

DELAWARE AGRICULTURAL
LANDS PRESERVATION FOUNDATION

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2011 and 2010

Issuance Date: January 7, 2013

WHEELER•WOLFENDEN•DWARES

Certified Public Accountants

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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, 2011 and 2010, 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.

Except as discussed in the following paragraph, 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.

We were unable to audit the Foundation's cash and cash equivalents.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit cash and cash equivalents, 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, 2011 and 2010, and the change in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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, 2011 and 2010, 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.

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14 and budgetary comparison information on pages 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script, reading "William T. Wolf and Co., P.A.", is written over a horizontal line.

December 4, 2012
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, 2011.

FINANCIAL HIGHLIGHTS

The Foundation's net assets increased by \$14,548,255, from \$182,991,956 in fiscal year 2010 to \$197,540,211 in fiscal year 2011, 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 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 2011 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

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

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 \$197,540,211.

The majority of the accounts payable left at the end of fiscal year 2011 are monthly charges for items such as vehicle rental and utilities, with two significant items in the form of the Foundation's June 2011 legal services bill for \$13,486.25 and mapping fees of \$5,007.50. No problems in meeting these expenses out of the money remaining to the Foundation at the end of fiscal year 2011 are anticipated.

Most of the \$14,548,255 increase in net assets came in the form of capital assets, which increased by \$16,049,430, mostly due to the farmland added to the Foundation program in fiscal year 2011.

A comparative net assets analysis of fiscal years 2011 and 2010 follows:

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

TABLE 1
NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ -	\$ -
Cash and cash equivalents held by State	2,414,863	3,939,792
Federal contract receivable	-	46,371
Rollback taxes receivable	<u>39,992</u>	<u>-</u>
Total current assets	<u>2,454,855</u>	<u>3,986,163</u>
Noncurrent assets		
Capital assets – net of depreciation	<u>195,122,217</u>	<u>179,072,787</u>
TOTAL ASSETS	<u>\$197,577,072</u>	<u>\$183,058,950</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 22,532	\$ 8,707
Due to State funds	-	46,371
Accrued salaries and related costs	<u>5,652</u>	<u>2,897</u>
Total current liabilities	<u>28,184</u>	<u>57,975</u>
Long-term liabilities		
Compensated absences	<u>8,677</u>	<u>9,019</u>
Total long-term liabilities	<u>8,677</u>	<u>9,019</u>
TOTAL LIABILITIES	<u>36,861</u>	<u>66,994</u>
NET ASSETS		
Invested in capital assets	195,122,217	179,072,787
Restricted by enabling legislation	<u>2,417,994</u>	<u>3,919,169</u>
TOTAL NET ASSETS	<u>\$197,540,211</u>	<u>\$182,991,956</u>

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

TABLE 2

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
REVENUES		
General revenue		
Earnings on cash and investments	\$ 4,638	\$ 11,047
Charges to county governments	743,947	654,693
Rollback taxes	41,020	90,363
License plate income	5,250	3,955
Sales of easement and development rights	-	68,535
Miscellaneous income	10,452	1,412,622
Program revenue		
Operating grants and contributions	5,950,000	3,000,000
Capital grants and contributions	<u>8,961,132</u>	<u>10,468,395</u>
Total revenues	15,716,439	15,709,610
EXPENSES		
Farmland preservation	(670,384)	(553,965)
Administrative services		
Operating services	(167,550)	(168,600)
Contractual services	<u>(330,250)</u>	<u>(329,200)</u>
Total expenses	<u>(1,168,184)</u>	<u>(1,051,765)</u>
CHANGE IN NET ASSETS	<u>\$ 14,548,255</u>	<u>\$ 14,657,845</u>

The Foundation's Funds

The Foundation's governmental funds (as presented on the balance sheet) as of June 30, 2011 reported a total cash balance of \$2,414,863 compared to last year's balance of \$3,939,792.

Governmental Funds

The Foundation did not receive any new Federal Grants during fiscal year 2011, but had enough Federal Grant money left from previous years to meet all of its fiscal year 2011 responsibilities.

