|  |  |
| --- | --- |
| Institution Number-Institution Acronym:\* |  |
| Institution Name\*: |  |
| Institution Contact Name: |  |
| Institution Contact Phone Number: |  |
| Institution Contact E-mail Address: |  |
| Date Completed: |  |

\***Note**: Institution Number-Institution Acronym and Institution Name should be the same as shown on the first tab of the Attachment HE-1, Attachments and Survey.

**Part 1, Checklist**

|  |  |
| --- | --- |
| **Entity Being Evaluated:** |  |

This checklist is to determine whether to include or exclude a Potential Component Unit (PCU) in or from the Basic Financial Statements of the Commonwealth of Virginia for FY 2024. The comments section should include summary citations, reference documents and/or sections, and sufficient narrative to support the responses to the questions. For additional guidance, refer to **GASBS No. 14** as modified by **GASBS No. 39**, **GASBS No. 61**, **GASBS No. 80**, **GASBS No. 84**, **GASBS No. 85**, **GASBS No. 90**, and **GASBS No. 97**. **For yes/no responses, put an X in the appropriate box. Add comments as deemed necessary.**

|  |  |  |  |
| --- | --- | --- | --- |
| **LEGALLY SEPARATE** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| A. Is the PCU legally separate as defined by the following corporate powers? |  |  |  |
| 1. Can the PCU have a name? |  |  |  |
| 2. Can the PCU sue and be sued in its own name, without recourse to a state or local government? |  |  |  |
| 3. Does the PCU have the right to buy, sell, lease or mortgage property in its name? |  |  |  |

***If Section A is YES, continue with Section B1.***

***If Section A is NO, continue with Section B.***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Characteristic** | **Yes** | | **No** | **Comments** |
| B. Does the primary government hold the PCU's corporate powers? |  |  | |  |

***If Section B is NO, stop here. The PCU is NOT a part of this primary government and should not be considered for inclusion in the Basic Financial Statements. Continue to Part 2, Certification.***

***If Section B is YES, stop here. The PCU is part of this primary government and should be included in the primary government’s Basic Financial Statements. Continue to Part 2, Certification.***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **MAJORITY EQUITY INTEREST** | | | | |
| **Characteristic** | **Yes** | | **No** | **Comments** |
| B1. Does the primary government hold a majority equity interest in the PCU that does **not** meet the definition of an investment? |  |  | |  |

***If Section B1 is YES, the PCU is a component unit. Continue with Section J.***

***If Section B1 is NO, continue with Section C.***

|  |  |  |  |
| --- | --- | --- | --- |
| **APPOINTS VOTING MAJORITY** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| C. Did the primary government appoint a voting majority of the PCU's board? |  |  |  |
| 1. The "appointees" were selected at large by the primary government. |  |  |  |
| 2. They were NOT simply confirmed after appointed by another group. |  |  |  |
| 3. They were NOT appointed from a limited nominating process. |  |  |  |
| 4. a) The PCU has no governing board;  b) The primary government performs the duties that a governing board would typically perform; and  c) The PCU is either of the following:  1) defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan that is administered through a trust that meets criteria in paragraph 3 of **GASBS No. 67** and paragraph 3 of **GASBS No. 74**, respectively; or  2) other arrangement except as noted below.  Note: If all requirements in item 4 above are met, this is considered the same as appointing a voting majority. Exception: Defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans) are exempt from this requirement. |  |  |  |

If Section C is YES, continue with Section G.

If Section C is NO, continue with Section D.

|  |  |  |  |
| --- | --- | --- | --- |
| **FISCAL DEPENDENCY & FINANCIAL BENEFIT/BURDEN RELATIONSHIP** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| D. Does the PCU meet any **one** of the following fiscal dependency requirements in questions 1 to 3 below **and** the financial benefit/burden relationship requirement in question 4 below? |  |  |  |
| 1. Can the PCU determine its budget but the primary government has the authority to approve and modify the budget? |  |  |  |
| 2. Can the PCU levy taxes or set rates or charges but the primary government must approve? |  |  |  |
| 3. Can the PCU issue bonded debt but the primary government must approve? |  |  |  |

If any questions 1 to 3 are YES, continue with question 4.

