



Delaware Auditor of Accounts  
GASB Entity Determination Analysis Memo  
Delaware State Lottery (Enterprise Fund)  
June 30, 2015

FSF User

Part of Primary Government

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(GASB 34 amended GASB 14, ¶9, 11, ¶12, ¶19, ¶42, ¶44, ¶50 – ¶52, ¶54, ¶58, ¶60, ¶63, ¶65, ¶73, ¶74, ¶78, and ¶131 and superseded GASB 14, ¶45–47, 49, 56, and ¶57)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
- *29 Del. C. 48 Lotteries*

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| <ol style="list-style-type: none"><li>1. <i>The PCU is not legally separate. (¶ 15)<sup>1</sup></i></li><li>2. <i>The PG holds the PCU's corporate powers. (¶ 15)<sup>1</sup></i></li></ol> |
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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 Delaware State Lottery (Lottery)**

The Delaware State Lottery is an enterprise fund of the State. The Delaware Codes states that “a State Lottery Office shall exist as part of the Department of Finance and shall be administered by a Director responsible for the operation of a state lottery. The net proceeds of the state lottery shall be placed in the

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



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General Fund of the State” (29 Del. C. §4802). This section of the Delaware Code is titled, “State Agencies and Office Not Created by Constitution.” Further, the statutory language does not give Lottery the corporate powers that would distinguish it as a legally separate entity.

Code and Definition Excerpts are as follows:

**29 Del. C. §4802. State Lottery Office.**

A State Lottery Office shall exist as part of the Department of Finance and shall be administered by a Director responsible for the operation of a state lottery. The net proceeds of the state lottery shall be placed in the General Fund of the State.

