DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2010 and 2009

WHEELER•WOLFENDEN•DWARES
Certified Public Accountants

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WHEELER • WOLFENDEN • DWARES
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities and special revenue fund of Delaware Agricultural Lands Preservation Foundation (the Foundation) as of June 30, 2010 and 2009, which collectively comprise the Foundation's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in NOTE A, the financial statements present only the Foundation. These financial statements do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2010 and 2009, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

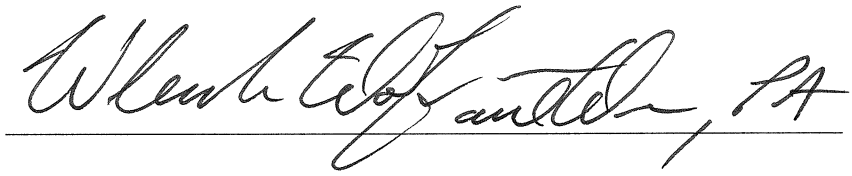
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and special revenue fund of the Foundation as of June 30, 2010 and 2009, and the change in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

4550 New Linden Hill Road · Suite 201 · Linden Park · Wilmington, DE 19808 · Phone (302) 254-8240 · Fax (302) 254-8244
Members of the American Institute of Certified Public Accountants and the Delaware Society of Certified Public Accountants

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation

In accordance with *Government Auditing Standards,* we have also issued our report dated December 14, 2010 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison schedules on pages 6 through 14 and 29 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



December 14, 2010
Wilmington, Delaware

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

Our discussion and analysis of the Delaware Agricultural Lands Preservation Foundation's financial performance provides an overview of the Foundation's financial activities for the year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

The Foundation's net assets increased by $14,657,845, from $168,334,111 in fiscal year 2009 to $182,991,956 in fiscal year 2010, with most of this increase coming in the form of farm properties added to the program.

USING THIS FINANCIAL REPORT

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Foundation as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

REPORTING THE FOUNDATION AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the Foundation as a whole and about its activities that are necessary in determining whether the Foundation's financial health is improving or deteriorating. These statements include all assets and liabilities using the current financial resources measurement focus and the modified accrual basis of accounting. All revenues and expenses pertaining to fiscal year 2010 are taken into consideration regardless of when cash is received or paid.

REPORTING THE FOUNDATION'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the Foundation's major funds and fund financial statements provides detailed information about the most significant funds – not the Foundation as a whole.

Governmental Funds

All of the Foundation's activities are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Foundation's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the Foundation's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. Activities related to capital assets and compensated absences are the primary reconciling items.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Foundation, assets exceeded liabilities by $182,991,956.

The majority of the accounts payable left at the end of fiscal year 2010 are monthly charges for items such as vehicle rental and utilities, with only one significant item in the form of the Foundation's June 2010 legal services bill for $7,507. No problems in meeting these expenses out of the money remaining to the Foundation at the end of fiscal year 2010 are anticipated.

Most of the $14,657,845 increase in net assets came in the form of capital assets, which increased by $14,414,250, mostly due to the farmland added to the Foundation program in fiscal year 2010.

A comparative net assets analysis of fiscal years 2010 and 2009 follows:

	Governmental Activities	
	2010	2009
ASSETS		
Current Assets		
Cash and Cash Equivalents Held by State	$ 3,939,792	$ 3,698,118
Federal Contract Receivable	46,371	-
Interest Income Receivable	-	199
Total Current Assets	3,986,163	3,698,317
Noncurrent Assets		
Capital Assets, Net of Depreciation	179,072,787	164,658,537
TOTAL ASSETS	$ 183,058,950	$ 168,356,854
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 8,707	$ 12,920
Due to State funds	46,371	-
Accrued Salaries and Related Costs	2,897	2,603
Total Current Liabilities	57,975	15,523
Long-Term Liabilities		
Compensated Absences	9,019	7,220
Total Long-Term Liabilities	9,019	7,220
TOTAL LIABILITIES	66,994	22,743
NET ASSETS		
Invested in Capital Assets	179,072,787	164,658,537
Unrestricted	3,919,169	3,675,574
TOTAL NET ASSETS	$ 182,991,956	$ 168,334,111

