

**Delaware Agricultural Lands Preservation
Foundation
(A Component Unit of the State of Delaware)**

**Financial Statements, Independent Auditors'
Reports, Supplementary Information, and
Single Audit**

June 30, 2020 and 2019

Delaware Agricultural Lands Preservation Foundation

Table of Contents

June 30, 2020 and 2019

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statements of Net Position	17
Statements of Activities	18
<i>Fund Financial Statements</i>	
Balance Sheets	21
Reconciliation of Balance Sheets to Statements of Net Position	22
Statements of Revenues, Expenditures, and Changes in Fund Balance	23
Reconciliation of the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance to the Statements of Activities	25
<i>Notes to Financial Statements</i>	27
<i>Required Supplementary Information</i>	
Budgetary Comparison Schedule - Contractual Fund	52
Budgetary Comparison Schedule - Operating Fund	53
Notes to Required Supplementary Information	54
Schedule of Proportionate Share of the Net Pension Liability and Contributions	55
Schedule of Proportionate Share of the Net OPEB Liability and Contributions	56
<i>Report Required by Government Auditing Standards</i>	
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 <i>Government Auditing Standards</i>	57
<i>Single Audit</i>	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	59
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs	64



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Independent Auditors' Report

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

Report on the Financial Statements

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

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

Auditors' Responsibility - Continued

and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, the budgetary comparison schedules and related notes on pages 52 through 53, and the schedules of proportionate share of the net pension and other postemployment benefit (OPEB) liabilities and contributions on pages 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the 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 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 2, 2020, 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 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 2, 2020
Wilmington, Delaware

Management's Discussion and Analysis

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis
June 30, 2020 and 2019

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, 2020 (Fiscal Year 2020) and 2019 (Fiscal Year 2019).

Financial Highlights

For the year ended June 30, 2020, the Foundation's assets and deferred outflows increased by \$11,689,386 to \$273,834,544 from \$262,145,158. For the year ended June 30, 2019, the Foundation's assets and deferred outflows increased by \$10,815,744 to \$262,145,158 from \$251,329,414.

For the year ended June 30, 2020, the Foundation's net position increased by \$11,693,761 to \$273,246,146 from \$261,552,385. For the year ended June 30, 2019, total net position increased by \$10,818,512 to \$261,552,385 from \$250,733,873.

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, 2020 and 2019 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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Reporting the Foundation's Most Significant Funds - Continued

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

Entity-Wide Financial Analysis

A comparative net position analysis of the years ended June 30, 2020, 2019, and 2018 follows:

	Net Position		
	Governmental Activities		
	2020	2019	2018
Current Assets			
Pooled Cash and Investments	\$ 15,020,044	\$ 10,382,690	\$ 3,447,485
Deposits	-	-	105,286
Loans Receivable - Current	23,727	23,727	23,727
Federal Grant Receivable	649,575	348,498	776,161
Kent County Receivable	100,000	34,611	101,233
Rollback Taxes Receivable	37,934	26,136	61,452
Total Current Assets	15,831,280	10,815,662	4,515,344
Noncurrent Assets			
Capital Assets, Not Depreciated	250,369,961	243,518,715	239,661,778
Capital Assets, Depreciated	108,058	108,058	108,058
Less: Depreciation	107,612	107,314	106,818
Total Net Capital Assets, Depreciated	446	744	1,240
Loans Receivable, Less Current Portion	7,556,791	7,741,599	7,063,964
Total Noncurrent Assets	257,927,198	251,261,058	246,726,982
Total Assets	273,758,478	262,076,720	251,242,326
Deferred Outflows	76,066	68,438	87,088
Total Assets and Deferred Outflows	\$ 273,834,544	\$ 262,145,158	\$ 251,329,414

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Entity-Wide Financial Analysis - Continued