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

TABLE 3

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

- GOVERNMENTAL FUNDS

	<u>Special Revenue Funds</u>	
	<u>2011</u>	<u>2010</u>
REVENUES		
General revenue		
State grant	\$ 5,950,000	\$ 3,000,000
Federal grant	8,636,837	8,944,100
Charges to county governments	743,947	654,693
Rollback taxes	41,020	90,363
License plate income	5,250	3,955
Earnings on cash and investments	4,638	11,047
Sale of easement and development rights	-	68,535
In-kind contributions	324,295	1,524,295
Other income	<u>10,452</u>	<u>1,412,622</u>
TOTAL REVENUES	15,716,439	15,709,610
EXPENDITURES		
Current		
Farmland preservation	517,589	595,444
Administrative services		
Operating services	583,161	418,057
Contractual services	60,734	28,441
Capital outlays		
Equipment	-	9,975
Property	<u>16,056,472</u>	<u>14,412,299</u>
TOTAL EXPENDITURES	17,217,956	15,464,216
NET CHANGE IN FUND BALANCES	(1,501,517)	245,394
FUND BALANCES, BEGINNING OF YEAR	<u>3,928,188</u>	<u>3,682,794</u>
FUND BALANCES, END OF YEAR	\$ <u>2,426,671</u>	\$ <u>3,928,188</u>

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

Expenses exceeded revenues in fiscal year 2011, resulting in a \$1,501,517 decrease in fund balances. Due largely to an increase in State funding, revenues were up by \$6,829 from fiscal year 2010. Expenditures also increased by \$1,753,740 due mostly to an increase 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 2011, and stayed within the budget approved by the Controller General and the Office of Management and Budget by making use of In-kind Contributions and funds carried over from previous fiscal years.

The following are significant examples where the Foundation had to make use of its In-kind Contributions or carryover funds to cover unbudgeted costs.

Federal Audit

In Fiscal Year 2011 the Foundation's Federal funds were the subject of an additional audit that was not encompassed in the Foundation's 2011 Budget. In order to pay for the audit, the Foundation used \$31,647 of carryover funds.

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.

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. At the end of fiscal year 2010, the Foundation was expecting to receive \$3,000,000 in State Grant money, but the State ultimately committed an additional \$2,950,000, perhaps due to a more hopeful economic outlook for the State of Delaware and the nation as a whole. The State Grant money was supplemented by an \$850,000 loan to the Foundation from funds entrusted to the Foundation along with a property known as the Wilson Farm in the will of that property's deceased owner. A portion of the

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

principal of this loan plus interest must be returned to the Wilson Farm funds each year until the entire loan is repaid, but it does guarantee the Foundation a source of funds with which to purchase farmland in fiscal year 2012 and beyond, and, if the economy continues to improve the Foundation may receive more than \$3,000,000 from the State of Delaware in fiscal year 2012.

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. Although the Foundation received no new Federal Grant money during fiscal year 2011, the carryover from previous Federal grants was more than enough to meet its fiscal year 2011 obligations.

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 2011, the Foundation received \$743,947 in County Reimbursements for farms purchased in Round 15. It is difficult to say at this time how much money will be granted to the Foundation by the Counties in fiscal year 2012.

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. The amount of farmland purchased in fiscal year 2011 was greater than the amount purchased in fiscal year 2010, accounting for the greater expenditure on farmland in fiscal year 2011. 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 2012, the Foundation still has \$1,742,624 and \$508,187 left in its fiscal year 2008 and fiscal year 2010 Federal Grants, respectively, and \$2,125,220 left over from its previous State grants. Of the at least \$3,000,000 it is expected to receive in State grants for fiscal year 2012, \$2,502,200 can be used for purchasing farmland, and the Foundation is expecting to receive an as yet undecided amount from the Federal Government during fiscal year 2012.

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

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 decreased drastically from \$90,363 in fiscal year 2010 to \$41,020 in fiscal year 2011. The decrease in this source of revenue in fiscal year 2011 is a positive sign that less farmland was lost to development in fiscal year 2011 than was the case in fiscal year 2010. It is difficult to predict any trends for fiscal year 2012 regarding Rollback tax income.

Interest income decreased from \$11,047 in fiscal year 2010 to \$4,638 in fiscal year 2011. The majority of the interest collected in fiscal year 2010 came from funds willed to the Foundation along with the Wilson Farm and was only for use in funding projects and maintenance related to the Wilson Farm. In fiscal year 2011, \$850,000 was loaned from the Wilson Farm's interest bearing account to the Foundation for the purpose of purchasing more farmland. As the funds used by the Foundation for purchasing farmland do not accrue interest, the total interest reported in these Financial Statements dropped substantially in fiscal year 2011. The portion of interest received from sources other than the Wilson fund decreased very little in fiscal year 2011, down to \$1,904 from the \$1,988 received in fiscal year 2010.

In what is hopefully a sign of optimism for Delaware's economy, license plate income increased to \$5,250 in fiscal year 2011 from \$3,955 in fiscal year 2010. If the state of the economy in fiscal year 2012 does not deteriorate significantly, it seems reasonable to predict that fiscal year 2012's Foundation license plates revenue should either be about the same as it was in fiscal year 2011 or greater.