TABLE 2

CHANGES IN NET ASSETS

	Governmental Activities	
	2010	2009
REVENUES		
General Revenue:		
Earnings on cash and investments	$ 11,047	$ 13,303
Charges to county governments	654,693	403,893
Rollback Taxes	90,363	37,272
License Plate Income	3,955	5,180
Sale of easement and development rights	68,535	-
Miscellaneous income	1,412,622	-
Program Revenue:		
Operating grants and contributions	3,000,000	6,000,000
Capital grants and contributions	10,468,395	7,148,855
Total Revenues	15,709,610	13,608,503
EXPENSES		
Farmland Preservation	(553,965)	(670,587)
Administrative Services:		
Operating Services	(168,600)	(150,000)
Contractual Services	(329,200)	(350,000)
Total Expenses	(1,051,765)	(1,170,587)
CHANGE IN NET ASSETS	$ 14,657,845	$ 12,437,916

The Foundation's Funds

The Foundation's governmental funds (as presented on the balance sheet) as of June 30, 2010 reported a total fund balance of $3,939,792 compared to last year's total fund balance of $3,698,118.

Governmental Funds

In fiscal year 2009, the Foundation experienced difficulty in obtaining funds promised to it by the Federal Government for the purchase of farmland, reducing its income by a substantial amount. In fiscal year 2010, the Foundation was granted access to the Federal funds it had been promised, which played a major factor in its positive change in Net Assets.

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

TABLE 3

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Fund	
	2010	2009
REVENUES		
State grant	$ 3,000,000	$ 6,000,000
Federal grant	8,944,100	-
Charges to county governments	654,693	403,893
Rollback taxes	90,363	37,272
License plate income	3,955	5,180
Earnings on cash and investments	11,047	13,303
Sale of easement and development rights	68,535	-
In-kind contributions	1,524,295	7,148,855
Other income	1,412,622	-
TOTAL REVENUES	15,709,610	13,608,503
EXPENDITURES		
Current:		
Farmland Preservation	595,444	705,136
Administrative Services		
Operating Services	418,057	428,322
Contractual Services	28,441	28,485
Capital Outlays:		
Equipment	9,975	9,091
Property	14,412,299	18,750,363
TOTAL EXPENDITURES	15,464,216	19,921,397
NET CHANGE IN FUND BALANCES	245,394	(6,312,894)
FUND BLANCES, BEGINNING OF YEAR	3,682,794	9,995,688
FUND BALANCES, END OF YEAR	$ 3,928,188	$ 3,682,794

The increase in revenues in fiscal year 2010 was due largely to the factors mentioned in the *Governmental Funds* discussion.

Revenues exceeded expenses in fiscal year 2010 resulting in a $245,394 increase in fund balances. Due to renewed Federal funding, substantial increases in County funding and rollback tax income, a sale of easement and development rights to DelDOT, and funding from the Department of Agriculture's Forestry section and the Nature Conservancy, revenues were up by $2,101,107 from fiscal year 2009, despite a reduction of $3,000,000 and $5,624,560 in the State Grant and In-kind Contributions respectively, and relatively minor decreases in License Plate and Interest Income. Expenditures also decreased by $4,457,181 due mostly to a decrease in the amount paid for properties brought into the program.

BUDGET INFORMATION

The Foundation's budget is prepared in accordance with the modified accrual basis of accounting. The most significant budgeted funds are Special Funds, from which most of the Foundation's activities are funded, with a small portion of its funding coming from In-kind Contributions from the General Funds. The Foundation received from the State of Delaware the exact amount it budgeted for fiscal year 2010, and stayed within the budget approved by the Controller General and the Office of Management and Budget by making use of In-kind Contributions. The Foundation did not have to use carryover funds as was the case in fiscal year 2009.

The following are significant examples where the Foundation had to make use of its in-kind contributions to cover unbudgeted costs.

Salaries

Most of the people who work for the Foundation are also employees of the Delaware Department of Agriculture, which entity pays their entire salaries. The cost in salaries of the time they spend specifically on Foundation issues is approximately $309,025 donated to the Foundation as In-kind Contributions.

