



DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

FINANCIAL STATEMENTS AUDIT
FOR FISCAL YEARS 2021 AND 2022

Report Summary

Delaware Agricultural Lands Preservation Foundation Financial Statement Audit Fiscal Years 2021 and 2022



What Was Performed?

A financial statement audit of the Delaware Agricultural Lands Preservation Foundation for the fiscal years ended June 30, 2021, and 2022.

Why This Engagement?

This financial statement audit was performed in accordance with 29 Del. C. § 2906 and 3 Del C. § 904(a)(8) and 904(a)(9).

The Department of Agriculture manages Delaware's Agricultural Lands (Aglands) Preservation Program. This program, established in 1991, allows landowners to voluntarily preserve their farms through a two-phase process. There are 490,000 acres of farms, which include 39% of the land area in Delaware.

Delaware's farmland preservation program has two major components: Agricultural Preservation Districts and Agricultural Conservation Easements.

Preservation Districts are voluntary agreements where landowners agree to continue to only use their land only for agriculture for at least 10 years. Agricultural easements are purchases of development rights by the foundation, placing a permanent agricultural conservation easement on the property. Landowners must enroll their farm into a Preservation District before they can sell an easement.

In FY22 and FY21, the Aglands program received \$10 million and \$5 million from the state Bond Bill and \$49,497 and \$48,621 from the state's operating budget.

What Was Found?

It is my pleasure to report this audit contained an unmodified opinion.¹ There were no findings required to be reported under Government Auditing Standards.

The Delaware Agricultural Lands Preservation Foundation Financial Statement Audit for Fiscal Years 2021 and 2022 can be found on our website. [Click Here](#)

For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

¹An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations and cash flows in conformity with generally accepted accounting principles.



Delaware Agricultural Lands Preservation Foundation
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Independent Auditors' Report

To the Management
Delaware Department of Agriculture
Delaware Agricultural Lands Preservation Foundation
State of Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Delaware Agricultural Lands Preservation Foundation (Foundation), a component unit of the State of Delaware, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Foundation, as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2022, the Foundation adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 16, the budgetary comparison schedules and related notes on pages 52 through 54, and the schedules of proportionate share of the net pension liability and contributions and other postemployment benefit (OPEB) liabilities and contributions on pages 55 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

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information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

November 28, 2022
Wilmington, Delaware

Management's Discussion and Analysis

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis
June 30, 2022 and 2021

Our discussion and analysis of the Delaware Agricultural Lands Preservation Foundation's (Foundation) financial performance provides an overview of the Foundation's financial activities for the years ended June 30, 2022 (Fiscal Year 2022) and 2021 (Fiscal Year 2021).

Financial Highlights

For the year ended June 30, 2022, the Foundation's assets and deferred outflows increased by \$14,000,032 to \$298,213,517 from \$284,213,485. For the year ended June 30, 2021, the Foundation's assets and deferred outflows increased by \$10,378,941 to \$284,213,485 from \$273,834,544.

For the year ended June 30, 2022, the Foundation's net position increased by \$14,068,282 to \$297,418,263 from \$283,349,981. For the year ended June 30, 2021, total net position increased by \$10,103,835 to \$283,349,981 from \$273,246,146.

Using This Financial Report

This 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 Statements of Net Position and Statements of Activities - The statements of net position and the statements 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 the years ended June 30, 2022 and 2021, are taken into consideration regardless of when cash is received or paid.

Reporting the Foundation's Most Significant Funds

Fund Financial Statements - 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 the end of the fiscal year 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.

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Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2022 and 2021

Reporting the Foundation's Most Significant Funds - Continued

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

Entity-Wide Financial Analysis

A comparative net position analysis of the years ended June 30, 2022, 2021, and 2020, follows:

Net Position

	Governmental Activities		
	2022	2021	2020
Current Assets			
Pooled Cash and Investments	\$ 12,442,820	\$ 9,379,549	\$ 15,020,044
Loans Receivable - Current	56,117	23,727	23,727
Lease Receivable - Lessor - Current	18,275	17,349	-
Federal Grant Receivable	3,020,030	2,426,939	649,575
Kent County Receivable	100,000	-	100,000
Rollback Taxes Receivable	326,361	129,581	37,934
Total Current Assets	15,963,603	11,977,145	15,831,280
Noncurrent Assets			
Capital Assets, Not Depreciated	274,329,324	264,229,706	250,369,961
Capital Assets, Depreciated	108,058	108,058	108,058
Less: Depreciation	108,058	107,791	107,612
Total Capital Assets, Depreciated	-	267	446
Loans Receivable, Less Current Portion	7,634,053	7,694,092	7,556,791
Lease Receivable - Lessor, Less Current Portion	144,957	162,235	-
Net Pension Asset	36,569	-	-
Total Noncurrent Assets	282,144,903	272,086,300	257,927,198
Total Assets	298,108,506	284,063,445	273,758,478
Deferred Outflows			
Pension	22,396	24,434	29,455
Other Post Employment Benefits	82,615	125,606	46,611
Total Deferred Outflows	105,011	150,040	76,066
Total Assets and Deferred Outflows	\$ 298,213,517	\$ 284,213,485	\$ 273,834,544

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Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2022 and 2021

Entity-Wide Financial Analysis - Continued

Net Position - Continued

	Governmental Activities		
	2022	2021	2020
Current Liabilities			
Accounts Payable	\$ 17,719	\$ 12,196	\$ 10,611
Accrued Salaries and Related Costs	3,207	3,151	3,153
Total Current Liabilities	20,926	15,347	13,764
Noncurrent Liabilities			
Compensated Absences	10,190	9,774	7,082
Net Postemployment Benefits Liability	292,355	462,655	339,451
Net Pension Liability	-	63,992	68,132
Total Noncurrent Liabilities	302,545	536,421	414,665
Total Liabilities	323,471	551,768	428,429
Deferred Inflows			
Pension	96,464	18,339	9,293
Other Post Employment Benefits	223,000	119,256	150,676
Lease Receivable - Lessor	152,319	174,141	-
Total Deferred Inflows	471,783	311,736	159,969
Net Position			
Invested in Capital Assets	274,329,324	264,229,973	250,370,407
Restricted by Enabling Legislation	23,088,939	19,120,008	22,875,739
Total Net Position	297,418,263	283,349,981	273,246,146
Total Liabilities, Deferred Inflows, and Net Position	\$ 298,213,517	\$ 284,213,485	\$ 273,834,544

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Management's Discussion and Analysis - Continued
June 30, 2022 and 2021

Entity-Wide Financial Analysis - Continued

At the close of the year ended June 30, 2022, the Foundation's assets exceeded its liabilities by \$297,785,035. At the close of the year ended June 30, 2021, the Foundation's assets exceeded its liabilities by \$283,511,677. In both years, these assets primarily consisted of capital assets, pooled cash and investments, and loans receivable. The accounts payable at the close of the years ended June 30, 2022 and 2021, consisted primarily of legal fees for the month of June. During the years ended June 30, 2022 and 2021, the majority of the Foundation's monthly fees were paid out of funds received by the State of Delaware (State).

For the year ended June 30, 2022, total capital assets, net of depreciation, increased by \$10,099,351 to \$274,329,324 from \$264,229,973. For the year ended June 30, 2021, total capital assets, net of depreciation, increased by \$13,859,566 to \$264,229,973 from \$250,370,407.

For the year ended June 30, 2022, pooled cash and investments increased by \$3,063,271 to \$12,442,820 from \$9,379,549. For the year ended June 30, 2021, pooled cash and investments decreased by \$5,640,495 to \$9,379,549 from \$15,020,044.

For the year ended June 30, 2022, pension and OPEB deferred outflows decreased by \$45,029 to \$105,011 from \$150,040. Net pension and OPEB liability decreased by \$234,292 to \$292,355 from \$526,647. Pension and OPEB deferred inflows increased by \$181,869 to \$319,464 from \$137,595. For the year ended June 30, 2021, pension and OPEB deferred outflows increased by \$73,974 to \$150,040 from \$76,066. Net pension and OPEB liability increased by \$119,064 to \$526,647 from \$407,583. Pension and OPEB deferred inflows decreased by \$22,374 to \$137,595 from \$159,969.

