



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

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Blended Component Unit

Governmental Accounting Standards Board (GASB) Statements No. 14, 34, and 61 establish standards for defining and reporting on a government's reporting entity. Management is responsible for determining the reporting entity while preparing the government's financial statements. The Office of Auditor of Accounts (AOA) performed the analysis below to assess the State's reporting entity for audit purposes.

To complete our entity determination analysis, AOA reviewed the following:

- GASB 14, *The Financial Reporting Entity*
- GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34 amended GASB 14, ¶9, 11, ¶12, ¶19, ¶42, ¶44, ¶50 –¶52, ¶54, ¶58, ¶60, ¶63, ¶65, ¶73, ¶74, ¶78, and¶131 and superseded GASB 14, ¶45–47, 49, 56, and ¶57)
- GASB 39, *Determining Whether Certain Organizations Are Component Units*
- GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*
- *AICPA Audit and Accounting Guide – State and Local Governments*, Chapter 3: The Financial Reporting Entity
- *GASB 2011-2012 Comprehensive Implementation Guide*, Chapter 4: The Financial Reporting Entity
- *June 30, 2014 State of Delaware Comprehensive Annual Financial Report (CAFR)*
- *29 Del C. c. 50, State Economic Development*

**1. The PCU is legally separate. (¶15)<sup>1</sup>**

According to GASB, an organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses the corporate powers that would distinguish it as being legally separate from the primary government.

Generally, corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name.

The corporate powers granted to a separate organization are enumerated in its corporate charter or in the legislation authorizing its creation. A special purpose government (or any other organization) that is *not* legally separate should be considered, for financial reporting purposes, part of the primary government that holds the corporate powers.

**Application to the Delaware Economic Development Authority (DEDA)**

DEDA is established as a body corporate and politic, to be known as “The Delaware Economic Development Authority” (29 Del. C. §5053(a)). The Authority is also legally separate from the State

<sup>1</sup> Paragraph references are from GASB 14, as amended by GASB 61.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

because it can sue in its own name and it may acquire any franchise or property through purchase, lease or otherwise (29 Del. C. §5054(e)(3)). It may also sell, lease, mortgage or otherwise encumber, transfer, or dispose of any such property or interest therein (29 Del. C. §5054(e)(4)).

Code excerpts are as follows:

**29 Del. C. §5053. Established; organization.**

- (a) There is hereby established a body corporate and politic, with corporate succession, to be known as "The Delaware Economic Development Authority." The Authority is hereby constituted as an instrumentality of the State exercising public and essential governmental functions, and the exercise by the Authority of the powers conferred in this subchapter shall be deemed and held to be an essential governmental function of the State.

**29 Del. C. §5054. Deauthorization of State guaranteed bonds.**

- (e) The Authority shall have all of the powers necessary or convenient to carry out and effectuate the purposes and provisions of this subchapter including without limitation the power:
- (3) To sue in its own name;
  - (4) To acquire in its own name by purchase, lease or otherwise, on such terms and conditions and in such manner as it may deem proper, any franchise, property, real, personal or mixed, tangible or intangible, or any interest therein, whether or not in connection with a project, and to sell, lease as lessor, mortgage or otherwise encumber, transfer or dispose of any such property or interest therein;

**3. *The PG appoints the majority of the PCU's board.* (§22-24)**

According to GASB, if a primary government appoints a simple majority of the organization's governing board, it usually has a voting majority. However, if financial decisions require the approval of more than a simple majority, the primary government is not accountable for the organization.

For purposes of determining whether accountability exists, a primary government's appointment authority should be substantive. In some cases the appointment authority of a primary government's officials may be limited by a nomination process. For example, state statutes or local ordinances may require a primary government to select its appointees from a slate of candidates provided by one or more individuals or groups other than the primary government's officials or appointees. A primary government's appointment authority is not substantive if the number of candidates is severely limited by the nominating process, for example, if a primary government must select three appointees from a single slate of five candidates. Additionally, a primary government's appointment authority may not be substantive if its responsibility is limited to confirming appointments made by individuals or groups other than the primary government's officials or appointees.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

In most instances, legal provisions for appointment of an organization's officials also provide for continuing appointment authority. However, in the absence of continuing appointment authority, the ability of a primary government to unilaterally abolish an organization also provides the basis for ongoing accountability. Thus, a primary government that creates an organization (creation is tantamount to the initial appointment of the governing body) is accountable for the organization if the primary government can unilaterally abolish it. A primary government is considered to be accountable for an organization as long as continuing appointments are made by the primary government, even if those appointments are made by a subsequent administration.