Total In-kind Contributions decreased from \$1,524,295 in fiscal year 2010 to \$324,295 in fiscal year 2011. 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. In fiscal year 2011, the Foundation once again received \$324,295 of In-kind contributions from the Delaware Department of Agriculture, but did not receive any other In-kind contributions.

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.

Delaware Agricultural Lands Preservation Foundation

Management's Discussion and Analysis

In fiscal year 2011, the Foundation used \$324,295 of General Funds. This was the same amount used 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 2012 will be about the same or slightly higher if financial conditions in the Department of Agriculture become less austere.

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. There is now reason to hope, however, that due to the relatively stable economy and the popularity of agriculture in Delaware, the State and Federal Governments will increase their commitments to farmland preservation. Even if this should prove not to be the case, the Foundation should have no problems maintaining its basic operating and contractual activities indefinitely, although the amount of farmland it could preserve in fiscal year 2012 and beyond will be adversely affected if additional funds are not secured from the Federal Government during fiscal year 2012. As of June 30, 2011, the Foundation has in hand \$256,820 in its State interest bearing savings account; \$2,125,220 of State-held funds for surveys, appraisals and acquisitions of Easement and development rights, and the legal costs associated with them; and \$2,250,810 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 \$32,823 for expenses related to the Wilson Farm.

Under these circumstances, without receiving any of the funds it expects for fiscal year 2012, the Foundation could continue to function for one more fiscal year. However, it seems unlikely that the Foundation will lose its yearly State funding or Rollback income, and may even soon see increases in its annual State funding. 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, 2011 and 2010

	ASSETS	
	Governmental Activities	
	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents – held by the State	\$ 2,414,863	\$ 3,939,792
Federal contract receivable	-	46,371
Rollback taxes receivable	39,992	-
Total current assets	2,454,855	3,986,163
Noncurrent assets		
Capital assets – net of depreciation	195,122,217	179,072,787
TOTAL ASSETS	\$ 197,577,072	\$ 183,058,950
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 22,532	\$ 8,707
Due to State funds	-	46,371
Accrued salaries and related costs	5,652	2,897
Total current liabilities	28,184	57,975
Long-term liabilities		
Compensated absences	8,677	9,019
Total liabilities	36,861	66,994
NET ASSETS		
Invested in capital assets	195,122,217	179,072,787
Restricted by enabling legislation	2,417,994	3,919,169
Total net assets	197,540,211	182,991,956
TOTAL LIABILITIES AND NET ASSETS	\$ 197,577,072	\$ 183,058,950

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, 2011

	Expenses	Program Revenue			Net Revenue and Change in Net Assets Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Farmland preservation	\$ (670,384)	\$ -	\$ 5,452,200	\$ 8,961,132	\$ 13,742,948
Administrative services	(167,550)	-	167,550	-	-
Operating services	(330,250)	-	330,250	-	-
Contractual services					
Total governmental activities	<u>\$ (1,168,184)</u>	<u>\$ -</u>	<u>\$ 5,950,000</u>	<u>\$ 8,961,132</u>	<u>13,742,948</u>
GENERAL REVENUE					
Earnings on cash and investments					4,638
Charges to county governments					743,947
Rollback taxes					41,020
License plate income					5,250
Miscellaneous income					10,452
TOTAL GENERAL REVENUE					<u>805,307</u>
CHANGE IN NET ASSETS					14,548,255
NET ASSETS – BEGINNING OF YEAR					<u>182,991,956</u>
NET ASSETS – END OF YEAR					<u>\$ 197,540,211</u>

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

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

BALANCE SHEETS

June 30, 2011 and 2010

	Special Revenue Fund	
	2011	2010
ASSETS		
ASSETS		
Cash and cash equivalents – held by the State	\$ 2,414,863	\$ 3,939,792
Federal contract receivable	-	46,371
Rollback taxes receivable	39,992	-
TOTAL ASSETS	\$ 2,454,855	\$ 3,986,163
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 22,532	\$ 8,707
Due to State funds	-	46,371
Accrued salaries and related costs	5,652	2,897
Total current liabilities	28,184	57,975
Total liabilities	28,184	57,975
FUND BALANCE		
Restricted by enabling legislation	2,426,671	3,928,188
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,454,855	\$ 3,986,163

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
TOTAL FUND BALANCES	\$ 2,426,671	\$ 3,928,188
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.	195,122,217	179,072,787
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	<u>(8,677)</u>	<u>(9,019)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	\$ <u>197,540,211</u>	\$ <u>182,991,956</u>