For the year ended June 30, 2022, net pension asset increased by \$36,569 to \$36,569 at June 30, 2022. Net pension asset at June 30, 2021 and 2020, totaled \$0.

Beginning in fiscal year 2012, a new program known as the Young Farmers Program was created by the State to provide loans to farmers aged 40 or younger seeking to acquire their own farms. During the years ended June 30, 2022 and 2021, loans issued totaled \$0 and \$161,028, respectively. Loan collections totaled \$27,649 and \$23,727 during the years ended June 30, 2022 and 2021, respectively.

The State created a Forestland Preservation Program through legislation in fiscal year 2006. It received \$1,000,000 of State funds during fiscal year 2008, and seven Forestland Preservation easements were purchased. No additional State funds were allocated to the program until fiscal year 2019. In fiscal years 2022 and 2021, the Bond Bill Epilogue stated that the Foundation may use up to \$1,000,000 and \$500,000, respectively, of Farmland Preservation funding for the Forestland Preservation Program. It is

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Management's Discussion and Analysis - Continued
June 30, 2022 and 2021

Entity-Wide Financial Analysis - Continued

not yet known if any properties in Round 26 will be selected for Forestland Preservation easements in fiscal year 2023.

During fiscal year 2019, the Foundation entered into a program agreement with Natural Resources Conservation Service (NRCS). The program agreement is for a term of at least three years and not to exceed five years. Under the terms of the agreement, NRCS will make cost-share assistance available for the acquisition of agricultural land easements selected by the Foundation in Round 23 through Round 27.

During the years ended June 30, 2022, 2021, and 2020, the Foundation settled easements of which \$3,572,065, \$3,649,851, and \$843,633, respectively, of the total purchase price was eligible for cost-share assistance under the terms of the agreement. As of June 30, 2022, total cost-share assistance made available under the terms of the agreement totaled \$8,065,549.

The Foundation expects to receive \$2,750,000 in cost-share assistance under the terms of the agreement for easements selected for Round 26 that will settle subsequent to fiscal year 2022.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2022 and 2021

Entity-Wide Financial Analysis - Continued

Changes in Net Position

	Governmental Activities		
	2022	2021	2020
Revenues			
General Revenues			
Earnings on Pooled Cash and Investments	\$ -	\$ 14,303	\$ 33,518
On-Behalf Payments	203,110	204,947	226,420
Rollback Taxes	327,240	130,304	38,376
License Plate Income	7,805	9,065	5,285
Wilson Farm Lease Income	29,377	27,097	14,775
Gain from Sale of Capital Asset	53,660	-	-
Legal Fees Refund	29	3,308	20
Program Revenues			
Operating Grants and Contributions - State	10,049,497	5,048,621	10,037,578
Operating Grants and Contributions - County Governments	496,100	1,738,136	65,389
Operating Grants and Contributions - Public Support	20,000	-	-
Capital Grants and Contributions	3,572,065	3,738,274	2,176,874
Total Revenues	14,758,883	10,914,055	12,598,235
Expenses			
Current			
Farmland Preservation	229,889	258,435	231,483
Young Farmers	3,353	3,142	6,873
Administrative Services			
Operating Services	317,414	396,826	446,774
Contractual Services	139,945	151,991	138,344
Total Current	690,601	810,394	823,474
Intergovernmental			
Transfer of Resources to/(from) Facilities Management	-	(174)	81,000
Total Expenses	690,601	810,220	904,474
Changes in Net Position	\$ 14,068,282	\$ 10,103,835	\$ 11,693,761

State of Delaware
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Management's Discussion and Analysis - Continued
June 30, 2022 and 2021

Governmental Activities

Earnings on pooled cash and investments decreased to \$0 for the year ended June 30, 2022, from \$14,303 for the year ended June 30, 2021, primarily due to interest rates.

Earnings on pooled cash and investments decreased to \$14,303 for the year ended June 30, 2021, from \$33,518 for the year ended June 30, 2020, due primarily to a decrease in cash on hand and interest rates.

County reimbursement money is not recognized by fiscal year but by rounds, the cycles in which new farm easements are purchased and added to the preservation program by the Foundation. 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.

For the year ended June 30, 2022, the Foundation recognized as revenue \$496,100 in county reimbursements for easements purchased in Round 24. For the years ended June 30, 2021 and 2020, the Foundation received \$1,738,136 and \$65,389, respectively, in county reimbursements for easements purchased in Round 24, 23, and 22.

Rollback taxes are assessed on land which has been valued, assessed, and taxed as agricultural land, but has been used for purposes other than farming. A portion of these taxes go to the school district in which 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 to \$327,240 for the year ended June 30, 2022, from \$130,304 for the year ended June 30, 2021. Rollback tax revenue increased to \$130,304 for the year ended June 30, 2021 from \$38,376 for the year ended June 30, 2020. The change in this source of revenue is directly related to the amount of farmland which was used for development during the year.

In Fiscal Year 2022, the Foundation adopted GASB Statement No. 87, *Leases* (Statement) effective as of July 1, 2020, the first day of the Foundation's earliest fiscal year presented. As a result of the adoption of the new standard, the statement of net position now includes lease receivable-lessee, current and long term, lease interest receivable and deferred inflow lease receivable for both June 30, 2022 and 2021 (Notes A and L).

License plate income decreased to \$7,805 for the year ended June 30, 2022, from \$9,065 for the year ended June 30, 2021. License plate income increased to \$9,065 for the year ended June 30, 2021, from \$5,285 for the year ended June 30, 2020.

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Management's Discussion and Analysis - Continued
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Governmental Activities - Continued

For the year ended June 30, 2022, the Foundation received \$10,000,000 in grant funding from the State bond bill, of which up to \$3,000,000 could be utilized for the Young Farmers Program, and of which \$1,000,000 could be utilized for the Delaware Forestland Preservation Program. In addition, the Foundation received \$49,497 during the year ended June 30, 2022, from the State's operating budget for personnel expenses.

For the year ended June 30, 2021, the Foundation received \$5,000,000 in grant funding from the State bond bill, of which up to \$1,500,000 could be utilized for the Young Farmers Program, and of which \$500,000 could be utilized for the Delaware Forestland Preservation Program. In addition, the Foundation received \$48,621 during the year ended June 30, 2021, from the State's operating budget for personnel expenses.

During fiscal year 2019 the Foundation entered into a program agreement with NRCS. The program agreement is for a term of at least three years and not to exceed five years. Under the terms of the agreement, NRCS will make cost-share assistance available for the acquisition of agricultural land easements selected by the Foundation in Round 23 through Round 27.

During the years ended June 30, 2022, 2021, and 2020, the Foundation settled easements of which \$3,572,065, \$3,649,851, and \$843,633, respectively, of the total purchase price was eligible for cost-share assistance under the terms of the agreement. As of June 30, 2022, total cost-share assistance made available under the terms of the agreement totaled \$8,065,549.

The Foundation expects to receive \$2,750,000 in cost-share assistance under the terms of the agreement for easements selected for Round 26 that will settle subsequent to Fiscal Year 2022.

Expenses for administrative services decreased from \$523,230 for the year ended June 30, 2021, to \$500,639 for the year ended June 30, 2022. Farmland preservation expenses decreased from \$258,435 for the year ended June 30, 2021, to \$229,889 for the year ended June 30, 2022. The decrease was a result of decrease in appraisal and survey costs. No farm easements were acquired through the Young Farmers Program during the year ended June 30, 2022.

Expenses for administrative services decreased from \$595,598 for the year ended June 30, 2020, to \$523,230 for the year ended June 30, 2021. Farmland preservation expenses increased from \$231,483 for the year ended June 30, 2020, to \$258,435 for the year ended June 30, 2021. The increase was a result of increases in appraisal and survey costs. One farm easement was acquired through the Young Farmers Program during the year ended June 30, 2021. This easement was capitalized at its total acquisition value of \$88,423.