### **Application to DEDA**

The Director shall be the Chairperson of the Authority. In 29 Del. C. §5052, the Director is defined as the Director of the Delaware Economic Development Office (DEDO). According to DEDA's Deputy Attorney General (DAG), the Director holds the powers of a board. The Director of DEDO is appointed by the Governor and shall serve at the Governor's pleasure.

The Council on Development Finance (the Council) also serves in an advisory role to DEDA. The Council's approval is required for situations including, but not limited to, decisions related to the Delaware Strategic Fund (Title 1 of Delaware's Administrative Code, Chapter 402, Section 8.2) and the issuance of state guaranteed bonds (29 Del. C. §5054(d)(4)).

The Council shall be composed of 9 members. The Governor shall appoint 7 members and the President Pro Tempore of the Senate and the Speaker of the State House of Representatives shall each appoint one member from the Senate and the House (29 Del. C. §5007(c)).

Code excerpts are as follows:

#### **29 Del. C. §5052. Definitions.**

(7) "Director" means the Director of the Delaware Economic Development Office.

#### **Title 1 of Delaware's Administrative Code, Chapter 402: Procedures Governing the Delaware Strategic Fund**

8.2 Submission to Council: Upon preliminary approval by the Chairperson, an Application and an Applicant Evaluation Report shall be submitted to the Council for review, and the Council shall make a recommendation with respect to the Application to the Chairperson.

#### **29 Del. C. §5054. Deauthorization of State guaranteed bonds.**

(d) The Authority may pledge the full faith and credit of the State to the payment of principal, premium, if any, and interest due on bonds (whether at stated or accelerated maturity or otherwise) subject to the following conditions:



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

- (4) The Authority may not adopt a resolution authorizing the issuance of state guaranteed bonds without the approval of at least 5 of the 7 members (the "members") of the Council on Development Finance (the "Council") or three quarters of the members if vacancies on the Council exist.

**29 Del. C. §5007. Council on Development Finance.**

- (c) The Council shall be composed of 9 members who are Delaware residents. The Governor shall appoint 7 members: 2 members from New Castle County, 1 member from Kent County, 1 member from Sussex County and 3 at-large members. The President Pro Tempore of the state Senate shall appoint 1 member of the Senate and the Speaker of the state House of Representatives shall appoint 1 member of the House of Representatives. Council members shall serve for 3-year terms and may be reappointed.

**6. *There is a financial benefit/burden relationship. (§ 27-33) The PG is also able to impose its will on the PCU. (§25-26)***

***Financial Benefit to or Burden on a Primary Government***

According to GASB, an organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government *and* there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, *any one* of these conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

Exchange transactions between organizations and the primary government should not be considered manifestations of a financial benefit or burden relationship. In an exchange transaction, such as a purchase or sale of goods or services, each participant (the government or its employees rather than the citizenry) directly receives and sacrifices value. For example, funding by a primary government for higher education is not equivalent to purchasing educational services and would be considered a manifestation of a financial burden on the primary government.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

*The effect of the financial benefits or burdens on the primary government can be either direct or indirect.* A direct financial benefit or burden occurs when the primary government itself is entitled to the resources or is obligated for the deficits or debts of the organization. An indirect benefit or burden exists if one or more of the primary government's component units is entitled to the resources or is obligated for the deficits or debts of the organization. For purposes of this Statement, a financial benefit or burden relationship exists if the primary government is either directly or indirectly entitled to the resources or is either directly or indirectly obligated for the deficits or debts of an organization.

*Legally Entitled to or Can Otherwise Access the Organization's Resources.* The ability to access the resources of an organization—not necessarily whether there was an actual transaction during the period—is the important factor for determining when a primary government is entitled to an organization's resources. However, the ability to access the resources of an organization should be judged in light of the organization as a going concern; that is, a residual interest in the net assets of an organization in the event of dissolution is not equivalent to being entitled to its resources. If a primary government appoints a voting majority of an organization's officials *and* is legally entitled to or can otherwise access the organization's resources, the primary government is financially accountable for that organization.

*Resources may flow from a component unit to a primary government for several reasons.* Some organizations may operate activities, such as off-track betting or lotteries, for the principal purpose of generating net revenues that are accessible to the primary government. These organizations provide financial benefits to the primary government. Other organizations may operate activities (for example, public utilities) for the purpose of providing basic public services and charge rates sufficiently high to also provide a financial benefit to the primary government. These benefits may be characterized as "payments in lieu of taxes" or "contributions," or they may simply be amounts remitted on request of the primary government. These organizations also provide financial benefits to the primary government.