Net Position - Continued

	Governmental Activities		
	2020	2019	2018
Current Liabilities			
Accounts Payable	\$ 10,611	\$ 4,248	\$ 8,542
Accrued Salaries and Related Costs	3,153	10,741	7,484
Total Current Liabilities	<u>13,764</u>	<u>14,989</u>	<u>16,026</u>
Noncurrent Liabilities			
Compensated Absences	7,082	15,060	14,833
Net Postemployment Benefits Liability	339,451	427,793	432,595
Net Pension Liability	68,132	69,041	78,616
Total Noncurrent Liabilities	<u>414,665</u>	<u>511,894</u>	<u>526,044</u>
Total Liabilities	<u>428,429</u>	<u>526,883</u>	<u>542,070</u>
Deferred Inflows	<u>159,969</u>	<u>65,890</u>	<u>53,471</u>
Net Position			
Invested in Capital Assets	250,370,407	243,519,459	239,663,018
Restricted by Enabling Legislation	22,875,739	18,032,926	11,070,855
Total Net Position	<u>273,246,146</u>	<u>261,552,385</u>	<u>250,733,873</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 273,834,544</u>	<u>\$ 262,145,158</u>	<u>\$ 251,329,414</u>

At the close of the year ended June 30, 2020, the Foundation's assets exceeded its liabilities by \$273,330,049. At the close of the year ended June 30, 2019, the Foundation's assets exceeded its liabilities by \$261,549,837. 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, 2020 and 2019 consisted of legal fees for the month of June. During the years ended June 30, 2020 and 2019, the majority of the Foundation's monthly fees were paid out of funds received by the State of Delaware (State).

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Entity-Wide Financial Analysis - Continued

For the year ended June 30, 2020, total capital assets, net of depreciation, increased by \$6,850,948 to \$250,370,407 from \$243,519,459. For the year ended June 30, 2019, total capital assets, net of depreciation, increased by \$3,856,441 to \$243,519,459 from \$239,663,018.

For the year ended June 30, 2020, pooled cash and investments increased by \$4,637,354 to \$15,020,044 from \$10,382,690. For the year ended June 30, 2019, pooled cash and investments increased by \$6,935,205 to \$10,382,690 from \$3,447,485.

For the year ended June 30, 2020, pension and OPEB deferred outflows increased by \$7,628 to \$76,066 from \$68,438. Net pension and OPEB liability decreased by \$89,251 to \$407,583 from \$496,834. Pension and OPEB deferred inflows increased by \$94,079 to \$159,969 from \$65,890. For the year ended June 30, 2019, pension and OPEB deferred outflows decreased by \$18,650 to \$68,438 from \$87,088. Net pension and OPEB liability decreased by \$14,377 to \$496,834 from \$511,211. Pension and OPEB deferred inflows increased by \$12,419 to \$65,890 from \$53,471.

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, 2020 and 2019, loans issued totaled \$258,836 and \$701,271, respectively. Loan collections totaled \$443,644 and \$23,727 during the years ended June 30, 2020 and 2019, 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 years 2019 and 2020 when the Bond Bill Epilogue stated that the Foundation may use up to \$1,000,000 of Farmland Preservation funding for the Forestland Preservation Program. Two properties in Round 24 were selected for Forestland Preservation easements in fiscal year 2020 and are expected to be purchased during fiscal year 2021.

On September 27, 2017, the Foundation was awarded a \$1,318,287 federal grant from the U.S. Department of Agriculture Natural Resources Conservation Service (NRCS). Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,318,287 for the acquisition of agricultural land easements. To receive the cost-share assistance, the Foundation must settle the agricultural land easements and subsequently request reimbursement of NRCS cost-share amount.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Entity-Wide Financial Analysis - Continued

The Foundation settled easements of which \$84,938, \$401,587, and \$831,762 of the total purchase price was eligible for cost-share assistance under the award during the years ended June 30, 2020, 2019, and 2018, respectively.

On September 12, 2018, the Foundation was awarded a \$1,366,663 federal grant from the NRCS. Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,366,663 for the acquisition of agricultural land easements. During the years ended June 30, 2020 and 2019, the Foundation had settled easements of which \$1,119,380 and \$181,613, respectively, of the total purchase price was eligible for the cost-share assistance. As of June 30, 2020, \$65,670 of cost-sharing assistance remains available under this grant.

