



Delaware Auditor of Accounts GASB Entity Determination Analysis Memo Delaware State Lottery (Enterprise Fund)

FSF User

Part of Primary Government

To complete our entity determination analysis, the Office of Auditor of Accounts (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(GASB 34 amended GASB 14, ¶9, 11, ¶12, ¶19, ¶42, ¶44, ¶50 –¶52, ¶54, ¶58, ¶60, ¶63, ¶65, ¶73, ¶74, ¶78, and ¶131 and superseded GASB 14, ¶45–47, 49, 56, and ¶57)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. chapter 48 Lotteries*
- *3 Del. C. Agriculture – Harness Racing*

NOTE: The analysis below is based on the documents/guidance reviewed, as detailed above. Additional information or legal interpretations of the portions of the Delaware Code reviewed could impact the analysis and impact a decision on the proper accounting treatment for the entity. The decision of what the appropriate accounting treatment is for the entity, based on a review of all applicable guidance/information, is solely the responsibility of management. As such, AOA does not make such conclusions herein.

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

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.

¹ Paragraph references are from GASB 14, as amended by GASB 61.



Delaware Auditor of Accounts GASB Entity Determination Analysis Memo Delaware State Lottery (Enterprise Fund)

FSF User

Part of Primary Government

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 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:

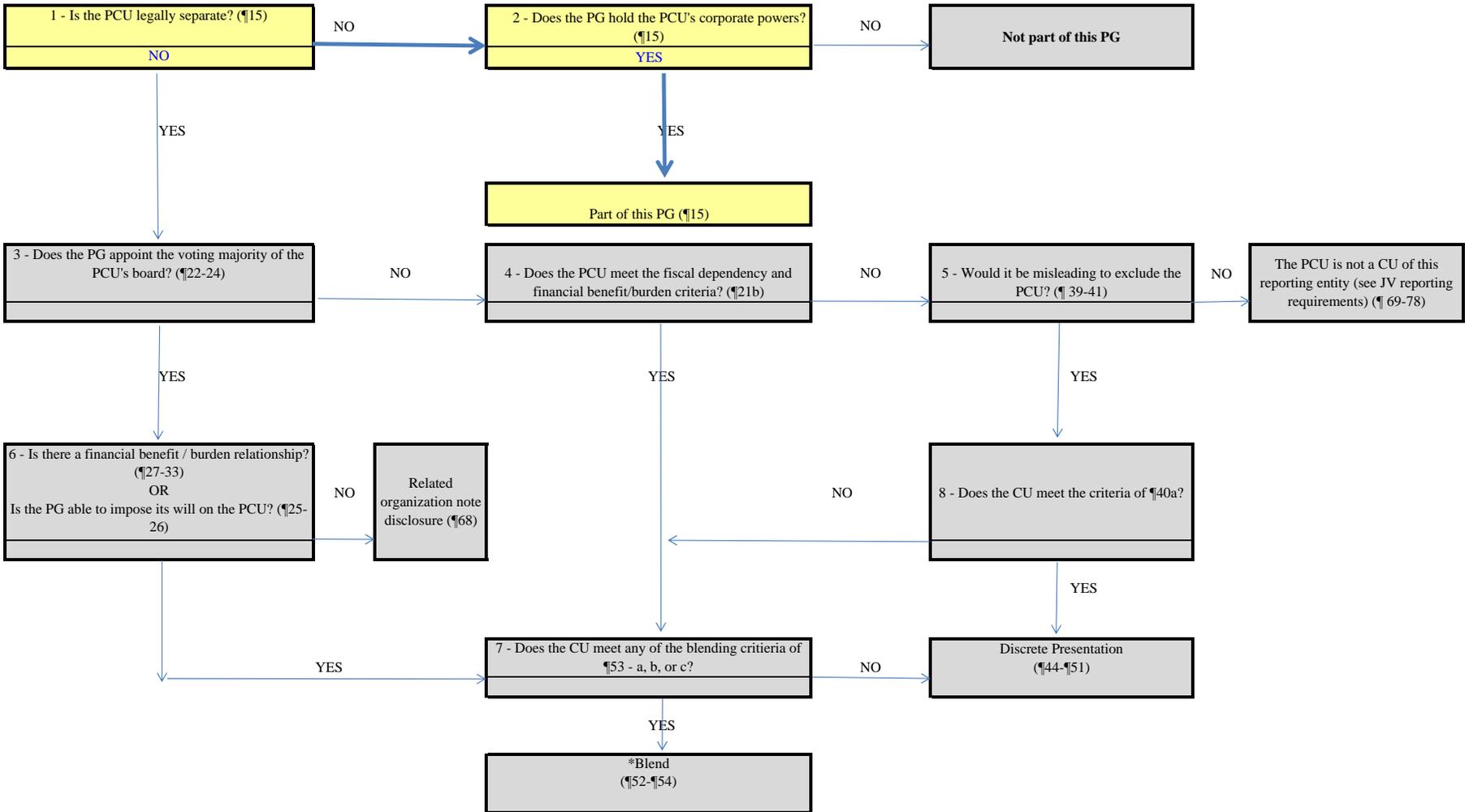
29 Del. C. §4802. State Lottery Office.

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.

**Delaware Auditor of Accounts
GASB Determination Analysis Flowchart
Delaware State Lottery**

See below for GASB 61 flowchart analysis (refer to the entity determination analysis memo that expands of the guidance used to answer each question in the flowchart below).

Note: Paragraph references are from GASB 14, as amended by GASB 61.



*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