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, 2011 and 2010

	Special Revenue Fund	
	2011	2010
REVENUE		
Farmland preservation	\$ 5,950,000	\$ 3,000,000
Federal grant	8,636,837	8,944,100
County reimbursements	743,947	654,693
Rollback taxes	41,020	90,363
License plate income	5,250	3,955
In-kind contribution	324,295	1,524,295
Sale of easement and development right	-	68,535
Other income	10,452	1,412,622
Interest income	4,638	11,047
Total revenue	15,716,439	15,709,610
EXPENDITURES		
Current		
Easement and development rights acquisition		
Appraisals	181,450	204,425
Contracts	33,248	43,528
Equipment/fleet rental	10,128	8,849
Legal fees	123,456	165,040
Mapping	164,599	168,443
Public/legal notice	1,914	3,542
Survey fees	-	-
Travel	2,794	1,617
Total easement and development rights acquisition	517,589	595,444
Administrative		
Audit	60,734	28,441
Miscellaneous	146,220	7,632
Office expense	11,825	9,050
Salaries and related expenses	425,116	401,375
Total administrative expenses	643,895	446,498
Capital outlay		
Equipment	-	9,975
Easements and development rights	16,056,472	14,412,299
Total capital outlay	16,056,472	14,422,274
Total expenditures	17,217,956	15,464,216
Net change in fund balance	(1,501,517)	245,394
Fund balance – beginning of year	3,928,188	3,682,794
Fund balance – end of year	\$ 2,426,671	\$ 3,928,188

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
NET CHANGE IN FUND BALANCES	\$ (1,501,517)	\$ 245,394

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	16,056,472	14,422,274
Depreciation	<u>(7,042)</u>	<u>(8,024)</u>
Total	16,049,430	14,414,250

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	<u>342</u>	<u>(1,799)</u>
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CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	\$ <u>14,548,255</u>	\$ <u>14,657,845</u>
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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, 2011 and 2010

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 within 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, First State Financials (FSF).

For the fiscal years ended June 30, 2011 and 2010, the General Assembly of the State provided funding for the Foundation under Senate Bill No. 229 in the amount of \$5,950,000 and \$3,000,000, respectively. Administrative costs of the Foundation are included in this funding and were in the amount of \$167,550 and \$168,800 for the years ended June 30, 2011 and 2010. For both fiscal years ended June 30, 2011 and 2010, 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 / Net Assets

Beginning with fiscal year 2011, the Foundation implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Foundation itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Foundation takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Foundation intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Foundation's governmental funds have been restated to reflect the above classifications.

Furthermore, all net assets are restricted per enabling legislation.

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.

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

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 an employee resignation or retirement.

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.

10. Subsequent Events

The Foundation has evaluated subsequent events through December 4, 2012, which is the date the financial statements were available to be issued.

NOTE B – 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 C – CASH AND CASH EQUIVALENTS

As of June 30, 2011 and 2010, the Foundation had a cash and cash equivalents balance of \$4,665,673 and \$3,939,792, respectively, which is a part of an investment pool controlled by the Office of the State Treasurer. 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 D – 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 \$39,992 and \$0 at June 30, 2011 and 2010, respectively.

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 \$22,532 and \$8,707 at June 30, 2011 and 2010, respectively.

NOTE F – CAPITAL ASSETS

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

	2011			
	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 179,056,140	\$ 16,056,472	\$ -	\$ 195,112,612
Equipment	93,138	-		93,138
Less: accumulated depreciation	(76,491)	(7,042)		(83,533)
Equipment – net	16,647	(7,042)	-	9,605
Total	<u>\$ 179,072,787</u>	<u>\$ 16,049,430</u>	<u>\$ -</u>	<u>\$ 195,122,217</u>

	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
Total	<u>\$ 164,658,537</u>	<u>\$ 14,414,250</u>	<u>\$ -</u>	<u>\$ 179,072,787</u>

NOTE G – DONATED LAND, FACILITIES AND SERVICES

The estimated fair market value of the donated land included in the financial statements as of June 30, 2010 was \$1,200,000. The Foundation received no donated land during the year ended June 30, 2011.

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:

	2011	2010
Personnel	\$ 309,025	\$ 309,025
Contractual	5,870	5,870
Supplies	9,400	9,400
Total	<u>\$ 324,295</u>	<u>\$ 324,295</u>

NOTE H – PENSION PLAN

Foundation employees are considered State employees and are covered under the State's pension program. For fiscal years 2011 and 2010, the State contributed 17.20 and 15.27 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 \$11,454 and \$9,964 is included in the financial statements in salaries and related expenses at June 30, 2011 and 2010, respectively. Pension cost accrued at June 30, 2011 and 2010 was \$0 and \$430, respectively.

