) your agency?

- Yes (Skip to question 11)
- No (Continue to next question)

10. Would it be misleading to exclude the PCU?

- Yes (Please explain your answer below; then proceed to question 11)
- No (Skip to question 15)

Explain your answer: _____

GASB 14 paragraph 40a Criteria

Certain organizations warrant inclusion as part of the financial reporting agency because of the nature and significance of their relationship with the agency or agency's CU. GASB 14, paragraph 40a, as amended by GASB 39, paragraph establishes three criteria. The following questions will help an agency determine if the PCU meets **all three criteria** and is reported as a discretely presented CU.

Tax-Exempt: When considering if a PCU is tax-exempt, consideration is not limited to 01(c)(3) organizations.

11. Is the PCU tax-exempt?

Yes (Continue to next question)

No (Skip to question 21)

Resources held by PCU entirely (or almost entirely) for direct benefit of agency: According to GASB 14, paragraph 40a, as amended by GASB 39, paragraph 5, the PCU directly benefits the agency if the PCU obtains (or seeks to obtain) or holds and invests resources that will benefit the agency. This does not mean the resources must be transferred to the agency within the reporting period - rather, if the resources obtained or held are ultimately for the benefit of the agency, then a direct benefit exists. If the PCU has the ability to redirect the resources at its own discretion so that the resources would not benefit the agency (such as sending the resources to another organization that does not have any relationship with the agency), the PCU is not reported as a component unit.

12. Are the economic resources received or held by the PCU entirely (or almost entirely) for the direct benefit of the agency (any state agency or university) or another component unit of the agency?

Yes (Continue to next question)

No (Skip to question 21)

13. Is the agency (or its component units) entitled to (or can otherwise access) a majority of the economic resources received or held by the PCU?

Yes (Continue to next question)

No (Skip to question 21)

14. Are the economic resources significant to the agency?

Yes (Skip to question 26)

No (Skip to question 21)

Joint Venture, Jointly Governed Organization, Related Party

A joint venture is a legal entity or other organization resulting from a contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain an ongoing financial interest or an ongoing financial responsibility. In order to maintain joint control, no single participant could unilaterally control the financial or operating policies of the joint venture.

A **related party** can be:

- Agency's related organizations, joint ventures and jointly governed organizations, as defined in GASB 14, as amended
- Agency's elected and appointed officials and members of their immediate families
- Agency's management, and members of its immediate families
- Other parties with which the agency may deal if one party can significantly influence the management or operating policies of the other to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interests

A **related party** is one that either:

- Can significantly influence the management or operating policies of the transacting parties (for example, through imposition of will)

-OR-

- Has an ownership interest in one of the transacting parties and can significantly influence the other to the extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests

15. Does the PCU qualify as a Joint Ventures, Jointly Governed Organizations (GASB 14, paragraphs 69-78) or Related Party (GASB 2, paragraphs 4-7)? (Only select one.)

- Yes (Skip to question 31)
- No (Skip to question 28)

Impose Its Will

According to GASB 14, paragraph 21a, as amended by GASB 61, paragraph 6a, an agency is financially accountable if it appoints the voting majority of a PCU’s governing board and either of the following apply:

- It can impose its will on the PCU
- There is the potential for the PCU to either provide specific financial benefits to or impose specific financial burdens on the agency

According to GASB 14, paragraphs 25–26, imposition of will is defined as the ability of the agency to significantly influence the programs, projects, activities or level of services performed or provided by the PCU. While the determination of the concept of imposition of will is a matter of judgment, GASB concluded that the existence of any of the following is a clear indication of the agency’s ability to affect the day-to-day operations of the PCU:

- Appointed members can be removed at will by the agency
- The budget can be modified or approved by the agency
- Rate or fee charges that affect the revenues can be modified or approved by the agency
- Other decisions may be vetoed, overruled or modified by the agency
- Management personnel may be appointed, hired, reassigned or dismissed by the agency

The imposition of will criterion is also met if the agency can unilaterally abolish the PCU - if the agency can cause the organization to cease operations. The abolishment occurs even if the legal structure or shell of the organization remains intact. However, “unilaterally abolish” is not the same as applying the provisions of the Sunset Act. The ability to unilaterally abolish the PCU can be used to meet the board appointment criterion and the imposition of will criterion. The application of the Sunset Act involves a formal due process and therefore does not meet the imposition of will criterion.