SPECIAL FUND REVENUE INFORMATION

The Special Fund receives most of its revenue in the form of State and Federal Grants and County Reimbursements on purchases of Easement rights – fiscal year 2009 was an aberration in that as with 2008 a large portion of the Foundation's Special Fund revenue reported in the audit came from In-kind Contributions, although the In-kind Contributions were considerably less than those reported as revenue in fiscal year 2008. In fiscal year 2010, in-kind contributions were much lower than had been the case in fiscal year 2009, consisting only of property added to the program before fiscal year 2010, but not recorded until the fiscal year 2010 audit, and in-kind contributions by the Delaware Department of Agriculture, of which the aforementioned salaries were the most significant portion.

The Foundation's budget for the State Grant each fiscal year is based on what the State informs the Foundation it is willing to grant in that fiscal year. The declining state of Delaware's economy towards the end of fiscal year 2009 resulted in the Foundation receiving only $3,000,000 from the State in fiscal year 2010. The economy continues to falter, and the Foundation will once again receive $3,000,000 from the State of Delaware in fiscal year 2011.

Federal Grant money, like the State Grant money, is budgeted by the Foundation each fiscal year on the basis of what the Federal Government is willing to grant in each fiscal year. The Federal Grant is a fixed amount set aside for the Foundation in much the same way that the State Grant money is, although the Federal Grant money comes in the form of a "loan" that is ultimately reimbursed at the Foundation's request as it is used to add properties to the program. The Federal Grant money is not counted as revenue until it is used to reimburse the Foundation.

Due to a dispute with the Federal Government over funds it agreed to grant to the Foundation for fiscal year 2008, during fiscal year 2009 expenses that should have been paid from the Federal "loan" and subsequently reimbursed by the Federal Government were instead paid out of State Grant money. In fiscal year 2010, the Federal Government granted the Foundation access to the disputed funds (totaling $9,399,036, with an initial grant of $3,030,045 plus amendments of $6,223,921 and $145,070) and additional grants for fiscal years 2009 and 2010 of $5,551,113 and $4,906,598, respectively.

County Reimbursement money is not budgeted by fiscal year but by rounds, the cycles in which new farms are purchased and added to the preservation program. The Counties agree to reimburse the Foundation up to a certain amount for selected properties in each round to be determined by percentage on each property. As estimates on the costs of the various properties are subject to change, it is not possible to predict accurately at the beginning of each fiscal year (or for that matter throughout most of the remainder of the fiscal year) how much County Reimbursement money the Foundation will receive. In fiscal year 2010 the Foundation received $654,693 in County Reimbursements for farms purchased in Round 14. It is difficult to say at this time how much money will be granted to the Foundation by the Counties in fiscal year 2011.

The Foundation's fixed assets are almost completely composed of farmland which the Foundation obtains through the purchase of Easement rights of farms enrolled in the Preservation Program. Although the amount of farmland purchased in fiscal year 2010 was considerably greater than that purchased in fiscal year 2009, the cost was considerably lower due to a lower average cost per Easement purchased. In fiscal year 2010, therefore, the Foundation added more farmland than was the case in previous fiscal years for less expenditure. While it has not yet been determined how many farms or how much farmland the Foundation will seek to add to the program in fiscal year 2011, the Foundation still has $5,981,049 and $4,906,598 left in its fiscal year 2008 and fiscal year 2010 Federal Grants,

respectively, and $2,707,111 left over from its previous State grants. Of the $3,000,000 it is expected to receive in State grants for fiscal year 2011, $2,502,200 can be used for purchasing farmland.

Rollback taxes are assessed on land that, having been valued, assessed, and taxed as agricultural land, is used for purposes other than farming. A portion of these taxes go to the school district wherein the property is located, and the Foundation receives the remainder less 7.5% paid to the County in which the property is located. Rollback tax revenue increased drastically from $37,272 in fiscal year 2009 to $90,363 in fiscal year 2010. While this is positive for the Foundation's financial bottom line, it is a sign that more farmland was lost to development in fiscal year 2010 than was the case in fiscal year 2009. It is difficult to predict any trends for fiscal year 2011 regarding Rollback tax income.

Interest income decreased slightly from $13,303 in fiscal year 2009 to $11,047 in fiscal year 2010. Most of this interest however is used only to fund projects and maintenance related to the Wilson Farm. Interest on the funds contained in the Foundation's own interest bearing savings account came only to $1,988.