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.

REQUIRED SUPPLEMENTARY INFORMATION

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

BUDGETARY COMPARISON SCHEDULE – CONTRACTUAL FUND

*BUDGET TO ACTUAL

For the Fiscal Year Ended June 30, 2011

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
State aid	\$ 5,782,450	\$ 5,782,450	\$ -
Total revenue	5,782,450	5,782,450	-
EXPENDITURES			
Farmland preservation	5,452,200	6,991,525	(1,539,325)
Mapping	164,250	164,599	(349)
Legal fees	130,000	123,456	6,544
Annual site visits	36,000	-	36,000
Total expenditures	5,782,450	7,279,580	(1,497,130)
Net change in fund balance	\$ -	(1,497,130)	\$ (1,497,130)
Fund balance – beginning of year		3,846,904	
Fund balance – end of year		\$ 2,349,774	

*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, 2011

	Original and Final Budget	Actual Amounts	Final Budget Positive (Negative)
REVENUE			
State aid	\$ 167,550	\$ 167,550	\$ -
Total revenue	167,550	167,550	-
EXPENDITURES			
Personnel	92,900	97,011	(4,111)
Accounting and auditing	31,000	29,087	1,913
Advertising	3,500	3,074	426
Annual site visits	36,000	-	
Auto rental	8,550	8,377	173
Capital	10,000	3,469	6,531
Contractual (general)	7,800	11,108	(3,308)
Contract clerical assistance	-	7,888	(7,888)
Insurance	8,500	6,504	1,996
Supplies	2,000	1,361	639
Telephone	1,300	1,023	277
Travel	2,000	2,835	(835)
Total expenditures	203,550	171,737	31,813
Net change in fund balance	\$ (36,000)	(4,187)	\$ 31,813
Fund balance – beginning of year		81,084	
Fund balance – end of year		\$ 76,897	

*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, 2011

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 \$5,452,200 in funds appropriated by the State to be used for the preservation of agricultural lands within the State. The operating fund budget consists of \$497,800 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 \$5,950,000 in State funds received during fiscal year 2011 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 2011 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



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, 2011, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated December 4, 2012. The report on the Foundation was qualified because we were unable to audit cash and cash equivalents. Except as discussed in the preceding sentence, 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.

Internal Control over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

To the Board of Trustees
Delaware Agricultural Lands Preservation Foundation

Internal Control over Financial Reporting (Continued)

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2011-1]

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*.

The Foundation's response to the findings identified in our audit is presented in the accompanying schedule of findings and responses. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, Delaware Department of Agriculture, Office of the Governor, Officer of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "William E. Dwyer, Jr.", is written over a horizontal line.

December 4, 2012
Wilmington, Delaware

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended June 30, 2011

SUMMARY OF AUDITORS' RESULTS

Basic Financial Statements

Type of auditors' report issued is qualified.

Internal control over financial reporting:

- Material weakness(es) identified? X yes 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

Significant Deficiencies:

2011-01: Controls over Financial Reporting

Condition: During our audit, we noted that the information provided to the Foundation's employees by the State of Delaware, via the State's online accounting software (FSF), made it difficult for the Foundation to follow and ascertain useful information to generate an accurate trial balance.

Criteria: The Foundation should be able to produce a clear, concise and complete trial balance.

Cause: The Foundation relies on the State of Delaware's accounting system and the guidance of State employees responsible for that system for maintaining and generating financial reports to assist with the preparation of its trial balance. The Foundation was unable to obtain accurate data from these sources.

Effect: Using reports generated from FSF, both independently and with guidance of relevant State employees, the Foundation produced data that left its trial balance out of balance by \$137,000, which was recorded as an expense that we were unable to audit.

FINDINGS – FINANCIAL REPORTING (CONTINUED)

Significant Deficiencies: (Continued)

2011-01: Control over Financial Reporting (continued)

Effect (continued): The Foundation's cash balances are held by the State of Delaware. The Foundation is unable to determine the amount of cash on-hand with the State. Furthermore, neither the State's Treasurer's office nor its finance office was able to confirm the amount of cash on hand belonging to the Foundation.

Recommendation: We recommend that the Foundation work with relevant State employees to determine a method for obtaining the necessary data for accurate preparation of financial reports.

Response: The Foundation will work with the appropriate State personnel to attempt to obtain the necessary data and rectify the financial reports.

Status of Prior Year Findings and Questioned Costs

There were no prior year findings.