*Legally Obligated or Has Otherwise Assumed the Obligation to Finance the Deficits of, or Provide Financial Support to, the Organization.* A primary government may be obligated to finance the deficits of, or provide financial support to, an organization in different ways. It could be legally obligated to do so, or it may choose to do so for a variety of reasons. If a primary government appoints a voting majority of an organization's officials *and* is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, that organization, the primary government is financially accountable for that organization. The following are examples of financial burdens assumed by a primary government in support of certain organizations:

- a. Some organizations provide public services financed by user charges that are not expected to be sufficient to sustain their operations. This situation often results from providing services such as mass transit, higher education, and healthcare. In these cases, public policy may dictate that a state or local government provide financial support to the organization to increase the availability and affordability of the service to a broader segment of the citizenry. Examples of support include annual appropriations to help meet operating expenditures/expenses, periodic capital grants, and direct payment of capital expenditures or debt service.
- b. A primary government may assume an obligation to finance the deficits of an organization. These deficits may or may not be expected to recur annually. A financial burden exists if the primary



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

government is obligated to finance an organization's deficits even though there has not been, and may never be, a deficit to subsidize.

Some organizations' operations are fully or partially funded by revenues generated through tax increment financing. Legally separate development or redevelopment authorities sometimes receive the incremental taxes that result from a tax increment financing arrangement. When this is done, *a taxing government temporarily waives its right to receive the incremental taxes from its own levy*. The incremental taxes instead are remitted to the separate organization. For purposes of this Statement, this type of tax increment financing should be considered evidence of an obligation to provide financial support to an organization (a financial burden), regardless of whether the primary government collects the taxes and remits them to the organization or the incremental taxes are paid directly to the organization.

*Obligated in Some Manner for the Debt of an Organization.* An obligation for the debt of an organization is similar to the notion that a primary government may be obligated for future operating deficits. The obligation can be either expressed or implied. A primary government is obligated in some manner for the debt of an organization if (a) it is legally obligated to assume all or part of the debt in the event of default or (b) it *may* take certain actions to assume secondary liability for all or part of the debt, *and* the government takes, or has given indications that it will take, those actions. Conditions that indicate that a primary government is obligated in some manner include:

- a. The primary government is *legally obligated* to honor deficiencies to the extent that proceeds from other default remedies are insufficient.
- b. The primary government is *required* to temporarily cover deficiencies with its own resources until funds from the primary repayment source or other default remedies are available.
- c. The primary government is *required* to provide funding for reserves maintained by the debtor organization, or to establish its own reserve or guarantee fund for the debt.
- d. The primary government is *authorized* to provide funding for reserves maintained by the debtor organization or to establish its own reserve or guarantee fund *and* the primary government *establishes* such a fund. (If a fund is not established, the considerations in subparagraphs f and g may nevertheless provide evidence that the primary government is obligated in some manner.)
- e. The primary government is *authorized* to provide financing for a fund maintained by the debtor organization for the purpose of purchasing or redeeming the organization's debt, or to establish a similar fund of its own, *and* the primary government *establishes* such a fund. (If a fund is not established, the considerations in subparagraphs f and g may nevertheless provide evidence that the primary government is obligated in some manner.)
- f. The debtor government explicitly indicates by contract, such as the bond agreement or offering statement, that in the event of default the primary government *may* cover deficiencies although it has no legal obligation to do so. That is, the bond offering statement may specifically refer to a law that authorizes the primary government to include an appropriation in its budget to provide funds, if necessary, to honor the debt of the organization.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

- g. Legal decisions within the state or previous actions by the primary government related to actual or potential defaults on another organization's debt make it *probable* that the primary government will assume responsibility for the debt in the event of default.

If a primary government appoints a voting majority of an organization's officials *and* is obligated in some manner for the debt of that organization, the primary government is financially accountable for that organization.

***Imposition of Will***

A primary government that is accountable for an organization because it appoints a voting majority of that organization's governing body frequently has the ability to affect that organization's operations. Sometimes, however, based on the provisions of law or contract, the primary government has little influence over the organization's operations. Certain conditions indicate the primary government's ability to affect the day-to-day operations of an organization. These conditions are referred to in this Statement as a government's ability to impose its will on an organization. If a primary government appoints a voting majority of an organization's officials *and* has the ability to impose its will on the organization, the primary government is financially accountable for that organization.