License plate income was down from $5,180 in fiscal year 2009 to $3,955 in fiscal year 2010. Considering the state of the local and national economies, it is not surprising that the income from the sale of Foundation plates decreased. If the state of the economy in fiscal year 2011 does not deteriorate significantly more than it already has in fiscal year 2010, it seems reasonable to predict that fiscal year 2011's Foundation license plates revenue should be about the same as it was in fiscal year 2010.

Total In-kind Contributions decreased from $7,148,855 in fiscal year 2009 to $1,524,295 in fiscal year 2010. In fiscal year 2009, In-kind Contributions were abnormally large due to the following factors: the $4,900,000 value of the recently obtained Wilson Farm, the $894,810 cash obtained with it, $1,022,843 added to the Foundation's Fixed Assets after reappraisal of land in the program, and $331,202 of In-kind Contributions from the Delaware Department of Agriculture, with which agency the Foundation shares many expenses, including personnel, supplies and contractual costs. In fiscal year 2010, In-kind Contributions consisted of the $1,200,000 value of a farm that had been added to the program many years ago but not included in any previous audits, and $324,295 of In-kind Contributions from the Delaware Department of Agriculture.

GENERAL FUND INFORMATION

A relatively small amount of the Foundation's expenses are covered by the State's General Fund in the form of In-kind Contributions on items such as personnel, supplies, contractual services, etc. that the Foundation shares with the Planning section of the Delaware Department of Agriculture, by which many of the Foundation's staff are concurrently employed. In fiscal year 2010, the Foundation used $324,295 of General Funds. This was a slight reduction from the previous year due to economy measures by the State of Delaware.

It is estimated that the Foundation's use of General Funds in fiscal year 2011 will be about the same.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The State of Delaware, its three Counties, and the whole of the United States are and have been experiencing economic difficulties which in the past have adversely affected the amount of funding the Foundation has received at the State, County and Federal levels. However, with sizable amounts left over from fiscal year 2010 in Federal and State Grant money, the Foundation's outlook now seems better than it did at the ends of fiscal years 2008 and 2009. As of June 30, 2010, the Foundation has in hand $281,778 in its State interest-bearing savings account; $2,707,111 of State-held funds for surveys, appraisals, and acquisitions of Easement and development rights and the legal costs associated with them; $10,887,647 of Federal "loans" for acquisitions of Easement and development rights with a guarantee of reimbursement by the Federal Government on any funds used to purchase farmland; and $2,042 held by the State in a payroll line.

Under these circumstances, without receiving any of the funds it expects for fiscal year 2011, the Foundation could continue to function for two more fiscal years. However, it seems unlikely that the Foundation will lose its yearly State funding or rollback income, even though the State will probably continue giving the Foundation considerably less than the $10,000,000 per year it was once accustomed to. As long as it receives some funding from the State to cover its payroll and other operating expenses each fiscal year, the Foundation can continue to function at its most basic level indefinitely.

Requests for Information

This financial data is designed to provide a general overview of the Delaware Agricultural Lands Preservation Foundation's finances for all those with an interest in the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Accounting Specialist, Delaware Agricultural Lands Preservation Foundation, 2320 South DuPont Highway, Dover, Delaware 19901.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

ASSETS

	Governmental Activities	
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents – held by the State	$ 3,939,792	$ 3,698,118
Federal contract receivable	46,371	-
Interest income receivable	-	199
Total current assets	3,986,163	3,698,317
Noncurrent assets		
Capital assets – net of depreciation	179,072,787	164,658,537
TOTAL ASSETS	$ 183,058,950	$ 168,356,854

LIABILITIES AND NET ASSETS

LIABILITIES		
Current liabilities		
Accounts payable	$ 8,707	$ 12,920
Due to State funds	46,371	-
Accrued salaries and related costs	2,897	2,603
Total current liabilities	57,975	15,523
Long-term liabilities		
Compensated absences	9,019	7,220
Total liabilities	66,994	22,743
NET ASSETS		
Invested in capital assets	179,072,787	164,658,537
Unrestricted	3,919,169	3,675,574
Total net assets	182,991,956	168,334,111
TOTAL LIABILITIES AND NET ASSETS	$ 183,058,950	$ 168,356,854