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Governmental Activities - Continued

The Foundation shares employees with the Department of Agriculture (Department). The salaries of these shared employees are paid in full by the Department, and the Foundation does not reimburse the Department for their portion of salary expense. On-behalf payments recognized in revenue and administrative salaries and related expenditures during the years ended June 30, 2022, 2021, and 2020, totaled \$203,110, \$204,947, and \$226,420, respectively.

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Management's Discussion and Analysis - Continued
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Governmental Fund

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
State of Delaware - Farmland Preservation	\$ 10,049,497	\$ 5,048,621	\$ 10,037,578
Federal Grant	2,978,974	1,872,487	1,398,376
County Government Grants and Contributions	396,100	1,738,136	65,389
Operating Grants and Contributions	20,000	-	-
Young Farmers Contributed Easements	-	88,423	128,923
Rollback Taxes	1,224	130,304	38,376
On-Behalf Payments	203,110	204,947	226,420
License Plate Income	7,805	9,065	5,285
Earnings on Pooled Cash and Investments	-	14,303	33,518
Wilson Farm Lease Income	29,377	27,097	14,775
Legal Fee Refunds	29	3,308	20
Total Revenues	<u>13,686,116</u>	<u>9,136,691</u>	<u>11,948,660</u>
Expenses			
Current			
Farmland Preservation	229,889	258,435	231,483
Administrative Services			
Operating Services	360,694	371,239	457,254
Contractual Services	139,945	151,991	138,344
Young Farmers	3,353	3,142	6,873
Total Current	<u>733,881</u>	<u>784,807</u>	<u>833,954</u>
Capital Outlays			
Property	10,126,658	13,859,745	6,851,246
Total Capital Outlays	<u>10,126,658</u>	<u>13,859,745</u>	<u>6,851,246</u>
Intergovernmental			
Transfer of Resources to Facilities Management	-	(174)	81,000
Total Expenses	<u>10,860,539</u>	<u>14,644,378</u>	<u>7,766,200</u>
Excess (Deficiency) of Revenues Over Expenses	<u>2,825,577</u>	<u>(5,507,687)</u>	<u>4,182,460</u>
Special Item			
Proceeds from Sale of Capital Asset	80,700	-	-
Net Change in Fund Balances	<u>2,906,277</u>	<u>(5,507,687)</u>	<u>4,182,460</u>
Fund Balances - Beginning of Year	<u>17,217,045</u>	<u>22,724,732</u>	<u>18,542,272</u>
Fund Balances - End of Year	<u>\$ 20,123,322</u>	<u>\$ 17,217,045</u>	<u>\$ 22,724,732</u>

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Management's Discussion and Analysis - Continued
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Governmental Fund - Continued

Overall, for the Special Revenue Fund, revenues and special items exceeded expenses in Fiscal Year 2022, resulting in a \$2,906,277 increase in fund balance.

Overall, for the Special Revenue Fund, expenses exceeded revenues in Fiscal Year 2021, resulting in a \$5,507,687 decrease in fund balance.

Requests for Information

This financial data is designed to provide a general overview of the 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.

Government-Wide Financial Statements

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statements of Net Position
June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Assets and Deferred Outflows		
Current Assets		
Pooled Cash and Investments	\$ 12,442,820	\$ 9,379,549
Loans Receivable - Current	56,117	23,727
Lease Receivable - Lessor - Current	18,275	17,349
Federal Grant Receivable	3,020,030	2,426,939
Kent County Receivable	100,000	-
Rollback Taxes Receivable	326,361	129,581
Total Current Assets	15,963,603	11,977,145
Noncurrent Assets		
Capital Assets, Not Depreciated	274,329,324	264,229,706
Capital Assets, Depreciated	108,058	108,058
Less: Depreciation	108,058	107,791
Total Capital Assets, Depreciated	-	267
Loans Receivable, Less Current Portion	7,634,053	7,694,092
Lease Receivable - Lessor, Less Current Portion	144,957	162,235
Net Pension Asset	36,569	-
Total Noncurrent Assets	282,144,903	272,086,300
Total Assets	298,108,506	284,063,445
Deferred Outflows		
Pension	22,396	24,434
Other Post Employment Benefits	82,615	125,606
Total Deferred Outflows	105,011	150,040
Total Assets and Deferred Outflows	\$ 298,213,517	\$ 284,213,485
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts Payable	\$ 17,719	\$ 12,196
Accrued Salaries and Related Costs	3,207	3,151
Total Current Liabilities	20,926	15,347
Noncurrent Liabilities		
Compensated Absences	10,190	9,774
Net Postemployment Benefits Liability	292,355	462,655
Net Pension Liability	-	63,992
Total Noncurrent Liabilities	302,545	536,421
Total Liabilities	323,471	551,768
Deferred Inflows		
Pension	96,464	18,339
Other Post Employment Benefits	223,000	119,256
Lease Receivable - Lessor	152,319	174,141
Total Deferred Inflows	471,783	311,736
Net Position		
Invested in Capital Assets	274,329,324	264,229,973
Restricted by Enabling Legislation	23,088,939	19,120,008
Total Net Position	297,418,263	283,349,981
Total Liabilities, Deferred Inflows, and Net Position	\$ 298,213,517	\$ 284,213,485

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statement of Activities
Year Ended June 30, 2022

	<u>Program Revenue</u>		Net Revenue and Change in Net Position
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities			
Farmland Preservation	\$ (229,889)	\$ 9,994,600	\$ 3,572,065
Young Farmers Program	(3,353)	-	-
Administrative Services			
Operating Services	(317,414)	412,197	-
Contractual Services	(139,945)	158,800	-
Total Governmental Activities	<u>\$ (690,601)</u>	<u>\$ 10,565,597</u>	<u>\$ 3,572,065</u>
General Revenues			
Gain from Sale of Capital Asset			53,660
On-Behalf Payments			203,110
Rollback Taxes			327,240
License Plate Income			7,805
Wilson Farm Lease Income			29,377
Legal Fees Refund			29
Total General Revenues			<u>621,221</u>
Change in Net Position			14,068,282
Net Position - Beginning of Year			<u>283,349,981</u>
Net Position - End of Year			<u>\$ 297,418,263</u>

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statement of Activities
Year Ended June 30, 2021

	<u>Program Revenue</u>		Net Revenue and Change in Net Position
	Expenses	Operating Grants and Contributions	
Governmental Activities			
Farmland Preservation	\$ (258,435)	\$ 6,229,336	\$ 3,649,851
Young Farmers Program	(3,142)	-	88,423
Administrative Services			
Operating Services	(396,826)	398,621	-
Contractual Services	(151,991)	158,800	-
Intergovernmental	174	-	-
Total Governmental Activities	\$ (810,220)	\$ 6,786,757	\$ 3,738,274
General Revenues			
Earnings on Pooled Cash and Investments			14,303
On-Behalf Payments			204,947
Rollback Taxes			130,304
License Plate Income			9,065
Wilson Farm Lease Income			27,097
Legal Fees Refund			3,308
Total General Revenues			389,024
Change in Net Position			10,103,835
Net Position - Beginning of Year			273,246,146
Net Position - End of Year, Restated			\$ 283,349,981

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

Fund Financial Statements

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Balance Sheets
June 30, 2022 and 2021

	Special Revenue Fund	
	2022	2021
Assets		
Current Assets		
Pooled Cash and Investments	\$ 12,442,820	\$ 9,379,549
Loans Receivable - Current	56,117	23,727
Lease Receivable - Lessor - Current	18,275	17,349
Federal Grant Receivable	3,020,030	2,426,939
Kent County Receivable	100,000	-
Rollback Taxes Receivable	326,361	129,581
	15,963,603	11,977,145
Noncurrent Assets		
Loans Receivable, Less Current Portion	7,634,053	7,694,092
Lease Receivable - Lessor, Less Current Portion	144,957	162,235
	7,779,010	7,856,327
Total Assets	\$ 23,742,613	\$ 19,833,472
Liabilities, Deferred Inflows, and Fund Balance		
Current Liabilities		
Accounts Payable	\$ 17,719	\$ 12,196
Accrued Salaries and Related Costs	3,207	3,151
	20,926	15,347
Total Current Liabilities	20,926	15,347
Total Liabilities	20,926	15,347
Deferred Inflows		
Revenue Not Yet Available	3,446,046	2,426,939
Lease Receivable - Lessor	152,319	174,141
	3,598,365	2,601,080
Total Deferred Inflows	3,598,365	2,601,080
Fund Balance		
Restricted by Enabling Legislation	20,123,322	17,217,045
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 23,742,613	\$ 19,833,472

