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Comment Period: In an effort to make our publications accurate and useful to our intended audience, we invite individuals who work for and with local government entities to read this draft and provide comments. The comment period will last 30 days. Comments should be submitted to Parker Van Eerden pvan@utah.gov by **December 18, 2025**.

Auditor Alert 2025-05

Date: November 18, 2025

Subject: Component Unit Reporting

Introduction

Recently, a developer associated with a Public Infrastructure District (PID) declared bankruptcy. The bankruptcy creates concerns regarding the viability of the project and whether the associated PID will be able to satisfy bonding requirements. This PID was created by a city that appointed the board and would take responsibility for the infrastructure constructed by the PID. Furthermore, the PID was required to report annually to the city, and the city must approve any annexations or withdrawals of property into or from the PID. Governmental Accounting Standards Board (GASB) codification 2100 provides guidance for determining if a government entity, such as this PID, is a component unit of a primary government.

Component Unit Determination

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (GASB 2100.119). A primary government can be any general-purpose government entity such as a state, county, city, or town, or a special purpose government entity such as a college or university, school district or water district, provided they function as their own separate legal entity with their own elected governing body.

The main factors to consider when determining whether a government entity is a component unit of a primary government are:

1. Financial Accountability – See GASB codification 2100.120
2. Control - See GASB codification 2100.121-.124.
3. Imposition of will – See GASB codification 2100.125-.126
4. Financial Benefit or Burden on Primary Government – See GASB codification 2100.127-.133

Component Unit Reporting

Financial statements of the reporting entity should provide an overview of the entity yet allow users to distinguish between the primary government and its component units (GASB codification 2100.144).

Component units can be categorized into discrete component units and blended component units. Discrete component units' financial data must be reported in the primary government's financial statements in one or more columns separate from the financial data of the primary government (GASB codification 2600.107). Blended component units' financial activities are more intertwined with the activities of the primary government and are presented together in the financial statements (GASB codification 2600.112).

Conclusion

Primary governments must determine which government entities qualify as component units. In making this determination, the primary government must consider:

- The fiscal dependency of the potential component unit
- If there is a financial benefit/burden relationship that exists between the primary government and the potential component unit
- If the primary government exercises control and can impose its will on the potential component unit
- If it would be misleading to exclude a potential component unit from its financial statements

Once an entity has been determined to be a component unit, the primary government must determine if the component unit qualifies as a discrete component unit or a blended component unit and report it in the primary government's financial statements accordingly.

In the case of most Public Infrastructure Districts and Infrastructure Financing Districts, the creating entity will meet the requirements to include the activity of those districts as a discretely presented component unit. Primary governments and external auditors should be mindful of the criteria for including the financial information of its component units, including required information in the notes to the financial statements.