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2010

		Program Revenue			Net Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
GOVERNMENTAL ACTIVITIES					
Farmland preservation	$ (553,965)	$ -	$ 2,502,200	$ 10,468,395	$ 12,416,630
Administrative services					
Operating services	(168,600)	-	168,600	-	-
Contractual services	(329,200)	-	329,200	-	-
Total governmental activities	$ (1,051,765)	$ -	$ 3,000,000	$ 10,468,395	12,416,630

GENERAL REVENUE	
Earnings on cash and investments	11,047
Charges to county governments	654,693
Rollback taxes	90,363
License plate income	3,955
Sale of easement and development rights	68,535
Miscellaneous income	1,412,622
TOTAL GENERAL REVENUE	2,241,215
CHANGE IN NET ASSETS	14,657,845
NET ASSETS – BEGINNING OF YEAR	168,334,111
NET ASSETS – END OF YEAR	$ 182,991,956

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2009

		Program Revenue			Net Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
GOVERNMENTAL ACTIVITIES					
Farmland preservation	$ (670,587)	$ -	$ 5,500,000	$ 7,148,855	$ 11,978,268
Administrative services					
Operating services	(150,000)	-	150,000	-	-
Contractual services	(350,000)	-	350,000	-	-
Total governmental activities	$ (1,170,587)	$ -	$ 6,000,000	$ 7,148,855	11,978,268

GENERAL REVENUE	
Earnings on cash and investments	13,303
Charges to county governments	403,893
Rollback taxes	37,272
License plate income	5,180
Miscellaneous income	-
TOTAL GENERAL REVENUE	459,648
CHANGE IN NET ASSETS	12,437,916
NET ASSETS – BEGINNING OF YEAR	155,896,195
NET ASSETS – END OF YEAR	$ 168,334,111

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

BALANCE SHEETS

June 30, 2010 and 2009

	Special Revenue Fund	
	2010	2009
ASSETS		
ASSETS		
Cash and cash equivalents – held by the State	$ 3,939,792	$ 3,698,118
Federal contract receivable	46,371	-
Interest income receivable	-	199
TOTAL ASSETS	$ 3,986,163	$ 3,698,317
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Current liabilities		
Accounts payable	$ 8,707	$ 12,920
Due to State funds	46,371	-
Accrued salaries and related costs	2,897	2,603
Total current liabilities	57,975	15,523
Total liabilities	57,975	15,523
FUND BALANCE		
Unreserved	3,928,188	3,682,794
TOTAL LIABILITIES AND FUND BALANCE	$ 3,986,163	$ 3,698,317

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

RECONCILIATION OF BALANCE SHEETS TO STATEMENTS OF NET ASSETS

For the Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
TOTAL FUND BALANCES	$ 3,928,188	$ 3,682,794
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net assets.	179,072,787	164,658,537
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Those liabilities consist of:		
Compensated absences	(9,019)	(7,220)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	$ 182,991,956	$ 168,334,111

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGE IN FUND BALANCES

For the Years Ended June 30, 2010 and 2009

	Special Revenue Fund	
	2010	2009
REVENUE		
Farmland preservation	$ 3,000,000	$ 6,000,000
Federal grant	8,944,100	-
County reimbursements	654,693	403,893
Rollback taxes	90,363	37,272
License plate income	3,955	5,180
In-kind contribution	1,524,295	7,148,855
Sale of easement and development right	68,535	-
Other income	1,412,622	-
Interest income	11,047	13,303
Total revenue	15,709,610	13,608,503
EXPENDITURES		
Current		
Easement and development rights acquisition		
Appraisals	204,425	223,413
Contracts	43,528	46,681
Equipment/fleet rental	8,849	7,169
Legal fees	165,040	163,661
Mapping	168,443	192,226
Public/legal notice	3,542	261
Survey fees	-	68,117
Travel	1,617	3,608
Total easement and development rights acquisition	595,444	705,136
Administrative		
Audit	28,441	26,511
Miscellaneous	7,632	15,344
Office expense	9,050	8,561
Salaries and related expenses	401,375	406,391
Total administrative expenses	446,498	456,807
Capital outlay		
Equipment	9,975	9,091
Easements and development rights	14,412,299	18,750,363
Total capital outlay	14,422,274	18,759,454
Total expenditures	15,464,216	19,921,397
Net change in fund balance	245,394	(6,312,894)
Fund balance – beginning of year	3,682,794	9,995,688
Fund balance – end of year	$ 3,928,188	$ 3,682,794