16. Is the agency able to impose its will on the PCU?

- Yes (Complete the check box list below)
- No (Skip to question 30)

If Yes, indicate how the agency imposes its will. (Check all that apply, then continue to next question)

- Remove appointed board members at will
- Ability to modify or approve the budget of the potential component unit
- Ability to modify or approve rate or fees changes affecting revenues
- Ability to veto, overrule or modify the decisions of the PCU’s governing body
- Ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operations of the PCU

Other (Specify below): _____

Blending Criteria (GASB 14, paragraph 53a, b, c or d)

GASB 14, paragraph 53, as amended by GASB 61, paragraph 8 and GASB 80 establish four criteria for blending CU. The following questions will help an agency determine if the PCU meet any one of the four criteria and is reported as a blended CU.

Providing Service:

Paragraph 53a: The CU's governing body is substantively the same as the governing body of the agency. This criterion will rarely (if ever) apply to a state government because of the impracticality of providing sufficient representation of the state's entire governing body. So, this criterion is not included in this questionnaire.

Paragraph 53b Services or benefits the agency: If the CU provides services entirely (or almost entirely) to the agency or otherwise exclusively (or almost exclusively) benefits the agency even though it does not provide services directly to it, include the CU as blended. The essence of this type of arrangement is similar to an internal service fund where the goods or services are provided to the agency itself.

A CU that provides services to more than just the agency is blended if the services provided to others are insignificant to the overall activities of the CU.

17. Does the PCU provide services entirely (or almost entirely) or otherwise exclusively (or almost exclusively benefit) the agency? (Only select one.)

- Yes (Skip to question 32)
- No (Continue to next question)

Repayment of Debt:

According to GASB 61, paragraph 8a, if a CU's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the agency, report the CU as blended. The repayment usually occurs through a continuing pledge and appropriation by the agency to the CU that, in turn, pledges those appropriation payments as the primary source of repayment of its debt. If the agency pledges resources as a secondary source of repayment, or if the resources received by the CU from the agency are just one of many resources available to the PCU, then the CU is reported as a discretely presented component unit.

18. Is the CU's total debt outstanding expected to be repaid entirely or almost entirely with resources of the agency? (Only select one.)

- Yes (Skip to question 32)
- No (Continue to next question)

Not-for-Profit:

Paragraph 53d GASB 80 adds the requirement to blend a CU's activities when the CU is organized as a not-for-profit corporation in which the agency is the sole corporate member, as identified in the CU's articles of incorporation or bylaws. GASB 80 does not apply to any CU that is included in the financial reporting agency pursuant to the provisions of GASB 39.

19. Is the PCU a not-for-profit corporation? (Only select one.)

- Yes (Continue to next question)
- No (Skip to question 26)

20. Is the agency the sole corporate member of the PCU, as identified in PCU's articles of incorporation or bylaws? (Only select one.)

- Yes (Skip to question 32)
- No (Skip to question 26)

Your PCU meets the definition of a PCU because of GASB 39 — not because of GASB 14, paragraphs 21-37 - therefore GASB 80 blending criteria does not apply.

GASB 14, paragraph 53, as amended by GASB 61, paragraph 8 establishes three criteria for blending CU. The following questions will help an agency determine if the PCU meets any one of the three criteria and is reported as a blended CU.

Paragraph 53a: The CU's governing body is substantively the same as the governing body of the agency. This criterion will rarely (if ever) apply to a state government because of the impracticality of providing sufficient representation of the state's entire governing body. So, this criterion is not included in this questionnaire; however, if applicable please contact SFRS.

Services or benefits the agency (Paragraph 53b):

If the CU provides services entirely (or almost entirely) to the agency or otherwise exclusively (or almost exclusively) benefits the agency even though it does not provide services directly to it, include the CU as blended. The essence of this type of arrangement is similar to an internal service fund where the goods or services are provided to the agency itself.

A CU that provides services to more than just the agency is blended if the services provided to others are insignificant to the overall activities of the CU.

21. Does the PCU provide services that entirely (or almost entirely) or otherwise exclusively (or almost exclusively) benefit the agency?

- Yes (Skip to question 32)
- No (Continue to next question)

Repayment of Debt:

According to GASB 14, paragraph 53, as amended by GASB 61, paragraph 8, if a CU's total debt outstanding (including leases) is expected to be repaid entirely or almost entirely with the resources of the agency, report the CU as blended. The repayment usually occurs through a continuing pledge and appropriation by the agency to the CU that (in turn) pledges those appropriation payments as the primary source of repayment of its debt. If the agency pledges resources as a secondary source of repayment or the resources received by the CU from the agency are just one of many resources available to the PCU, then the CU is reported as a discretely presented component unit.