On August 9, 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. The Foundation estimates the total amount of cost-sharing assistance to be received under this agreement to be \$5,000,000. During the year ended June 30, 2020, the Foundation had settled easements of which \$843,633 of the total purchase price was eligible for cost-share assistance. At June 30, 2020, \$194,058 of the \$843,633 had been received from NRCS. The remaining \$649,575 is expected to be received during the year ending June 30, 2021.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Entity-Wide Financial Analysis - Continued

Changes in Net Position

	Governmental Activities		
	2020	2019	2018
Revenues			
General Revenues			
Earnings on Pooled Cash and Investments	\$ 33,518	\$ 16,680	\$ 9,057
On-Behalf Payments	226,420	250,954	273,289
Rollback Taxes	38,376	26,389	61,741
License Plate Income	5,285	5,530	6,265
Wilson Farm Lease Income	14,775	14,071	13,401
Silver Run Easement	-	125,000	-
Donations	-	525	-
Legal Fees Refund	20	-	-
Program Revenues			
Operating Grants and Contributions - State	10,037,578	10,000,000	3,000,000
Operating Grants and Contributions - County Governments	65,389	519,949	272,199
Capital Grants and Contributions	2,176,874	843,672	831,762
Operating and Contractual Services	-	-	275,000
Total Revenues	12,598,235	11,802,770	4,742,714
Expenses			
Current			
Farmland Preservation	231,483	358,196	185,825
Young Farmers	6,873	5,799	5,399
Administrative Services			
Operating Services	446,774	508,547	470,589
Contractual Services	138,344	111,716	76,884
Total Current	823,474	984,258	738,697
Intergovernmental			
Transfer of Resources to Facilities Management	81,000	-	-
Total Expenses	904,474	984,258	738,697
Changes in Net Position	\$ 11,693,761	\$ 10,818,512	\$ 4,004,017

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Governmental Activities

Earnings on pooled cash and investments increased to \$33,518 for the year ended June 30, 2020 from \$16,680 for the year ended June 30, 2019, due primarily to an increase in cash on hand and interest rates.

Earnings on pooled cash and investments increased to \$16,680 for the year ended June 30, 2019 from \$9,057 for the year ended June 30, 2018, due primarily to an increase 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, 2020, the Foundation received and recognized as revenue \$65,389 in county reimbursements for easements purchased in Round 22. For the years ended June 30, 2019 and 2018, the Foundation received \$519,949 and \$272,199, respectively, in county reimbursements for easements purchased in Round 22 and 21, respectively.

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 \$38,376 for the year ended June 30, 2020 from \$26,389 for the year ended June 30, 2019. Rollback tax revenue decreased to \$26,389 for the year ended June 30, 2019 from \$61,741 for the year ended June 30, 2018. The change in this source of revenue is directly related to the amount of farmland which was used for development during the year.

License plate income decreased to \$5,285 for the year ended June 30, 2020, from \$5,530 for the year ended June 30, 2019. License plate income decreased to \$5,530 for the year ended June 30, 2019 from \$6,265 for the year ended June 30, 2018.

For the year ended June 30, 2020, 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 \$37,578 during the year ended June 30, 2020 from the State's operating budget for personnel expenses.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Governmental Activities - Continued

For the year ended June 30, 2019, the Foundation received \$10,000,000 in grant funding from the State, 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.

On September 27, 2017, the Foundation was awarded a \$1,318,287 federal grant from the NRCS. Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,318,287 for the acquisition of agricultural land easements. To receive the cost-share assistance, the Foundation must settle the agricultural land easements and subsequently request reimbursement of the NRCS cost-share amount. The Foundation settled easements of which \$84,938, \$401,587, and \$831,762 of the total purchase price was eligible for cost-share assistance during the years ended June 30, 2020, 2019, and 2018, respectively.