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES TO STATEMENTS OF ACTIVITIES

June 30, 2010 and 2009

	2010	2009
NET CHANGE IN FUND BALANCES	$ 245,394	$ (6,312,894)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $1,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlays	14,422,274	18,759,454
Depreciation	(8,024)	(7,541)
Total	14,414,250	18,751,913
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(1,799)	(1,103)
CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	$ 14,657,845	$ 12,437,916

The accompanying notes to the basic financial statements are an integral part of these financial statements.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

On July 8, 1991, the Governor of the State of Delaware (the State) signed House Bill 200 to amend Chapter 9, Title 3, of the *Delaware Code*. The legislation established a comprehensive agricultural lands preservation program to serve the long-term needs of the agricultural community and the citizens of Delaware. It is declared policy of the State to conserve, protect and encourage improvement of agricultural lands within the State for the production of food and other agricultural products useful to the public, which are grown, raised or harvested on lands and in water in the State.

The Foundation is not a separate, legal entity. It is part of the Delaware Department of Agriculture, which is included in the primary government of the State of Delaware.

The Delaware Agricultural Lands Preservation Foundation (the Foundation) was created by this legislation to accomplish this mission by establishing Agricultural Preservation Districts of viable and productive farmland and forestland. The Foundation is directed to provide economic incentives and benefits to agribusiness, purchase development rights from landowners, encourage development in areas where infrastructures exist, and promote the agricultural industry and the concept of preserving viable land for the future.

The enabling statute for the Foundation established a trust fund. Monies for farmland preservation have come from the 21st Century Fund set up by the General Assembly under the control of the Secretary of Finance and released to accounts within the Delaware Department of Agriculture under the certification and subsequent control of the Secretary of Agriculture. Federal funds and monies from the Capital Budget, earmarked for agricultural lands preservation district creation, are also solely the responsibility of the Delaware Department of Agriculture. All accounting of these expenditures is within the State's accounting system, DFMS.

For the fiscal years ended June 30, 2010 and 2009, the General Assembly of the State provided funding for the Foundation under Senate Bill No. 229 in the amount of $3,000,000 and $6,000,000, respectively. Administrative costs of the Foundation are included in this funding and were in the amount of $168,600 and $150,000 for fiscal years ended June 30, 2010 and 2009, respectively. For both fiscal years ended June 30, 2010 and 2009, all of the funds were administered by the State.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Foundation reports on only one fund which is the special revenue fund (a governmental fund type).

3. Cash and Cash Equivalents

Cash and cash equivalents of the Foundation are controlled by the State Treasurer's Office in Dover, Delaware. The Foundation considers all cash and cash equivalents with maturities of less than 90 days to be cash and cash equivalents.

4. Receivables

All receivables are considered fully collectible by management. No allowance for bad debt is deemed necessary.

5. Capital Assets

The Foundation defines capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. If such assets were acquired, they would be reported in the government-wide financial statements and would be recorded at historical cost or estimated historical cost. Donated capital assets would be recorded at estimated fair value at the date of donation. Provisions for depreciation are made over the estimated useful lives of the respective assets (generally five years for equipment) using the straight-line method. Land is recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Fund Balance

In the fund financial statements, governmental funds report an unreserved fund balance for amounts that are available for appropriation.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

8. Compensated Absences

It is the Foundation's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these amounts is reported in the governmental funds only when the liability matures, for example, as a result of employee resignations and retirements.

Vacation – Employees are paid for their accumulated annual leave at their current salary, excluding all supplemental and premium pays, upon separation from the State only.

Sick Leave – Employees are paid for accumulated sick leave at their current salary, excluding all supplemental and premium pays, at retirement, upon commencement of long-term disability, or if laid off without prejudice for lack of work at the rate of 1 hour's pay for each 2 hours of sick leave.

9. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Foundation.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other revenues are not properly included among program revenues and, thus, are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Subsequent Events

The Foundation has evaluated subsequent events through December 14, 2010, which is the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

As of June 30, 2010 and 2009, the Foundation had a cash and cash equivalents balance of $3,939,792 and $3,698,118, respectively, which is a part of an investment pool controlled by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State investment pool, an internal investment pool, are specifically identified for the Foundation, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity of one year or less at the time of purchase are stated at cost or amortized cost.