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Reconciliation of Balance Sheets to Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Total Governmental Fund Balance	\$ 20,123,322	\$ 17,217,045
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the 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 position.	274,329,324	264,229,973
Long-term assets and liabilities applicable to the governmental activities are not receivable and payable in the current period and, therefore, are not reported as fund assets and liabilities. Those assets and liabilities consist of:		
Net Pension Asset	36,569	-
Net Pension Liability	-	(63,992)
Net Postemployment Benefits Liability	(292,355)	(462,655)
Compensated Absences	(10,190)	(9,774)
Revenue earned but not yet available is not recognized in the funds.	3,446,046	2,426,939
Deferred inflows and outflows related to the Foundation's net pension and postemployment liabilities are based on differences between actual and expected investment returns, differences between actual and expected experience, changes in the actuarially determined proportion of the Foundation's amount of the total net liabilities and contributions made after the measurement date of the liabilities.		
Deferred Outflows - Pension Related	22,396	24,434
Deferred Outflows - Postemployment Benefits Related	82,615	125,606
Deferred Inflows - Pension Related	(96,464)	(18,339)
Deferred Inflows - Postemployment Benefits Related	(223,000)	(119,256)
Total Net Position - Governmental Activities	\$ 297,418,263	\$ 283,349,981

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statements of Revenues, Expenditures, and Changes in Fund Balance
Years Ended June 30, 2022 and 2021

	Special Revenue Fund	
	2022	2021
Revenues		
State of Delaware - Farmland Preservation	\$ 10,049,497	\$ 5,048,621
Federal Grant Revenue	2,978,974	1,872,487
Operating Grants and Contributions	20,000	-
County Government Grants and Contributions	396,100	1,738,136
Young Farmers Contributed Easements	-	88,423
Rollback Taxes	1,224	130,304
On-Behalf Payments	203,110	204,947
License Plate Income	7,805	9,065
Earnings on Pooled Cash and Investments	-	14,303
Wilson Farm Lease Income	29,377	27,097
Legal Fee Refunds	29	3,308
	13,686,116	9,136,691
Expenditures		
Current		
Farmland Preservation		
Appraisals	158,621	211,225
Options and Negotiations	54,200	38,800
Surveys	17,068	8,410
	229,889	258,435
Young Farmers Grant		
Legal Fees	3,353	3,142
	3,353	3,142

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statements of Revenues, Expenditures, and Changes in Fund Balance - Continued
Years Ended June 30, 2022 and 2021

	Special Revenue Fund	
	2022	2021
Expenditures - Continued		
Current		
Administrative		
Contracts	\$ 6,937	\$ 18,687
Legal Fees	139,945	151,991
Accounting and Auditing	43,883	40,408
Office Expense	2,082	4,633
Conference Fees	275	-
Salaries and Related Expenditures	307,517	307,511
	500,639	523,230
Total Administrative Expenditures		
Total Current Expenditures	733,881	784,807
Capital Outlays		
Easements and Development Rights	10,126,658	13,859,745
Intergovernmental		
Transfer of Resources to/(from) Facilities Management	-	(174)
	10,860,539	14,644,378
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	2,825,577	(5,507,687)
Special Item		
Proceeds from Sale of Capital Asset	80,700	-
	2,906,277	(5,507,687)
Net Change in Fund Balances		
Fund Balance - Beginning of Year	17,217,045	22,724,732
Fund Balance - End of Year, Restated	\$ 20,123,322	\$ 17,217,045

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Reconciliation of the Governmental Fund Statements of Revenues,
Expenditures, and Changes in Fund Balance to the
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022	2021
Net Change in Fund Balances - Total Governmental Fund	\$ 2,906,277	\$ (5,507,687)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets with an initial, individual cost of more than \$1,000 are capitalized. The cost of capital outlays which are subject to depreciation is allocated over the assets' estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlays	10,126,658	13,859,745
Depreciation	(267)	(179)
<p>The effect of transactions involving capital assets. These transactions are not reported in the governmental funds.</p>		
Gain on Sale of Capital Asset	(27,040)	-
<p>Governmental funds report using the current financial resources measurement focus and modified accrual basis of accounting and, therefore, certain revenue and expenses are not recognized in the governmental funds.</p>		
Federal Grant Revenue	593,091	1,777,364
County Government Grants and Contributions	100,000	-
Rollback Tax Revenue	326,016	-
Compensated Absences	(416)	(2,692)
<p>Pension and other postemployment benefit (OPEB) expenses in the statements of activities differ from the amount reported in the governmental funds because pension and OPEB expenses are recognized on the statements of activities based on the Foundation's proportionate share of the expenses of the cost-sharing plans, whereas expenditures are recognized in the governmental funds based on required contributions. The following summarizes the related changes:</p>		
Pension Liability	100,561	4,140
OPEB Liability	170,300	(123,204)
Deferred Outflows	(45,029)	73,974
Deferred Inflows	(181,869)	22,374
Change in Net Position of Governmental Activities	\$ 14,068,282	\$ 10,103,835

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

Notes to Financial Statements

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements
June 30, 2022 and 2021

Note A: Nature of Activities and Summary of Significant Policies

Nature of Activities - On July 8, 1991, the Governor of the State of Delaware (State) signed House Bill 200 of the 136th General Assembly to amend Chapter 9, Title 3, of the Delaware Code.

As specified under 3 Del. C. §903(a)—Delaware Agricultural Lands Preservation Foundation, “There is hereby established and created a statewide agricultural lands preservation foundation, a body politic and corporate constituting a public instrumentality of the State established and created for the performance of an essential public and governmental function, to be known as the Delaware Agricultural Lands Preservation Foundation (Foundation). The Foundation shall be comprised of 13 trustees, all of whom shall be resident of and qualified to vote in the State. The President Pro Tem shall appoint one member from the Senate, and the Speaker of the House shall appoint one member from the House of Representatives, each of whom shall serve an indefinite term. The Governor shall appoint the remaining 11 Trustees and shall designate one Trustee as Chairperson, which Trustee shall serve at the pleasure of the Governor and be confirmed with the advice and consent of the Senate.”

In accordance with the legislation, the State 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 directed to provide economic incentives and benefits to agribusinesses, 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 control of the Secretary of Finance and released to accounts within the Delaware Department of Agriculture (DDA) 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 DDA. All accounting of these expenditures is within the State's accounting system, First State Financials (FSF).

For the year ended June 30, 2022, the General Assembly of the State provided funding for the Foundation under House Bill No. 250 of the 151st General Assembly in the amount of \$10,000,000. For the year ended June 30, 2021, the General Assembly of the State provided funding for the Foundation under Senate Bill No. 300 of the 150th General Assembly in the amount of \$5,000,000.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note A: Nature of Activities and Summary of Significant Policies - Continued

Reporting Entity - The Foundation is a discretely presented component unit of the State.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Foundation gives or receives value without directly receiving or giving equal value in exchange, includes grants and donations. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus (see below) from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

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.

Adoption of GASB Statement - In Fiscal Year 2022, the Foundation adopted GASB Statement No. 87, *Leases* (Statement) effective as of July 1, 2020, the first day of the Foundation's earliest fiscal year presented. This Statement requires recognition of certain lease assets and liabilities for leases that may have previously been classified as operating leases as well as the corresponding recognition as deferred inflows or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note A: Nature of Activities and Summary of Significant Policies - Continued

Adoption of GASB Statement - Continued

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities.

