

## RULE 11.1 – COMPONENT UNITS

Adopted Date: 10/13/2005

Revised Date: 01/01/2008

### PURPOSE

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**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.

### RULES

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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 and County of Denver (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 shall 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 shall 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".

### AUTHORITY AND ACCOUNTABILITY

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The **Controller's Office** is responsible for this fiscal accountability rule and any procedures, guides, job aids, forms, and one-page summaries associated with this rule.

Unless otherwise specified at the beginning of the document, printed copies are UNCONTROLLED. Always refer to the online Fiscal Accountability Rules on City and County of Denver website prior to use to ensure you are using the most current copy.