If all questions 1 to 3 are NO, Section D is NO and continue with Section E.

|  |  |  |  |
| --- | --- | --- | --- |
| **Characteristic** | **Yes** | **No** | **Comments** |
| 4. Is there a financial benefit/burden relationship between the PCU and the primary government? Any **one** of the following indicates a benefit/burden relationship. |  |  |  |
| * 1. Is the primary government entitled to or have the ability to access the PCU's resources? |  |  |  |
| * 1. Is the primary government obligated to finance deficits of, or provide financial support to or subsidize the PCU? |  |  |  |
| * 1. Is the primary government obligated in some manner for the debt of the PCU? Any **one** of the following indicates obligation in some manner. |  |  |  |
| * The primary government is legally obligated to honor deficiencies to the extent that proceeds from other default remedies are insufficient. |  |  |  |
| * The primary government is required to temporarily cover deficiencies with its own resources until repayment funds or default remedies are available. |  |  |  |
| * The primary government is required to provide funding for reserves maintained by the debtor PCU, or to establish its own reserve or guarantee fund for the debt. |  |  |  |

*Continued on next page*

**FISCAL DEPENDENCY & FINANCIAL BENEFIT/BURDEN RELATIONSHIP**

**(Continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Characteristic** | **Yes** | **No** | **Comments** |
| * The primary government is authorized to provide funding for reserves maintained by the debtor PCU, or to establish its own reserve or guarantee fund for the debt and does so. |  |  |  |
| * The primary government is authorized to provide financing for a fund maintained by the debtor PCU for the purpose of purchasing or redeeming the PCU's debt or to establish its own fund and does so. |  |  |  |
| * The debtor PCU explicitly indicates by contract, such as the bond agreement, that in the event of default, the primary government may cover deficiencies although it has no legal requirement to do so. |  |  |  |
| * Legal environment is such that it is probable that the primary government will assume responsibility for the debt in the event of default. |  |  |  |
| * 1. Is the primary government legally obligated or has otherwise assumed the obligation to make contributions to the PCU that is a defined benefit pension plan or defined benefit other postemployment benefit plan that is administered through trusts that meet criteria in paragraph 3 of **GASBS No. 67** and paragraph 3 of **GASBS No. 74**, respectively? |  |  |  |

***If question 4 is YES, Section D is YES and the PCU is a component unit. Continue with Section I.***

If question 4 is NO, Section D is NO, continue with Section E.

|  |  |  |  |
| --- | --- | --- | --- |
| **LEGALLY SEPARATE/TAX EXEMPT ORGANIZATION** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| E. Does the PCU's relationship with the primary government meet all of the following criteria of paragraph 40A of **GASBS No. 39** regarding a legally separate/tax exempt organization? |  |  |  |
| 1. The economic resources received or held by the PCU are entirely or almost entirely for the direct benefit of the primary government, its component unit, or its constituents. |  |  |  |
| 2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the PCU. (*Note: This does not necessarily imply control over the organization. Ability is determined by whether the primary government can access the resources or whether resources have historically been provided. If either of these conditions exist, the answer to this condition is yes*.) |  |  |  |
| 3. The economic resources received or held by the PCU that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. |  |  |  |

If Section E is YES, the PCU is a discretely presented component unit. Continue to Part 2, Certification.

If Section E is NO, continue to section F.

|  |  |  |  |
| --- | --- | --- | --- |
| **MISLEADING TO EXCLUDE** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| F. Would it be misleading to exclude the PCU because of the nature and significance of the PCU’s relationship with the primary government? |  |  |  |
| 1. Does the PCU provide temporary fiscal assistance to the primary government to alleviate that primary government’s fiscal distress? |  |  |  |
| 2. Using professional judgment, does the PCU warrant inclusion in the Basic Financial Statements? |  |  |  |

If Section F is YES, the PCU is a component unit. Continue with Section J to determine presentation.

If Section F is NO, the PCU is NOT a component unit. Continue to Part 2, Certification.

|  |  |  |  |
| --- | --- | --- | --- |
| **APPOINTS VOTING MAJORITY & IMPOSITION OF WILL** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| G. Is the primary government able to impose its will on the PCU? Any **one** of the following indicates imposition of will. |  |  |  |
| 1. Does the primary government have the ability to modify or approve the budget of the PCU? |  |  |  |
| 2. Does the primary government have the ability to modify or approve rate or fee changes? |  |  |  |
| 3. Does the primary government have the ability to veto, overrule, or modify the decisions of the PCU's governing body? |  |  |  |
| 4. Does the primary government have the ability to appoint, hire, reassign or dismiss management responsible for operations of the PCU? |  |  |  |
| 5. Does the primary government have the ability to remove appointed members of the PCU's governing board at will? |  |  |  |