NOTE C – ROLLBACK TAXES

Under the provisions of House Bills 200 and 630, rollback taxes under the Farmland Assessment Act are directed to be paid by New Castle, Kent and Sussex counties (the Counties) to the Foundation. In the Farmland Assessment Act of 1969, provision was made for a rollback tax. These rollbacks occur whenever land that qualified under the Farmland Assessment Act is changed from in use for agriculture to some other use. Under the provisions of House Bill 630, a change of use was further defined as changes in zoning, subdivision, building permits or certificate of occupancy status. On the day that such rollback takes effect, a tax obligation is created for the owner of record. The tax is computed as the difference between the taxes that would have been paid without Farmland Assessment and the taxes that were in fact paid under Farmland Assessment for five years previous to the date of change in use. This sum of money is due and payable to the Counties and is then directed by the Counties to two recipients.

The first recipient is the school district within which the property lies and the second is the Foundation. The share of the money from the rollback tax, which is computed for each of these recipients, is based upon their proportionate share of the tax rate, which was in effect during the five years on which the rollback was computed. Under statute, the Counties forward to the school district board the portion of the rollback tax attributable to the local school district. From the remaining funds, the Counties remove a 7.5 percent administrative fee as provided by statute and forward the remaining amount to the Foundation.

The Foundation records rollback taxes collected by the Counties as of June 30 but not remitted to the Foundation until a later date as rollback taxes receivable. The amount of the rollback taxes receivable was $0 at June 30, 2010 and 2009.

NOTE D – CAPITAL ASSETS

Capital assets activity was as follows for the years ended June 30:

	2010			
	Beginning Balances	Increases	Decreases	Ending Balances
Land	$164,643,841	$14,412,299	$ -	$179,056,140
Equipment	90,205	9,975	(7,042)	93,138
Less: accumulated depreciation	(75,509)	(8,024)	7,042	(76,491)
Equipment – net	14,696	1,951	-	16,647
	$164,658,537	$14,414,250	$ -	$179,072,787

	2009			
	Beginning Balances	Increases	Decreases	Ending Balances
Land	$145,893,479	$18,750,362	$ -	$164,643,841
Equipment	81,113	9,092	-	90,205
Less: accumulated depreciation	(67,968)	(7,541)	-	(75,509)
Equipment – net	13,145	1,551	-	14,696
	$145,906,624	$18,751,913	$ -	$164,658,537

NOTE E – ACCOUNTS PAYABLE

Accounts payable represents consulting/contractual services and legal expenses incurred by the Foundation prior to the end of the fiscal year but not paid until the following fiscal year. Accounts payable was $8,707 and $12,920 at June 30, 2010 and 2009, respectively.

NOTE F – PENSION PLAN

Foundation employees are considered State employees and are covered under the State's pension program. For fiscal years 2010 and 2009, the State contributed 15.27 and 15.95 percent, respectively, of the State's share of employees' salary. Employees contributed 3 percent of salary in excess of $6,000 per share up to social security maximum and 3 percent for any salary above social security maximum. Total pension cost of $9,964 and $10,588 is included in the financial statements in salaries and related expenses. Pension cost accrued at June 30, 2010 and 2009 was $430 and $389, respectively.

NOTE F – PENSION PLAN (CONTINUED)

Certain significant plan provisions follow:

- Early retirement
  a. 15 years service and age 55
  b. 25 years service and no age requirement

- Service retirement
  a. 15 years service and age 60
  b. 30 years service and no age requirement
  c. 5 years service and age 62

- Disability retirement
  a. 5 years service and proof of disability

- Vested pension
  a. 5 years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the Delaware Public Employee Retirement System (DPERS) Comprehensive Annual Financial Report. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904, by calling 1-800-722-7300, or visiting their website at www.delawarepensions.com/information/financials.shtml.

NOTE G – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Foundation does not anticipate losses from these transactions.

NOTE H – DONATED LAND, FACILITIES AND SERVICES

The estimated fair market value of the donated land included in the financial statements as of June 30, 2010 and 2009 was $1,200,000 and $5,922,841, respectively.