On September 12, 2018, the Foundation was awarded a \$1,366,663 federal grant from the NRCS. Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,366,663 for the acquisition of agricultural land easements. During the years ended June 30, 2020 and 2019, the Foundation had settled easements of which \$1,119,380 and \$181,613, respectively, of the total purchase price was eligible for the cost-share assistance. As of June 30, 2020, \$65,670 of cost-sharing assistance remains available under this grant.

On August 9, 2019, the Foundation entered into a program agreement with the 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. The Foundation estimates the total amount of cost-sharing assistance to be received under this agreement to be \$5,000,000. During the year ended June 30, 2020, the Foundation had settled easements of which \$843,633 of the total purchase price was eligible for cost-share assistance. At June 30, 2020, \$194,058 of the \$843,633 had been received from NRCS. The remaining \$649,575 is expected to be received during the year ending June 30, 2021.

Expenses for administrative services decreased from \$602,848 for the year ended June 30, 2019 to \$595,598 for the year ended June 30, 2020. Farmland preservation expenses decreased from \$358,196 for the year ended June 30, 2019 to \$231,483 for the year ended June 30, 2020. The decrease was a result of decreases in appraisal, option and negotiation, and survey costs. One farm easement was acquired through Young Farmers Program during the year ended June 30, 2020. This easement was capitalized at its total acquisition value of \$128,923.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Governmental Activities - Continued

Expenses for administrative services increased from \$524,068 for the year ended June 30, 2018 to \$602,848 for the year ended June 30, 2019. Farmland preservation expenses increased from \$185,825 for the year ended June 30, 2018 to \$358,196 for the year ended June 30, 2019. The increase was a result of increases in appraisal, option and negotiation, survey, and legal costs. Three farm easements were acquired through Young Farmers Program during the year ended June 30, 2019. These easements were capitalized at their total acquisition value of \$260,472. During the year ended June 30, 2018, no easements were acquired through the program.

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, 2020, 2019, and 2018 totaled \$226,420, \$250,954, and \$273,289, respectively.

During the year ended June 30, 2019, Silver Run Electric, LLC was granted a utility easement for an electrical substation on property in which the Foundation holds a preservation easement for \$125,000. While the entire property remains within the Foundation's preservation program, the land where the substation will be situated will not be available for farming during the life of the substation.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Governmental Funds

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
State of Delaware - Farmland Preservation	\$ 10,037,578	\$ 10,000,000	\$ 3,000,000
Federal Grant	1,398,376	843,672	831,762
Pesticides Funds	-	-	275,000
County Government Reimbursements	65,389	519,949	272,199
Young Farmers Contributed Easements	128,923	-	-
Rollback Taxes	38,376	26,389	61,741
Silver Run Easement	-	125,000	-
On-Behalf Payments	226,420	250,954	273,289
License Plate Income	5,285	5,530	6,265
Earnings on Pooled Cash and Investments	33,518	16,680	9,057
Wilson Farm Lease Income	14,775	14,071	13,401
Donations	-	525	-
Legal Fee Refunds	20	-	-
	<u>11,948,660</u>	<u>11,802,770</u>	<u>4,742,714</u>
Total Revenues			
Expenses			
Current			
Farmland Preservation	231,483	358,196	185,825
Administrative Services			
Operating Services	457,254	491,470	447,184
Contractual Services	138,344	111,378	76,884
Young Farmers	6,873	5,799	5,399
	<u>833,954</u>	<u>966,843</u>	<u>715,292</u>
Capital Outlays			
Property	6,851,246	3,856,937	3,492,077
Equipment	-	-	1,488
	<u>6,851,246</u>	<u>3,856,937</u>	<u>3,493,565</u>
Total Capital Outlays			
Intergovernmental			
Transfer of Resources to Facilities Management	81,000	-	-
	<u>7,766,200</u>	<u>4,823,780</u>	<u>4,208,857</u>
Total Expenses			
Net Change in Fund Balances	4,182,460	6,978,990	533,857
Fund Balances - Beginning of Year	<u>18,542,272</u>	<u>11,563,282</u>	<u>11,029,425</u>
Fund Balances - End of Year	<u>\$ 22,724,732</u>	<u>\$ 18,542,272</u>	<u>\$ 11,563,282</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2020 and 2019

Governmental Funds - Continued

Overall, for the Special Revenue Fund, revenues exceeded expenses in Fiscal Years 2020 and 2019, resulting in a \$4,832,035 and \$6,978,990 increase in fund balances, respectively.