Due to the adoption of the standard, June 30, 2021 change in net position increased by \$5,443, and total assets and liabilities increased by \$179,584 and \$174,141, respectively, as of June 30, 2021.

Pooled Cash and Investments - Pooled cash and investments consist of the Foundation's allocated share of cash, cash equivalents, and investments under the control of the Treasurer of the State.

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

Capital Assets, Depreciated - 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. Provisions for depreciation are made over the estimated useful lives of the respective assets (generally five years for equipment) using the straight-line method. 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.

Capital Assets, Not Depreciated - Purchased easements and development rights are intangible capital assets and are recorded at their purchase price. In accordance with Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, donated easements and development rights are recorded at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Fund Balances/Net Position - In the government-wide statements of net position, the Foundation reports net position in three categories: invested in capital assets, restricted, and unrestricted. At June 30, 2022, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$274,329,324 and \$23,088,939, and \$0, respectively. At June 30, 2021, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$264,229,973, and \$19,120,008, and \$0, respectively.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note A: Nature of Activities and Summary of Significant Policies - Continued

Fund Balances/Net Position - Continued

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type* the Foundation defines fund balance categories to make the nature and constraints placed on its fund balances transparent. The following classifications describe the relative strength of the spending constraints:

Non-Spendable Fund Balance - Amounts that are in non-spendable 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. Fund balance restricted by enabling legislation for the years ended June 30, 2022 and 2021, totaled \$20,123,322 and \$17,217,045, respectively.

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.

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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note A: Nature of Activities and Summary of Significant Policies - Continued

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 one hour's pay for each two hours of sick leave.

June 30, 2020	\$	7,082
Increase in Liability		2,692
June 30, 2021		9,774
Increase in Liability		416
June 30, 2022	\$	10,190

The entire liability is recorded as noncurrent since the liability only matures when the employee resigns or retires. As such, the Foundation estimates that \$0 of the liability is due within one year of June 30, 2022.

Deferred Inflows and Outflows of Resources - In addition to assets, the statements of net position include a separate section for deferred outflows of resources. The deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Foundation reported deferred outflows for pension and other postemployment benefit contributions made subsequent to the measurement date of the net pension liability, which will be amortized over future periods.

In addition to liabilities, the statements of net position include a separate section for deferred inflows of resources. This separate section represents a source of net position that will be amortized to future periods.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note A: Nature of Activities and Summary of Significant Policies - Continued

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the non-fiduciary activities of the Foundation. The statements of activities demonstrate 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 are not included in these financial statements.

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

Subsequent Events - The Foundation has evaluated all events and transactions through the date the financial statements were available to be issued, which is the date of the independent auditors' report.

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: Pooled Cash and Investments

As of June 30, 2022 and 2021, funding available to the Foundation through State sources consisted of \$12,442,820 and \$9,379,549, respectively, which is a part of the pooled cash and investments controlled by the Office of the State Treasurer.

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 the investment securities with a remaining maturity of one year or less at the time of purchase are stated at cost or amortized cost.

Pooled investments represent those investments in units of a pool rather than specific securities. As a result, such investments are not categorized by risk, because they are not evidenced by securities that exist in a physical or book-entry form.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note C: Pooled Cash and Investments - Continued

Cash Management Policy Board - The State's policy for the investment of State funds is the responsibility of the Cash Management Policy Board (Board). The Board, created by State law, establishes policies for the terms, conditions, and other matters relating to the investment of all money belonging to the State except money in any State pension fund and money held under the State deferred compensation program.

Investment Guidelines and Management - The investment guidelines adopted by the Board provide, among other things, that no more than 10% of the portfolio may be invested in obligations of any one issuer other than the United States Government. Investments may be made only in fixed income instruments with maturities of up to five years in certain circumstances.

Collateralization Requirements - All State funds are required by law to be collateralized by direct obligations of, or obligations, which are guaranteed by, the United States of America, or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized unless the bank issuing the certificate has assets of not less than \$5 billion and is rated not lower than "B" by Fitch, Inc.'s Bank Watch Service. The Board has also determined that the State's demand deposits need not be collateralized provided that any bank that holds these funds has for the last two years a return on average assets of 5% or greater and an average equity–capital ratio of at least 1:20.

If the bank does not meet the above criteria, collateral must consist of one or more of the following:

- U.S. Government securities;
- U.S. Government agency securities;
- Federal Home Loan Board letters of credit;
- State of Delaware securities; or
- Securities of a political subdivision of the State with a Moody's Investors Service rating of "A" or better.

Since the Foundation's pooled cash and investments are managed by the Office of the State Treasurer, the Foundation is unable to control compliance with the collateralization requirements or determine if these requirements have been met. The policy is available on the Office of the State Treasurer website www.treasurer.delaware.gov.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note D: Rollback Taxes

Under the provisions of House Bill 200 of the 136th General Assembly and House Bill 630 of the 136th General Assembly, rollback taxes under the Farmland Assessment Act (FAA) are directed to be paid by New Castle, Kent, and Sussex counties to the Foundation. These rollback taxes are incurred whenever land that qualified under the FAA is changed from use for agriculture to some other use. Under the provisions of House Bill 630 of the 136th General Assembly, a change of use was further defined as changes in zoning, subdivision, building permits, or certificate of occupancy status. 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 prior 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 the school district within which the property lies and to the Foundation.

The Foundation recorded 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 rollback taxes receivable was \$326,361 and \$129,581 as of June 30, 2022 and 2021, respectively. Management has determined the amounts to be fully collectible.

Note E: Loans Receivable

During the year ended June 30, 2012, the Foundation began disbursing loans as part of the Young Farmers Program, a program that awards loans to qualified farmers aged 40 or younger for the purchase of qualified farmland and farmland improvements in order to promote farming in this age group. The portion of each loan due within a year is considered current. At the loan closing, the Foundation purchases for \$1 a preservation easement on the farmland to be purchased by the young farmer. The Foundation's accounting policy regarding these easements is to record them as donated capital assets at their acquisition value (Note A).

Loan proceeds awarded shall not exceed \$500,000 or 70% of the appraised (fair) value of the preservation easement to be placed on the farmland to be purchased. The loans are interest free, secured by a mortgage or second mortgage, and payment terms vary from immediate repayment to a 20-year deferral period. The most frequent repayment deferral period is 15 years. All loans must be repaid within 30 years.

There is no allowance for doubtful loans at June 30, 2022 and 2021, as there were no material delinquent loan balances or loan defaults during the year.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note E: Loans Receivable - Continued

Scheduled future payments to be received in accordance with these loans is as follows for the years ending June 30:

2023	\$ 56,117
2024	61,885
2025	66,479
2026	66,479
2027	90,028
2028 and Thereafter	<u>7,349,182</u>
	<u>\$ 7,690,170</u>

Note F: Federal Grant Receivable

During fiscal year 2019, the Foundation entered into a program agreement with Natural Resources Conservation Service (NRCS). The program agreement is for a term of at least three years and not to exceed five years. Under the terms of the agreement, NRCS will make cost-share assistance available for the acquisition of agricultural land easements selected by the Foundation in Round 23 through Round 27.

During the years ended June 30, 2022 and 2021, the Foundation settled easements of which \$3,572,065 and \$3,649,851, respectively, of the total purchase price was eligible for cost-share assistance under the terms of the agreement. As of June 30, 2022, total cost-share assistance made available under the terms of the agreement totaled \$8,065,549.

The Foundation expects to receive \$2,750,000 in cost-share assistance under the terms of the agreement for easements selected for Round 26 that will settle subsequent to fiscal year 2022.

As of June 30, 2022 and 2021, total eligible cost-share assistance to be received on settled easements totaled \$3,020,030 and \$2,426,939, respectively. Management has determined the amounts to be fully collectible.

Note G: Accounts Payable

Accounts payable represent 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 \$17,719 and \$12,196 as of June 30, 2022 and 2021, respectively.