*A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. The existence of any one of the following conditions clearly indicates that a primary government has the ability to impose its will on an organization:*

- a. The ability to remove appointed members of the organization's governing board at will.
- b. The ability to modify or approve the budget of the organization.
- c. The ability to modify or approve rate or fee changes affecting revenues, such as water usage rate increases.
- d. The ability to veto, overrule, or modify the decisions (other than those in b and c) of the organization's governing body.
- e. The ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations (management) of the organization.

Other conditions may also indicate that a primary government has the ability to impose its will on an organization. In determining whether imposition of will exists, a distinction should be made between substantive approvals and ministerial (or compliance) approvals as discussed in paragraphs 17 and 18.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

**Application to DEDA**

According to DEDA's financial statements for the Fiscal Year Ended June 30, 2012,<sup>2</sup> DEDA received more than \$58 million in State appropriations. DEDA's operating income was approximately \$530,000 for the same period. Thus, the State provides a significant amount of financial support to DEDA.

A financial burden exists, according to GASB, when the State is obligated to satisfy the Authority's debt even if a deficit never exists. Although DEDA does not presently use state guaranteed bonds, 29 Del. C. §5054(d) states that the Authority may pledge the full faith and credit of the State for the payment of principal, premium, if any, and interest due on state guaranteed bonds. If any payment with respect to state guaranteed bonds is in default, the General Assembly shall appropriate sufficient funds to pay principal premium when due.

Bonds not guaranteed by the state shall not constitute either a debt of the State or any political subdivision, or a pledge of the full faith and credit of the State. In addition, non-state guaranteed bonds shall not obligate the State or the Authority to make any appropriation for their payment (29 Del. C. §5054(f), 29 Del. C. §5059).

The Delaware Code also states that the Authority may be dissolved by an act of the General Assembly as long as the Authority has no debts or obligations outstanding or a provision has been made to pay or retire such debts or obligations. Upon any such dissolution, all property, funds and assets of the Authority shall be vested in the State (29 Del. C. §5053(f)).

According to GASB, the primary government may impose its will on DEDA because the Director of OMB and the General Assembly have the authority to modify or approve DEDA's budget (29 Del. C. §5053(g)).

Code excerpts are as follows:

**29 Del. C. §5054. Deauthorization of State guaranteed bonds.**

- (d) The Authority may pledge the full faith and credit of the State to the payment of principal, premium, if any, and interest due on bonds (whether at stated or accelerated maturity or otherwise) subject to the following conditions:
  - (1) With respect to any project proposed to be financed by state guaranteed bonds, the Authority shall find and determine, which findings and determinations shall be conclusive, in addition to making the appropriate findings and determinations required by §5055 of this title, that:
    - a. The aggregate principal amount of state guaranteed bonds, the proceeds of which are used to finance the proposed project together with the aggregate principal amount of outstanding bonds used to finance any other project or projects owned, used, leased or

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<sup>2</sup> Most recent audited financial statements



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

occupied by the same assisted person, or by a related person to the assisted person, does not exceed \$3,000,000;

- b. Not more than 50 percent of the cost of the proposed project shall be financed by state guaranteed bonds, and no part of the assisted person's contribution to the cost of a proposed project may be supplied, in whole or in part, by funds appropriated by an act of the General Assembly of the State; and
  - c. The fulfillment, discharge and satisfaction of the assisted person's obligations under the terms of the lease, mortgage, loan agreement or other financing agreements between the Authority and the assisted person shall be adequately secured.
- (2) The aggregate principal amount of state guaranteed bonds that may be authorized to be outstanding shall be limited to \$4,449,015. The limit shall automatically be reduced below \$4,449,015, once the aggregate principal amount of outstanding state guaranteed bonds is reduced to \$4,449,015 by an amount equal to the principal amount of state guaranteed bonds thereafter retired by the Authority.
- (3) In no event shall the proceeds of state guaranteed bonds be used to finance a project for commercial business or agricultural business.
- (4) The Authority may not adopt a resolution authorizing the issuance of state guaranteed bonds without the approval of at least 5 of the 7 members (the "members") of the Council on Development Finance (the "Council") or three quarters of the members if vacancies on the Council exist.
- (5) The assisted person shall be legally obligated to deposit (prior to the delivery of the bonds and from a source other than the proceeds of the bonds), and thereafter maintain, with a person in trust, a cash reserve fund in an amount equal to the maximum principal and interest payable on such bonds during any consecutive 12-month period by such assisted person to the Authority under the terms of the lease, mortgage, loan agreement or other financing agreement between the Authority and such assisted person. Such cash reserve fund shall be pledged solely for the purposes provided in §5061 of this title and shall not be construed as a security deposit under the state's Landlord Tenant Code (Part III of Title 25).
- (6) In the case of accelerated maturity, the pledge of the full faith and credit of the State to the payment of principal, premium, if any, and interest due on state guaranteed bonds prior to their stated maturity shall not apply without the express written approval of the Secretary of Finance. Such approval may be given at any time after the occurrence of a default which would permit the acceleration of payment of principal, premium, if any, or interest on such state guaranteed bonds under the terms of the lease, mortgage, loan agreement or other financing agreements between the Authority and the assisted person.
- (f) Notwithstanding any other provision in this subchapter, the Authority shall have the power to issue bonds for the benefit of any exempt person, subject only to the following conditions:



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

- (1) The Authority may not pledge the full faith and credit of the State to the payment of principal, premium, if any, or interest due on such bonds; and
- (2) Prior to approving an application for the issuance of such bonds, the Authority shall find and determine, which finding and determination shall be conclusive, on the basis of all information reasonably available to it, that any proposed financing for an exempt person will effectuate the purpose set forth in §5051(a)(10) of this title. With respect to such applications, the Authority need not make the findings and determinations otherwise required under this subchapter.

**29 Del. C. §5059. Limitation on liability of State.**

- (a) Bonds, other than state guaranteed bonds, issued pursuant to this subchapter shall not constitute a debt of the State or any political subdivision or any agency thereof, or a pledge of the full faith and credit or taxing power of the State or any political subdivision or any agency thereof, and shall not obligate the State or the Authority to make any appropriation for their payment.
- (b) All bonds, other than state guaranteed bonds, shall contain on the face thereof a statement to the following effect:  
"Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on this bond, nor is the State or the Delaware Economic Development Authority in any manner obligated to make any appropriation for payment thereof."
- (c) State guaranteed bonds shall be a debt of the State.

**29 Del. C. §5053. Established; organization.**

- (f) The Authority may be dissolved by act of the General Assembly on condition that the Authority has no debts or obligations outstanding or that provision has been made for the payment or retirement of such debts or obligations. Upon any such dissolution of the Authority, all property, funds and assets thereof shall be vested in the State.
- (g) The Authority shall prepare an annual budget for each fiscal year of the Authority (the "annual budget") and shall submit the annual budget to the Director of the Office of Management and Budget and General Assembly in accordance with Chapter 63 of this title. The annual budget need not include amounts representing expenditures for debt service on bonds, except for such amounts with respect to projects which are financed by proceeds from state guaranteed bonds and for which either:
  - (1) Any payment due to the Authority or to a trustee or other person as assignee of the Authority is in default; or
  - (2) Sufficient revenues are not available to make payments due to such trustee or other person.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

FSF User

Blended Component Unit

**7. The CU meets the blending criteria of ¶53, a, b, or c.**

According to GASB, a component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- a. The component unit's governing body is substantively the same<sup>3</sup> 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 paragraphs 27–33, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.

Management, for purposes of this determination, consists of the person(s), below the level of the governing board, responsible for the day-to-day operations of the primary government (for example, a county executive or city manager).

- 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. The essence of this type of arrangement is much the same as an internal service fund – the goods or services are provided to the government itself rather than to the citizenry. Usually the services provided by a blended component unit are financing services provided solely to the primary government. For example, a building authority may be created to finance the construction of office buildings for the primary government. However, a component unit that provides services to more than just the primary government should also be blended if the services provided to others are insignificant to the overall activities of the component unit. Other component units that should be blended are those that exclusively, or almost exclusively, benefit the primary government by providing services indirectly; for example, a component unit that provides services on behalf of the primary government to its employees rather than directly to the primary government itself.
- 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. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

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<sup>3</sup> "Substantively the same" means sufficient representation of the primary government's entire governing body on the component unit's governing body to allow complete control of the component unit's activities. To illustrate, the board of a city redevelopment authority may be composed entirely of the city council and the mayor, serving *ex officio*. The primary government is, essentially, serving as the governing body of the component unit. On the other hand, the board of a public housing authority composed of the city mayor and two council members (from a total of ten) ordinarily would not be substantively the same as the city's governing body. 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.