Requests for Information

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

Government-Wide Financial Statements

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statements of Net Position
June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Assets and Deferred Outflows		
Current Assets		
Pooled Cash and Investments	\$ 15,020,044	\$ 10,382,690
Loans Receivable - Current	23,727	23,727
Federal Grant Receivable	649,575	348,498
Kent County Receivable	100,000	34,611
Rollback Taxes Receivable	37,934	26,136
Total Current Assets	15,831,280	10,815,662
Noncurrent Assets		
Capital Assets, Not Depreciated	250,369,961	243,518,715
Capital Assets, Depreciated	108,058	108,058
Less: Depreciation	107,612	107,314
Total Net Capital Assets, Depreciated	446	744
Loans Receivable, Less Current Portion	7,556,791	7,741,599
Total Noncurrent Assets	257,927,198	251,261,058
Total Assets	273,758,478	262,076,720
Deferred Outflows	76,066	68,438
Total Assets and Deferred Outflows	\$ 273,834,544	\$ 262,145,158
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts Payable	\$ 10,611	\$ 4,248
Accrued Salaries and Related Costs	3,153	10,741
Total Current Liabilities	13,764	14,989
Noncurrent Liabilities		
Compensated Absences	7,082	15,060
Net Postemployment Benefits Liability	339,451	427,793
Net Pension Liability	68,132	69,041
Total Noncurrent Liabilities	414,665	511,894
Total Liabilities	428,429	526,883
Deferred Inflows	159,969	65,890
Net Position		
Invested in Capital Assets	250,370,407	243,519,459
Restricted by Enabling Legislation	22,875,739	18,032,926
Total Net Position	273,246,146	261,552,385
Total Liabilities, Deferred Inflows, and Net Position	\$ 273,834,544	\$ 262,145,158

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, 2020 and 2019

	Special Revenue Fund	
	2020	2019
Assets		
Current Assets		
Pooled Cash and Investments	\$ 15,020,044	\$ 10,382,690
Loans Receivable - Current	23,727	23,727
Federal Grant Receivable	649,575	348,498
Kent County Receivable	100,000	34,611
Rollback Taxes Receivable	37,934	26,136
	15,831,280	10,815,662
Noncurrent Assets		
Loans Receivable, Less Current Portion	7,556,791	7,741,599
	\$ 23,388,071	\$ 18,557,261
Liabilities, Deferred Inflows, and Fund Balance		
Current Liabilities		
Accounts Payable	\$ 10,611	\$ 4,248
Accrued Salaries and Related Costs	3,153	10,741
	13,764	14,989
Total Current Liabilities		
	13,764	14,989
Deferred Inflows		
Revenue Not Yet Available	649,575	-
Fund Balance		
Restricted by Enabling Legislation	22,724,732	18,542,272
	\$ 23,388,071	\$ 18,557,261
Total Liabilities, Deferred Inflows, and Fund Balance		

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, 2020 and 2019

	2020	2019
Total Governmental Fund Balance	\$ 22,724,732	\$ 18,542,272
Amounts reported for governmental activities in the statement of net position are different because:		
<p>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.</p>		
	250,370,407	243,519,459
<p>Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Those liabilities consist of:</p>		
Net Pension Liability	(68,132)	(69,041)
Net Postemployment Benefits Liability	(339,451)	(427,793)
Compensated Absences	(7,082)	(15,060)
<p>Revenue earned but not yet available is not recognized in the funds.</p>		
	649,575	-
<p>Deferred inflows and outflows related to the Foundation's net pension and postemployment liabilities are based on differences between actual and expected investment returns, 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.</p>		
Deferred Outflows - Pension Contributions	29,455	32,993
Deferred Outflows - Postemployment Benefits Contributions	46,611	35,445
Deferred Inflows - Pension Contributions	(9,293)	(4,427)
Deferred Inflows - Postemployment Benefits Contributions	(150,676)	(61,463)
Total Net Position - Governmental Activities	\$ 273,246,146	\$ 261,552,385