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Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note H: Capital Assets

Capital assets activity was as follows for the years ended June 30, 2022 and 2021:

	2022			Ending Balances
	Beginning Balances	Increases	Decreases	
Capital Assets, Not Depreciated Easement and Development Rights	\$ 264,229,706	\$ 10,126,658	\$ 27,040	\$ 274,329,324
Capital Assets, Depreciated Equipment	108,058	-	-	108,058
Less: Accumulated Depreciation	(107,791)	(267)	-	(108,058)
Total Equipment	267	(267)	-	-
Total Capital Assets	<u>\$ 264,229,973</u>	<u>\$ 10,126,391</u>	<u>\$ 27,040</u>	<u>\$ 274,329,324</u>
	2021			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated Easement and Development Rights	\$ 250,369,961	\$ 13,859,745	-	\$ 264,229,706
Capital Assets, Depreciated Equipment	108,058	-	-	108,058
Less: Accumulated Depreciation	(107,612)	(179)	-	(107,791)
Total Equipment	446	(179)	-	267
Total Capital Assets	<u>\$ 250,370,407</u>	<u>\$ 13,859,566</u>	<u>\$ -</u>	<u>\$ 264,229,973</u>

Note I: Pension Plan

The Foundation contributes to the State Employees' Pension Plan (Plan) established by the State to provide benefits for state employees excluding those who are shared with the Department of Agriculture (Note M). The Plan is a cost-sharing, multiple employer defined benefit pension plan established in the Delaware Code and is administered by the Delaware Public Employee's Retirement System (DPERS). The following are brief descriptions of the plan in effect as of June 30, 2021. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report. Separately

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Notes to Financial Statements - Continued
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Note I: Pension Plan - Continued

issued financial statements for DPERS are available from the pension office at McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402 or at <http://open.omb.delaware.gov/Financials.shtml>.

Plan Description and Eligibility - The State Employees' Pension Plan is a cost-sharing, multiple employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan: 1) Employees hired prior to January 1, 2012 (Pre-2012) and 2) Employees hired on or after January 1, 2012 (post -2011).

Service Benefits - Final average monthly compensation (employee hired post-2011 may not include overtime pay in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this Plan, final average monthly compensation is the monthly average of the highest three periods of 12 months of compensation.

Vesting - Pre-2012 date of hire: five years of credited service. Post 2011 date of hire: 10 years of credited service.

Retirement - Pre-2012 date of hire: Age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire: age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; and 30 years of credited service at any age.

Disability Benefits - Pre-2012 date of hire: Same as Service Benefits. Employees must have five years of credited service. In lieu of disability pension benefits, over 90% of the members of this Plan opted into a disability insurance program offered by the State effective January 1, 2006. Post-2011 date of hire: in the Disability Insurance Program.

Survivor Benefits - If the employee is receiving a pension, the eligible survivor receives 50% (or 67.7% with 2% reduction, 75% with 3% reduction, or 100% with a 6% reduction of benefit). If the employee is active with at least five years of credited service, the eligible survivor receives 75% of pension the employee would have received at age 62.

Burial Benefit - \$7,000 per member.

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Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note I: Pension Plan - Continued

Employee Contributions - 3% of earnings in excess of \$6,000. For post-2011 employees, 5% of earnings in excess of \$6,000.

Employer Contributions - Employer contributions are determined by the Board of Pension Trustees. For the years ended June 30, 2022 and 2021, the rate of the employer contribution was 12.45% and 12.33%, respectively, of covered payroll. The Foundation's employer contributions for the years ended June 30, 2022 and 2021, were \$8,200 and \$8,087, respectively. The Foundation's required contributions equaled actual contributions made for the years ended June 30, 2022 and 2021.

Net Pension Liability and Expense - As of June 30, 2022 and 2021, the Foundation reported a net pension liability (asset) of \$(36,569) and \$63,992, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2020 to June 30, 2021. At June 30, 2021 and 2020, the Foundation's proportion was 0.0030% and 0.0046%, respectively. Total pension cost for the years ended June 30, 2022 and 2021, amounted to \$(12,000) and \$18,274, respectively.

Deferred Outflows and Inflows of Resources - At June 30, 2022, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows	Deferred Inflows
Net Difference Between Projected and Actual Investment Earnings	\$ -	\$ (73,458)
Net Difference Between Expected and Actual Experience	5,543	-
Changes in Assumptions	6,607	-
Changes in Proportion	2,046	(23,006)
Contributions Subsequent to the Date of Measurement	8,200	-
	<u>\$ 22,396</u>	<u>\$ (96,464)</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note I: Pension Plan - Continued

Deferred Outflows and Inflows of Resources - Continued - At June 30, 2021, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows	Deferred Inflows
Net Difference Between Projected and Actual Investment Earnings	\$ -	\$ (11,119)
Net Difference Between Expected and Actual Experience	8,342	(192)
Changes in Assumption	4,483	-
Changes in Proportion	3,522	(7,028)
Contributions Subsequent to the Date of Measurement	8,087	-
	\$ 24,434	\$ (18,339)

The amounts of \$8,200 and \$8,087 reported as deferred outflows of resources at June 30, 2022 and 2021, respectively, represent the Foundation's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, will be recognized in pension expense as follows for the years ending June 30:

2023	\$	(19,048)
2024		(18,506)
2025		(20,038)
2026		(19,065)
2027		(2,099)
2028		(3,512)
	\$	(82,268)

Actuarial Assumptions - The total pension liability on the June 30, 2021 and 2020, measurement dates were determined by an actuarial valuation as of June 30, 2020 and 2019, respectively, with updated procedures used to roll forward the total pension liability to June 30, 2021 and 2020.

Investment Return - 7.0%, includes inflation at 2.5%, as of June 30, 2021.
7.0%, includes inflation at 2.5%, as of June 30, 2020.

State of Delaware
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Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note I: Pension Plan - Continued

Actuarial Assumptions - Continued

Salary Increases - 2.5% plus merit, includes inflation at 2.5%, as of June 30, 2021 and 2020.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality rates are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantially automatic. The primary considerations relevant to making this determination includes the historical pattern of granting the changes and the consistency in the amounts of the charges.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's current and expected asset allocation is summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	Asset Allocation
Domestic Equity	5.70%	32.3%
International Equity	5.70%	18.1%
Fixed Income	2.00%	20.6%
Alternative Investments	7.80%	24.2%
Cash and Equivalents	0.00%	4.8%

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note I: Pension Plan - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates, and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Foundation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2022	\$ 4,468	\$ (36,569)	\$ (70,991)
June 30, 2021	\$ 124,157	\$ 63,992	\$ 14,531

Note J: Other Postemployment Benefits (OPEB) Plan

Plan Description - The State of Delaware Other Post Employment Benefit Trust (OPEB Trust) is a cost-sharing multiple-employer defined benefit plan established by Delaware Code. The OPEB Trust provides medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, New State Police, and Closed State Police pension plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' pension plan.

On July 1, 2007, the OPEB Trust was established pursuant to Section 115 of the Internal Revenue Code. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. The following are brief descriptions of the OPEB Trust. Additional financial and actuarial information with respect to the Plan may be found in the OPEB Fund Trust Financial Statements available online at <http://open.omb.delaware.gov/Financials.shtml>.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note J: Other Postemployment Benefits (OPEB) Plan - Continued

Summary of Significant Accounting Policies - The Foundation's employees are covered under the State of Delaware Other Postemployment Benefits (OPEB) Plan. For purposes of measuring the Foundation's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by State of Delaware. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Benefits - Substantially all State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee.

Eligibility for State Employees -

- Early Retirement: Age 55 with 15 years of service or any age with 25 years of service.
- Normal Retirement (hired before January 1, 2012): Non-General Assembly - Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 years of service. General Assembly - Age 60 with 5 years of service, or age 55 with 10 years of service.
- Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, or age 60 with 20 years of service, or any age with 30 years of service.
- Spouse and Survivor Coverage: Both are available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

Benefits Provided - During the fiscal year ended June 30, 2021, eligible retirees are provided health insurance options through several providers, and the Plan pays premiums, ranging from 50% to 100%, depending on a retiree's years of service and hire date as discussed below.

