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| Regulations of the University of North Texas System | Chapter 08 |
| 08.6000 Reporting Component Units | Fiscal Management |

08.6001 **Regulation Statement.** The University of North Texas System shall evaluate and determine whether a legally separate entity affiliated with or related to UNT System should be considered a Component Unit or Related Organization. Component Units and Related Organizations should be reported in System Administration and Institution financial reports and in the Consolidated Annual Financial Report in accordance with the Governmental Accounting Standards Board. The presentation of Component Units in the financial statements, whether blended or discrete, should be determined using the guidance provided in Governmental Accounting Standards Board Statement Number (No.) 14, *The Financial Reporting Entity*; No. 39 *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*; and No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*.

08.6002 **Application of Regulation.** System Administration and Institutions.

08.6003 **Definitions.**

1. **Component Unit.** “Component Unit” means a legally separate entity: (a) for which the officials of the Primary Government are financially accountable; or (b) for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the financial statements to be misleading.
2. **Related Organization.** “Related Organization” means legally separate entities for which a Primary Government is accountable because the Primary Government appoints a voting majority of the board, but for which the Primary Government is not financially accountable.
3. **Blended Presentation.** “Blended Presentation” means the method of reporting financial data of a Component Unit that presents the Component Unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the Primary Government.
4. **Discrete Presentation.** “Discrete Presentation” means the method of reporting financial data of Component Units in columns and rows separate from the financial data of the Primary Government. An integral

part of this method of presentation is that major Component Unit supporting information is required to be provided in the Primary Government's basic financial statements by either (a) presenting each major Component Unit in a separate column in the statements of net position and activities, (b) including combining statements of major Component Units in the basic statements after the fund financial statements, or (c) presenting condensed financial statements in the notes to the basic financial statements.

5. Primary Government. "Primary Government" means University of North Texas System.

08.6004 Procedures and Responsibilities.

1. Evaluation and Determination.
 - (a) Each legally separate entity affiliated with or related to UNT System should be evaluated to determine whether it should be considered a Component Unit or a Related Organization. On an annual basis, prior determinations should be reevaluated, and any newly affiliated entity should be evaluated to determine whether it should be considered a Component Unit or a Related Organization.
 - (b) If an institution is determined to be a Component Unit, UNT System management should determine if the net position of the Component Unit constitutes three percent or more of the consolidated net position of UNT System, which will be considered significant for reporting purposes.
2. Reporting.
 - (a) Component Units should be presented blended or discretely depending on the criteria listed below for blended presentation or discrete presentation. The chart provided in Governmental Accounting Standards Board (GASB) Statement No. 61, Appendix C should also be used as a reference.
 - (b) The nature of UNT System's accountability for Related Organizations should be disclosed in notes to the financial statements.
 - (c) Additionally, professional judgment should be used in determining whether the relationship between UNT System and

other institutions or foundations for which UNT System is not financially accountable and that do not meet the below criteria is such that exclusion of the organization or foundation would render the financial statements of UNT System misleading.

3. **Blended Presentation.** Component Units should be reported using the blended presentation if they meet the following criteria:
 - (a) The Component Unit's governing body is substantively the same as the governing body of the Primary Government and (1) there is a financial benefit or burden relationship between the Primary Government and the Component Unit, as described in GASB Section 2100, paragraphs .126-.132, or (2) management of the Primary Government has operational responsibility for the Component Unit;
 - (b) The Component Unit provides services entirely, or almost entirely, to the Primary Government or otherwise exclusively, or almost exclusively, benefits the Primary Government even though it does not provide services directly to it; or
 - (c) The Component Unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the Primary Government.

4. **Discrete Presentation.** Component Units should be reported using the discrete presentation if they meet the following criteria:
 - (a) The economic resources received or held by the Component Unit are entirely or almost entirely for the direct benefit of the Primary Government or its components and constituents;
 - (b) The Primary Government or its components and constituents is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the Component Unit; or
 - (c) The economic resources received or held by a Component Unit are significant to the Primary Government.

Responsible Party: UNT System Chief Financial Officers and Financial Reporting Departments.

References and Cross-references:

Texas Reporting Requirements for Annual Financial Reports of State Agencies and Universities (A.036)

Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600.

GASB Comprehensive Implementation Guide, Chapter 4.

Note: Generally accepted accounting principles (GAAP) as codified in GASB Section 2100 establishes standards for defining the financial reporting entity for Primary Governments, other standalone governments and separately issued reports of governmental component units including governmental colleges and universities. Criteria for defining the reporting entity are identified and described in the Texas Reporting Requirements for Annual Financial Reports of State Agencies and Universities (A.036) and GASB Sections 2100 and 2600.

Sources for Section 2100: GASB Statement No. 14, GASB Statement No. 34, GASB Statement No. 39, GASB Statement No. 61, GASB Technical Bulletin 2004-1.

Sources for Section 2600: National Council on Governmental Accounting (NCGA) Statement 1, GASB Statement No. 14, GASB Statement No. 31, GASB Statement No. 34, GASB Statement No. 37, GASB Statement No. 44, GASB Statement No. 48, GASB Statement No. 51, GASB Statement No. 61, and GASB Technical Bulletin 2004-1

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