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, 2020 and 2019

	Special Revenue Fund	
	2020	2019
Revenues		
State of Delaware - Farmland Preservation	\$ 10,037,578	\$ 10,000,000
Federal Grant Revenue	1,398,376	583,200
County Government Reimbursements	65,389	519,949
Young Farmers Contributed Easements	128,923	260,472
Silver Run Easement	-	125,000
Rollback Taxes	38,376	26,389
On-Behalf Payments	226,420	250,954
License Plate Income	5,285	5,530
Earnings on Pooled Cash and Investments	33,518	16,680
Wilson Farm Lease Income	14,775	14,071
Legal Fee Refunds	20	-
Donations	-	525
	11,948,660	11,802,770
Expenditures		
Current		
Farmland Preservation		
Appraisals	149,733	218,676
Options and Negotiations	74,200	129,200
Surveys	7,550	10,320
	231,483	358,196
Young Farmers Grant		
Appraisals	-	60
Easement Survey	-	900
Legal Fees	6,873	4,839
	6,873	5,799

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, 2020 and 2019

	Special Revenue Fund	
	2020	2019
Expenditures - Continued		
Current		
Administrative		
Contracts	\$ 28,659	\$ 49,376
Legal Fees	138,344	111,378
Wilson Farm Legal Fees	-	338
Accounting and Auditing	38,763	36,227
Office Expense	2,916	2,019
Computer Supplies	-	55
Wilson Farm Advertising Expenses	246	-
Wilson Farm Property Maintenance	7,100	3,200
Travel	595	317
Salaries and Related Expenditures	378,975	399,938
Total Administrative Expenditures	<u>595,598</u>	<u>602,848</u>
Total Current Expenditures	833,954	966,843
Capital Outlays		
Easements and Development Rights	6,851,246	3,856,937
Intergovernmental		
Transfer of Resources to Facilities Management	<u>81,000</u>	<u>-</u>
Total Expenditures	<u>7,766,200</u>	<u>4,823,780</u>
Net Change in Fund Balance	4,182,460	6,978,990
Fund Balance - Beginning of Year	<u>18,542,272</u>	<u>11,563,282</u>
Fund Balance - End of Year	<u><u>\$ 22,724,732</u></u>	<u><u>\$ 18,542,272</u></u>

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, 2019 and 2018

	2020	2019
Net Change in Fund Balances - Total Governmental Fund		
Farmland Preservation, Young Farmers and Administrative Activities	\$ 4,182,460	\$ 6,978,990
 Amounts reported for governmental activities in the statements of activities are different because:		
 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.		
Capital Outlays	6,851,246	3,856,937
Depreciation	(298)	(496)
 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.		
Federal Grant Revenue	649,575	-
Compensated Absences	7,978	(227)
 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:		
Pension Liability	909	9,575
OPEB Liability	88,342	4,802
Deferred Outflows	7,628	(18,650)
Deferred Inflows	(94,079)	(12,419)
Change in Net Position of Governmental Activities	\$ 11,693,761	\$ 10,818,512

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, 2020 and 2019

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, 2020, the General Assembly of the State provided funding for the Foundation under House Bill No. 475 of the 149th General Assembly in the amount of \$10,000,000. For the year ended June 30, 2019, the General Assembly of the State provided funding for the Foundation under House Bill No. 225 of the 148th General Assembly in the amount of \$10,000,000.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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 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 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.

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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

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 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, 2020, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$250,370,407 and \$22,875,739, and \$0, respectively. At June 30, 2019, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$243,519,459 and \$18,032,926, and \$0, respectively.

In accordance with GASB Statement No. 54, 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, 2020 and 2019 totaled \$23,374,307 and \$18,542,272, 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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

Fund Balances/Net Position - Continued

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 expense during the reporting period. Actual results could differ from those estimates.