Retiree Contributions - If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service, as shown on the table below:

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note J: Other Postemployment Benefits (OPEB) Plan - Continued

Retiree Contributions - Continued

Between July 1, 1991 and December 31, 2006		After January 1, 2007	
Years of Service	Percent of Premium Paid by Employer	Years of Service	Percent of Premium Paid by Employer
Less than 10	0%	Less than 15	0%
10 - 14	50%	15 - 17.5	50%
15 - 19	75%	17.5 - 19	75%
20 or more	100%	20 or more	100%

Funding Policy - The State of Delaware funds the OPEB for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, and administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under the management of the Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust.

Contributions - The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For Fiscal Year 2022, the Foundation's contribution was 8.89% of covered payroll and totaled \$7,562. For Fiscal Year 2021, the Foundation's contribution was 9.16% of covered payroll and totaled \$7,741.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991, paying a proportionately higher rate if their years of service total less than 20.

As of June 30, 2022 and 2021, the Foundation reported a liability of \$292,355 and \$462,655, respectively, for its proportionate share of the net OPEB liability. The collective total OPEB liability for the June 30, 2021, measurement date was determined by an actuarial valuation as of June 30, 2020, with updated procedures used to roll forward the total OPEB liability to June 30, 2021. The Foundation's proportion of

State of Delaware
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Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note J: Other Postemployment Benefits (OPEB) Plan - Continued

Contributions - Continued - the net OPEB liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of June 30, 2022 and 2021, the Foundation's proportion was 0.0029% and 0.0044%, respectively.

For the years ended June 30, 2022 and 2021, the Foundation recognized OPEB expense of \$(16,003) and \$20,528, respectively.

As of June 30, 2022, the Foundation reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ (3,377)
Net Difference Between Expected and Actual Experience	7,011	(40,232)
Changes of Assumptions	50,646	(9,582)
Changes in the Proportion	17,396	(169,809)
Contributions	7,562	-
	<u>\$ 82,615</u>	<u>\$ (223,000)</u>

As of June 30, 2021, the Foundation reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ (514)
Net Difference Between Expected and Actual Experience	13,433	(31,803)
Changes of Assumptions	78,236	(26,313)
Changes in the Proportion	26,196	(60,626)
Contributions	7,741	-
	<u>\$ 125,606</u>	<u>\$ (119,256)</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note J: Other Postemployment Benefits (OPEB) Plan - Continued

The Foundation's share of net deferred outflows and inflows of resources related to OPEB at June 30, 2022, will be recognized in OPEB expense as follows for the years ending June 30:

2022	\$ (34,606)
2023	(28,955)
2024	(27,010)
2025	(24,008)
2026	<u>(33,368)</u>
	<u>\$ (147,947)</u>

Actuarial Assumptions - The collective total OPEB liability for the June 30, 2021 and 2020 measurement dates were determined by an actuarial valuation as of June 30, 2020 and 2019, with updated procedures used to roll forward the total OPEB liability to June 30, 2021 and 2020, respectively. The actuarial valuation used the following actuarial assumptions for June 30, 2021 and 2020, measurements:

- Actuarial Cost Method - Entry Age Normal
- Investment Rate of Return - 2.16% and 2.21%, respectively
- Discount Rate - 2.16% and 2.21%, respectively
- Projected Salary Increases - 3.25% plus merit
- Healthcare Cost Trend Rate - 5.50% and 5.60%, respectively

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Health Annuitant Mortality Table, including adjustments for healthy annuitant and disabled annuitant factors for each covered pension plan. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of

State of Delaware
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Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note J: Other Postemployment Benefits (OPEB) Plan - Continued

Actuarial Assumptions - Continued - plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 and 2020, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	Asset Allocation
Equity (Public and Private)	5.70%	50 - 85%
Fixed Income (Including Cash)	2.00%	15 - 50%
Alternative Investments	7.80%	0 - 30%

The discount rate used to measure the total OPEB liability was 2.21% at the beginning of the current measurement period and 2.16% at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2021 and 2020 measurement dates are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease	Current Discount	1% Increase
June 30, 2022	\$ 349,449	\$ 292,355	\$ 247,455
June 30, 2021	\$ 549,168	\$ 462,655	\$ 387,000

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note J: Other Postemployment Benefits (OPEB) Plan - Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - Continued

The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower and one percentage point higher than the current healthcare trend rates:

	1% Decrease	Current Discount	1% Increase
June 30, 2022	\$ 239,221	\$ 292,355	\$ 362,570
June 30, 2021	\$ 429,888	\$ 462,655	\$ 501,205

Note K: Fair Value Measurements

The Foundation follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (Note A). GASB Statement No. 72 establishes a fair value hierarchy per inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Foundation participates with other State organizations in a cash and investment pool controlled by the Office of the State Treasurer (Note C). The pool is invested in a combination of cash and fixed income instruments with maturities of up to five years. The State reports that investments are stated at their quoted market prices, except investment securities with a remaining maturity of one year or less at the

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Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note K: Fair Value Measurements - Continued

time of purchase, which are stated at cost or amortized cost. These investments would normally be considered Level 1 and Level 2 inputs on the fair value hierarchy; however, the existence of pooled allocations in determining the Foundation’s share of the pool is considered to be a Level 2 input. The fair value for pooled cash and investments categorized as Level 2 as of June 30, 2022 and 2021, was \$12,442,820 and \$9,379,549, respectively.

Note L: Lease-Lessor

The Foundation leases property under agreements expiring during various periods through December 31, 2024. The agreements include optional renewal extensions which, if exercised, extend the agreements an additional 5 years. As of June 30, 2022, management expects the optional renewal extensions to be exercised. Monthly lease payments range from \$477 to \$1,477 and increase between 3% and 5% annually.

Total leased assets as of June 30, 2022 and 2021, totaled \$163,232 and \$179,584, respectively.

Lease and lease interest revenue reported in Wilson Farm Lease Income on the statements of activities were as follows during the years ended June 30:

	2022	2021
Lease Revenue		
Land	\$ 17,918	\$ 15,513
Land (Billboard)	5,672	5,528
Total Lease Revenue	23,590	21,041
Interest Revenue	5,787	6,056
Total Lease and Lease Interest Revenue	\$ 29,377	\$ 27,097

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2022 and 2021

Note L: Lease-Lessor - Continued

Future lease revenues due to the Foundation under the leases described above, including optional renewal extension expected by management to be exercised are as follows as of June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 18,275	\$ 4,031	\$ 22,306
2024	19,459	4,427	23,886
2025	21,179	3,769	24,948
2026	23,009	3,055	26,064
2027	24,962	2,278	27,240
2028-2030	<u>56,348</u>	<u>2,325</u>	<u>58,673</u>
Total	<u>\$ 163,232</u>	<u>\$ 19,885</u>	<u>\$ 183,117</u>

Lease receivables were discounted using an interest rate of 3.25%.

Note M: On-Behalf Payments

The Foundation shares employees with the Department of Agriculture (Department). The salaries of these shared employees are paid in full by the Department, and the Foundation does not reimburse the Department for their portion of salary expense. On-behalf payments recognized in revenue and administrative salaries and related expenditures during the year ended June 30, 2022 and 2021, totaled \$203,110 and \$204,947, respectively.

Note N: Risk Management

The Foundation is exposed to various risks of loss related to workers' compensation, non-state employee health care, and accident, automobile, and property and casualty claims. These risks are covered by commercial insurance purchased from independent third parties.