The estimated fair market value of donated services and facilities received from the State of Delaware, Department of Agriculture, included in the financial statements was as follows as of June 30:

	2010	2009
Personnel	$ 309,025	$ 315,332
Travel	-	2,500
Contractual	5,870	5,870
Supplies	9,400	7,500
	$ 324,295	$ 331,202

REQUIRED SUPPLEMENTARY INFORMATION

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

BUDGETARY COMPARISON SCHEDULE – CONTRACTUAL FUND

*BUDGET TO ACTUAL

For the Fiscal Year Ended June 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
State aid	$ 2,831,400	$ 2,831,400	$ -
Total revenue	2,831,400	2,831,400	-
EXPENDITURES			
Farmland preservation	2,502,200	2,331,330	170,870
Mapping	129,200	137,890	(8,690)
Legal fees	160,000	87,178	72,822
Annual site visits	40,000	36,000	4,000
Total expenditures	2,831,400	2,592,398	239,002
Net change in fund balance	$ -	239,002	$ 239,002
Fund balance – beginning of year		3,607,902	
Fund balance – end of year		$ 3,846,904	

*The Foundation's budget is presented on the modified accrual basis of accounting.

The accompanying note to this schedule is an integral part of this required supplementary information.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

BUDGETARY COMPARISON SCHEDULE – OPERATING FUND

*BUDGET TO ACTUAL

For the Fiscal Year Ended June 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
State aid	$ 168,600	$ 168,600	$ -
Total revenue	168,600	168,600	-
EXPENDITURES			
Personnel	92,900	91,906	994
Forestry	-	945	(945)
Capital	10,000	9,975	25
Supplies	2,000	617	1,383
Travel	2,000	2,341	(341)
Miscellaneous contractual	9,000	7,699	1,301
Advertising	3,000	3,448	(448)
Telephone	1,500	1,144	356
Auto rental	8,700	7,397	1,303
Insurance	8,500	8,495	5
Accounting and auditing	31,000	28,441	2,559
Total expenditures	168,600	162,408	6,192
Net change in fund balance	$ -	6,192	$ 6,192
Fund balance – beginning of year		74,892	
Fund balance – end of year		$ 81,084	

*The Foundation's budget is presented on the modified accrual basis of accounting.

The accompanying note to this schedule is an integral part of this required supplementary information.

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

June 30, 2010

NOTE A – BUDGETARY BASIS VS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The budgetary comparison schedules on the previous two pages provide a comparison of the original and final budgets with actual data on a budgetary basis.

The contractual fund budget consists of $2,831,400 in funds appropriated by the State to be used for the preservation of agricultural lands within the State. The operating fund budget consists of $168,600 in funds appropriated by the State to be used for administrative purposes, such as personnel costs. Because the funds are used for different purposes, the Foundation creates two separate budgets. Together, the budgets encompass the $3,000,000 in State funds received during fiscal year 2010 and are included in the special revenue fund in the financial statements.

The Foundation purchases development rights for farmland preservation as it becomes available. The value of these rights varies significantly. The federal funds received in fiscal year 2010 for reimbursement of properties purchased in previous years allowed the Foundation to purchase more development rights than originally budgeted for, resulting in significant negative budget to actual variances.

SUPPLEMENTARY INFORMATION

WHEELER • WOLFENDEN • DWARES
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation
Dover, Delaware

We have audited the financial statements of the governmental activities and special revenue fund of Delaware Agricultural Lands Preservation Foundation (the Foundation) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

4550 New Linden Hill Road · Suite 201 · Linden Park · Wilmington, DE 19808 · Phone (302) 254-8240 · Fax (302) 254-8244
Members of the American Institute of Certified Public Accountants and the Delaware Society of Certified Public Accountants

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Foundation's management, the Board of Trustees, Department of Agriculture, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, and Department of Finance and is not intended to be, and should not be, used by anyone other than these specified parties.

December 14, 2010
Wilmington, Delaware

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the Fiscal Year Ended June 30, 2010

SUMMARY OF AUDITORS' RESULTS

Basic Financial Statements

Type of auditors' report issued is unqualified.

Internal control over financial reporting:

• Material weakness(es) identified?	_____	yes	_X_	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	_X_	none reported
Noncompliance material to financial statements noted?	_____	yes	_X_	no

FINDINGS – FINANCIAL REPORTING

Current Year Findings

There were no current year findings.

Status of Prior Year Findings and Questioned Costs

There were no prior year findings.