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware Economic Development Authority  
June 30, 2015

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FSF User

Blended Component Unit

**Application to DEDA**

Based on review and consideration of all of the guidance above, including the criteria of ¶53(a) through (c), we conclude the following:

- a. Since the Director of DEDA (1) has the powers of a Board, (2) is also the Director of DEDO, a State agency, and (3) is appointed by the Governor, the governing body of DEDA (Director of DEDA) is substantially the same as that of the State (governing body of the State consists of the Governor, cabinet secretaries, and the legislature).
- b. DEDA does not 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 to it.
- c. The debt of DEDA is not expected to be repaid with the resources of the primary government.



# Delaware Auditor of Accounts

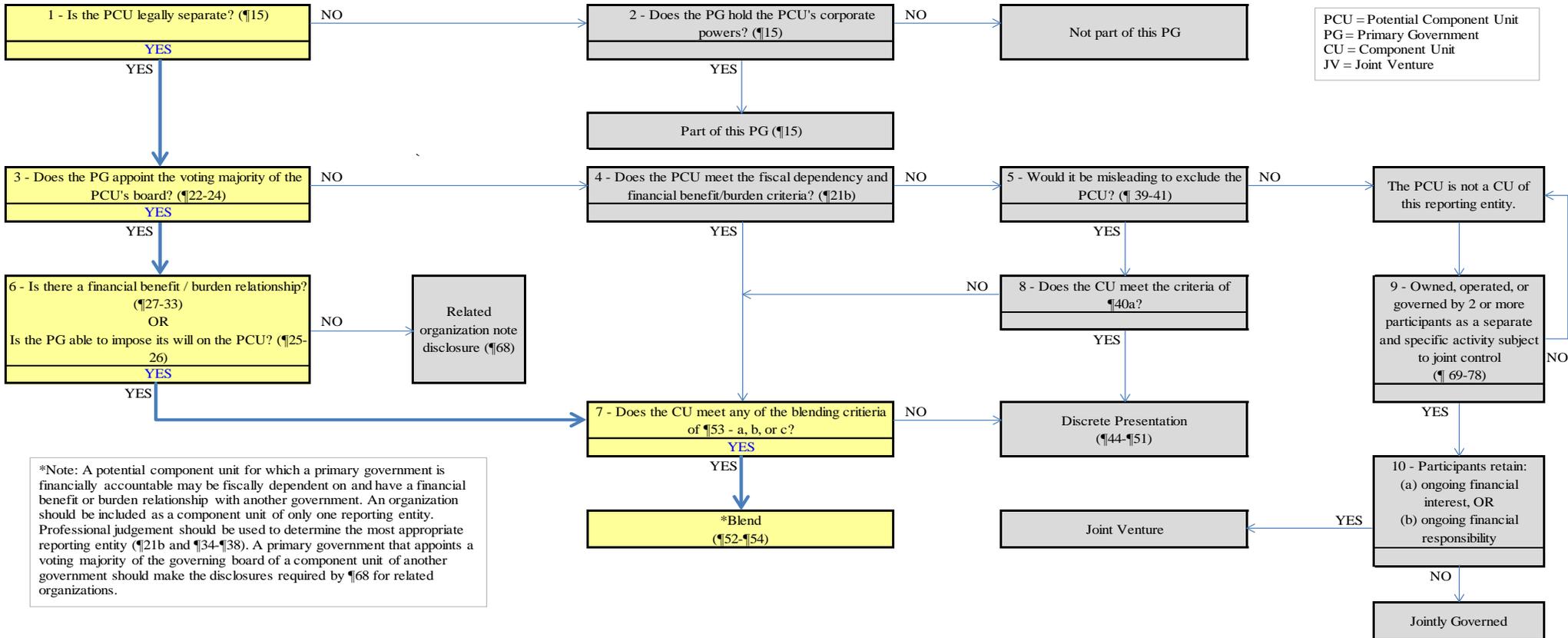
## GASB Entity Determination Analysis Memo

### Delaware Economic Development Authority

June 30, 2015

FSF User

Blended Component Unit



\*Note: A potential component unit for which a primary government is financially accountable may be fiscally dependent on and have a financial benefit or burden relationship with another government. An organization should be included as a component unit of only one reporting entity. Professional judgement should be used to determine the most appropriate reporting entity (§21b and §34-§38). A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required by §68 for related organizations.

PCU = Potential Component Unit  
 PG = Primary Government  
 CU = Component Unit  
 JV = Joint Venture