Required Supplementary Information

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Budgetary Comparison Schedule - Contractual Fund
Budget to Actual*
Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues			
Farmland Preservation	\$ 9,637,300	\$ 9,637,300	\$ -
Federal Grant	-	2,978,974	2,978,974
County Government Grants and Contributions	-	396,100	396,100
Operating Grants and Contributions	-	20,000	20,000
Rollback Taxes	-	1,224	1,224
License Plate Income	-	7,805	7,805
Wilson Farm Lease Income	-	29,377	29,377
Legal Fee Refunds	-	29	29
Total Revenues	<u>9,637,300</u>	<u>13,070,809</u>	<u>3,433,509</u>
Expenditures			
Farmland Preservation	9,478,500	10,356,547	(878,047)
Young Farmers	-	3,353	(3,353)
Legal Fees	158,800	139,945	18,855
Total Expenditures	<u>9,637,300</u>	<u>10,499,845</u>	<u>(862,545)</u>
Excess of Revenues Over Expenditures	-	2,570,964	(2,570,964)
Special Item			
Proceeds from Sale of Capital Asset	-	80,700	(80,700)
Net Change in Fund Balance	<u>\$ -</u>	<u>2,651,664</u>	<u>\$ (2,651,664)</u>
Fund Balance - Beginning of Year		<u>16,658,306</u>	
Fund Balance - End of Year		<u>\$ 19,309,970</u>	

*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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Budgetary Comparison Schedule - Operating Fund
Budget to Actual*
Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues			
Farmland Preservation	\$ 362,700	\$ 362,700	\$ -
General Fund	-	49,497	49,497
On-Behalf Payments	-	203,110	203,110
Total Revenues	<u>362,700</u>	<u>615,307</u>	<u>252,607</u>
Expenditures			
Personnel	107,700	307,517	(199,817)
Accounting and Auditing	45,000	43,883	1,117
Capital	5,000	-	5,000
Office Expense	12,000	2,082	9,918
Contracts	75,000	6,937	68,063
Travel	2,000	-	2,000
As Needed	103,000	275	102,725
Total Expenditures	<u>349,700</u>	<u>360,694</u>	<u>(10,994)</u>
Net Change in Fund Balance	<u>\$ 13,000</u>	254,613	<u>\$ 241,613</u>
Fund Balance - Beginning of Year		<u>558,739</u>	
Fund Balance - End of Year		<u>\$ 813,352</u>	

*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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to the Required Supplementary Information
Budgetary Reporting
June 30, 2022

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 State appropriated \$10,000,000 to the Foundation to be used for the presentation of agricultural lands within the state. Of the \$10,000,000, \$3,000,000 was available to be used to provide loans to farmers aged 40 or younger seeking to acquire their own farms. An additional \$1,000,000 of the \$10,000,000 was available to be used for the Delaware Forestland Preservation Program.

The Foundation creates two separate budgets. Together, the budgets encompass the \$10,000,000 in State funds received during Fiscal Year 2022 and are included in the special revenue fund in the financial statements.

The contractual fund budget consists of \$9,637,300 to be used for preservation programs, including the Young Farmer Loan Program. The operating fund budget consists of \$362,700 to be used for administrative purposes, such as personnel costs.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportionate Share of the Net Pension Liability							
Measurement Date	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Foundation's Proportion of the Net Pension Liability	0.0030%	0.0046%	0.0044%	0.0053%	0.0054%	0.0050%	0.0046%
Foundation's Proportion of the Net Pension Liability (Asset) - Dollar Value	\$ (36,569)	\$ 63,992	\$ 68,132	\$ 69,041	\$ 78,616	\$ 75,390	\$ 9,423
Foundation's Covered Employee Payroll	65,588	89,870	83,078	106,142	93,620	85,261	85,261
Foundation's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Employee Payroll	-55.76%	71.21%	82.01%	65.05%	83.97%	88.42%	11.05%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset	110.50%	87.30%	85.90%	87.50%	85.30%	84.10%	92.30%
Contributions							
Contractually Required Contributions	8,200	8,087	11,737	10,742	11,060	10,008	9,140
Contributions in Relation to the Contractually Required Contributions	8,200	8,087	11,737	10,742	11,060	10,008	9,140
Contribution Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Foundation's Covered Employee Payroll	<u>\$ 65,863</u>	<u>\$ 65,588</u>	<u>\$ 89,870</u>	<u>\$ 83,078</u>	<u>\$ 106,142</u>	<u>\$ 93,620</u>	<u>\$ 85,261</u>
Contributions as a Percentage of Covered Employee Payroll	<u>12.45%</u>	<u>12.33%</u>	<u>13.06%</u>	<u>12.93%</u>	<u>10.42%</u>	<u>10.69%</u>	<u>10.72%</u>

In accordance with GASB Statement No. 67 and 68, the above required supplementary information is provided with respect to the Foundation's Net Pension Liability. Information prior to 2015 is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportionate Share of the Net OPEB Liability						
Measurement Date	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Foundation's Proportion of the Net OPEB Liability	0.0029%	0.0044%	0.0043%	0.0052%	0.0052%	0.0048%
Foundation's Proportion of the Net OPEB Liability - Dollar Value	\$ 292,355	\$ 462,655	\$ 339,451	\$ 427,793	\$ 432,595	\$ 440,394
Foundation's Covered Employee Payroll	84,509	123,283	114,521	127,217	112,489	112,489
Foundation's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	345.95%	375.28%	296.41%	336.27%	384.57%	391.50%
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.06%	4.27%	4.89%	4.44%	4.13%	3.30%
Contributions						
Contractually Required Contributions	7,562	7,741	12,279	11,704	11,704	12,430
Contributions in Relation to the Contractually Required Contributions	<u>7,562</u>	<u>7,741</u>	<u>12,279</u>	<u>11,704</u>	<u>11,704</u>	<u>12,430</u>
Contribution Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Foundation's Covered Employee Payroll	<u>\$ 85,062</u>	<u>\$ 84,509</u>	<u>\$ 123,283</u>	<u>\$ 114,521</u>	<u>\$ 127,217</u>	<u>\$ 112,489</u>
Contributions as a Percentage of Covered Employee Payroll	<u>8.89%</u>	<u>9.16%</u>	<u>9.96%</u>	<u>10.22%</u>	<u>9.20%</u>	<u>11.05%</u>

In accordance with GASB Statement No. 75, the above required supplementary information is provided with respect to the Foundation's Net OPEB Liability. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



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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 Management

Delaware Department of Agriculture
Delaware Agricultural Lands Preservation Foundation
State of Delaware

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Delaware Agricultural Lands Preservation Foundation (Foundation), a component unit of the State of Delaware, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Management
Delaware Department of Agriculture
Delaware Agriculture Lands Preservation Foundation
State of Delaware

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

November 28, 2022
Wilmington, Delaware



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***Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance***

To the Management
Delaware Department of Agriculture
Delaware Agriculture Lands Preservation Foundation
State of Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Delaware Agriculture Lands Preservation Foundation's (Foundation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2022. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

To the Management of
Delaware Department of Agriculture
Delaware Agriculture Lands Preservation Foundation
State of Delaware

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

To the Management of
Delaware Department of Agriculture
Delaware Agriculture Lands Preservation Foundation
State of Delaware

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

November 28, 2022
Wilmington, Delaware

Delaware Agriculture Lands Preservation Foundation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
Direct Programs			
<u>Department of Agriculture</u>			
Agricultural Conservation Easement Program (ACEP)	10.931	<u>\$ 3,572,065</u>	<u>\$ -</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,572,065</u></u>	<u><u>\$ -</u></u>

Delaware Agricultural Lands Preservation Foundation
Notes to Schedule of Expenditure of Federal Awards
June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Foundation under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the activities of the operations of the Foundation, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Foundation.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

The Foundation has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance

Delaware Agriculture Lands Preservation Foundation
Schedule of Findings and Questioned Costs
June 30, 2022

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified? Yes No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? Yes None Reported
- Noncompliance Material to Financial Statements Noted? Yes No

Federal Awards

Internal Control Over Major Programs:

- Material Weaknesses Identified? Yes No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? Yes None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with the Uniform Guidance? Yes No

Identification of Major Programs

<u>CFDA Number(s)</u> 10.931	<u>Name of Federal Program or Cluster</u> Agricultural Conservation Easement
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Dollar Threshold Used to Distinguish between Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? Yes No

II. FINANCIAL STATEMENT FINDINGS None Reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS None Reported

IV. PRIOR YEAR FINDINGS None Reported