22. Is the CU's total debt outstanding expected to be repaid entirely or almost entirely with resources of the agency?

- Yes (Skip to question 32)
- No (Continue to next question)

Majority Equity Interests

According to GASB Statement 90, paragraph 5, a government holding an equity interest that meets the definition of an investment in paragraph 64 of Statement 72, the equity interest should be reported as an investment and measured using the equity method in accordance with paragraphs 205-209 of Statement 62 as amended.

23. Does your agency/organization own a majority equity interest in a legally separate organization for the purpose of income or profit or do you have a present service capacity based solely on its ability to generate cash or be sold to generate cash?

- Yes (Please explain your answer below)
- No (Continue to next question)

Explain your answer: _____

24. Does your organization own a majority equity interest in a separate organization that meets the definition of an investment, do you report the majority interest as an investment?

- Yes (Please explain your answer below)
- No (Continue to next question)

Explain your answer: _____

25. If your organization own a majority equity interest in a separate organization that does not meet the definition of an investment, do you report the legally separate organization as a component unit?

Yes (Continue to next question)

No (Skip to question 29)

Fiduciary in Nature

According to GASB 34, paragraph 125, CUs that are fiduciary in nature are included only in the fund financial statements with the agency’s fiduciary funds.

26. Is the PCU fiduciary in nature? (Only select one.)

Yes (Skip to question 33)

No (Skip to question 34)

No Disclosure

27. This PCU is part of and must be included in the agency’s financial statements. Select **No Disclosure Required** below.

No Disclosure Required

28. It has been determined that the PCU is not a component unit, related organization, joint venture, jointly governed organization or related party of this reporting agency. Select **No Disclosure Required** below.

No Disclosure Required

29. The organization does not have majority interest in a legally separate organization for the purpose of income or profit or do you have a present service capacity based solely on its ability to generate cash or be sold to generate cash nor owns a majority equity interest in a separate organization that meets the definition of an investment. Select **No Disclosure Required** below.

No Disclosure Required

Related Organization: Note 1 Disclosure

Organizations for which the agency is accountable because the agency appoints a voting majority of the organization’s board but is not financially accountable.

30. Disclose the nature of your agency’s relationship with the related organization below:

Joint Venture or Jointly Governed Organizations: Note 1 Disclosure

Organizations for which the agency is accountable because the agency appoints a voting majority of the organization’s board but is not financially accountable.

31. Disclose the information about the nature of your agency’s joint venture or jointly governed organization below:

Blended Presentation

According to GASB 14, paragraphs 52–54, blending presentation is a treatment that requires the CU’s balances and transactions to be reported in a manner similar to the balances and transactions of the agency.

32. This CU must be included in your financial statements as blended. Select **Blended** below.

Blended ([Skip to question 35 to 39](#))

Discrete Presentation - Fiduciary

According to GASB 34, paragraphs 124–126, CUs that are fiduciary in nature should be included in the fund financial statements with the agency’s fiduciary funds. The CU’s fiduciary activities, whose resources are not available to finance the government’s programs, should be excluded from the government-wide statements.

33. This CU must be included in your financial statements. Select Discrete — Fiduciary below as the method of inclusion.

Discrete – Fiduciary ([Skip to question 35 to 39](#))

Discrete – Non-Fiduciary

According to GASB 14, paragraphs 44–51, discrete presentation is a treatment that requires reporting the CU’s financial data in one or more columns separate from the financial data of the agency. Information about each major CU is provided in the basic financial statements of the reporting agency. Agencies can satisfy this requirement by:

- Presenting each major CU in a separate column in the reporting agency’s statements of net position and activities
- Including combining statements of major CUs in the reporting agency’s basic statements after the fund financial statements
- Presenting condensed financial statements in the notes to the reporting agency’s financial statements

34. This CU must be included in your financial statements. Select Discrete — Non-Fiduciary below as the method of inclusion.

Discrete – Non-Fiduciary ([Continue to question 35 to 39](#))

Component Unit Information

35. If the organization was established by legislation, what specific Florida Statute established the organization?

36. What is the CU’s fiscal year? (Only select one.)

July 1 – June 30

October 1 – September 30

Other (please provide fiscal year) _____

37. Does the CU have audited financial statements?

Yes

No

38. If yes, who is the CU’s auditor? _____

39. Provide the audit firms contact information. _____