***If Section G is YES, the PCU is a component unit. Continue with Section I.***

***If Section G is NO, continue with Section H.***

|  |  |  |  |
| --- | --- | --- | --- |
| **APPOINTS VOTING MAJORITY & FINANCIAL BENEFIT/BURDEN RELATIONSHIP** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| H. Is there a financial benefit/burden relationship between the PCU and the primary government? Any **one** of the following indicates benefit/burden. |  |  |  |
| 1. Is the primary government entitled to or have the ability to access the PCU's resources? |  |  |  |
| 2. Is the primary government obligated to finance deficits of, or provide financial support to or subsidize the PCU? |  |  |  |
| 3. Is the primary government obligated in some manner for the debt of the PCU? Any **one** of the following indicates obligation in some manner. |  |  |  |
| * The primary government is legally obligated to honor deficiencies to the extent that proceeds from other default remedies are insufficient. |  |  |  |
| * The primary government is required to temporarily cover deficiencies with its own resources until repayment funds or default remedies are available. |  |  |  |
| * The primary government is required to provide funding for reserves maintained by the debtor PCU, or to establish its own reserve or guarantee fund for the debt. |  |  |  |
| * The primary government is authorized to provide funding for reserves maintained by the debtor PCU, or to establish its own reserve or guarantee fund for the debt and does so. |  |  |  |
| * The primary government is authorized to provide financing for a fund maintained by the debtor PCU for the purpose of purchasing or redeeming the PCU's debt or to establish its own fund and does so. |  |  |  |
| * The debtor PCU explicitly indicates by contract, such as the bond agreement, that in the event of default, the primary government may cover deficiencies although it has no legal requirement to do so. |  |  |  |
| * Legal environment is such that it is probable that the primary government will assume responsibility for the debt in the event of default. |  |  |  |
| 4. Is the primary government legally obligated or has otherwise assumed the obligation to make contributions to the PCU that is a defined benefit pension plan or defined benefit other postemployment benefit plan that is administered through trusts that meet criteria in paragraph 3 of **GASBS No. 67** and paragraph 3 of **GASBS No. 74**, respectively? |  |  |  |

***If Section H is YES, the PCU is a component unit. Continue with Section I.***

***If Section H is NO, stop here. The PCU is a related organization that requires note disclosure only. Note disclosure should state that the primary government is accountable for the PCU and describe the relationship. Continue to Part 2, Certification.***

|  |  |  |  |
| --- | --- | --- | --- |
| **POTENTIAL FOR DUAL INCLUSION** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| I. Is the PCU only a component unit of the primary government and does not meet the component unit criteria to be reported as a component unit by another government? Note: A PCU can only be included as a component unit of one reporting entity. |  |  |  |

***If Section I is YES, the PCU is a component unit of the primary government. Continue with Section J to determine presentation.***

***If Section I is NO, the PCU is a potential component unit of two governments. Use professional judgment to determine the appropriate reporting entity before continuing. A primary government that appoints a voting majority of a board of a component unit of another government should make the disclosures required for related organizations.***

|  |  |  |  |
| --- | --- | --- | --- |
| **COMPONENT UNIT PRESENTATION** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| J. Is any **one** of the following criteria met which would require a blended presentation of the component unit (CU)? |  |  |  |
| 1. Is the CU’s governing body substantively the same as the governing body of the primary government **and**  a) There is a financial benefit or burden relationship between the primary government and the CU or  b) Management of the primary government has operational responsibility for the CU? |  |  |  |
| 2. Does the CU provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government even though it does not provide services directly to it? |  |  |  |
| 3. Is the CU’s total debt outstanding, including leases, expected to be repaid entirely or almost entirely with resources of the primary government? |  |  |  |
| 4. Is the CU organized as a not-for-profit corporation in which the primary government is the sole corporate member as identified in the CU’s articles of incorporation or bylaws? |  |  |  |

***If Section J is YES, the component unit should be included by blended presentation. Continue to Part K.***

***If Section J is NO, the component unit should be included by discrete presentation. Continue to Part K.***

|  |  |  |  |
| --- | --- | --- | --- |
| **FIDUCIARY COMPONENT UNIT** | | | |
| **Characteristic** | **Yes** | **No** | **Comments** |
| K. Is this component unit considered a fiduciary component unit based on **GASBS No. 84**, *Fiduciary Activities*? |  |  |  |

***If Part K is YES or NO, Continue to Part 2, Certification.***

**Part 2, Certification**

By typing a name, the preparer is certifying that the attachment is complete and accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer are certifying they were not the same individual; and the preparer and reviewer are certifying they have read and understood the instructions for the attachment. (Note: There should be a segregation of duties; therefore, the preparer and the reviewer should not be the same.)

**Prepared by:** **Date:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |

**Reviewed by:** **Date:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |
|  |  |  |  |  |  |  |  |
| Name |  | | | | |  |  |
| Title |  | | | | |  |  |