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, 2018	\$ 14,833
Increase in Liability	227
June 30, 2019	15,060
Decrease in Liability	(7,978)
June 30, 2020	\$ 7,082

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, 2020.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

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.

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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note C: Pooled Cash and Investments

As of June 30, 2020 and 2019, funding available to the Foundation through State sources consisted of \$15,020,044 and \$10,382,690, 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.

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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note C: Pooled Cash and Investments - Continued

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.

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 were \$37,934 and \$26,136 as of June 30, 2020 and 2019, respectively.

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note E: Loans Receivable - Continued

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, 2020 and 2019, as there were no material delinquent loan balances or loan defaults during the year.

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

2021	\$	23,727
2022		27,648
2023		56,117
2024		61,885
2025		66,479
Thereafter		<u>7,344,662</u>
		<u><u>\$ 7,580,518</u></u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note F: Federal Grant Receivable

On August 9, 2019, the Foundation entered into a program agreement with the U.S. Department of Agricultural National 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. The Foundation estimates the total amount of cost-sharing assistance to be received under this agreement to be \$5,000,000. During the year ended June 30, 2020, the Foundation had settled easements of which \$843,633 of the total purchase price was eligible for cost-share assistance. At June 30, 2020, \$194,058 of the \$843,633 had been received from NRCS. The remaining \$649,575 is expected to be received during the year ending June 30, 2021.

On September 12, 2018, the Foundation was awarded a \$1,366,663 federal grant from NRCS. Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,366,663 for the acquisition of agricultural land easements. During the years ended June 30, 2020 and 2019, the Foundation had settled easements of which \$1,119,380 and \$181,613, respectively, of the total purchase price was eligible for cost-share assistance. At June 30, 2020 and 2019, \$0 and \$348,498, respectively, were due from NRCS.

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 were \$10,611 and \$4,248 as of June 30, 2020 and 2019, respectively.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note H: Capital Assets

Capital assets activity was as follows for the years ended June 30, 2020 and 2019:

	2020			Ending Balances
	Beginning Balances	Increases	Decreases	
Capital Assets, Not Depreciated				
Easement and Development				
Rights	\$ 243,518,715	\$ 6,851,246	\$ -	\$ 250,369,961
Capital Assets, Depreciated				
Equipment	108,058	-	-	108,058
Less: Accumulated				
Depreciation	(107,314)	(298)	-	(107,612)
Total Equipment, Net	744	(298)	-	446
Total Capital Assets, Net	<u>\$ 243,519,459</u>	<u>\$ 6,850,948</u>	<u>\$ -</u>	<u>\$ 250,370,407</u>
	2019			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated				
Easement and Development				
Rights	\$ 239,661,778	\$ 3,856,937	\$ -	\$ 243,518,715
Capital Assets, Depreciated				
Equipment	108,058	-	-	108,058
Less: Accumulated				
Depreciation	(106,818)	(496)	-	(107,314)
Total Equipment, Net	1,240	(496)	-	744
Total Capital Assets, Net	<u>\$ 239,663,018</u>	<u>\$ 3,856,441</u>	<u>\$ -</u>	<u>\$ 243,519,459</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, 2019. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report. Separately issued

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note I: Pension Plan - Continued

financial statements for DPERS are available from the pension office at McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

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.

Service Benefits - Final average monthly 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.

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note I: Pension Plan - Continued

Employer Contributions - Employer contributions are determined by the Board of Pension Trustees. For the years ended June 30, 2020 and 2019, the rate of the employer contribution was 13.06% and 12.93%, respectively, of covered payroll. The Foundation's employer contributions for the years ended June 30, 2020 and 2019 were \$11,737 and \$10,742, respectively. The Foundation's required contributions equaled actual contributions made for the years ended June 30, 2020 and 2019.

Net Pension Liability and Expense - As of June 30, 2020 and 2019, the Foundation reported a net pension liability of \$68,132 and \$69,041, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2018 to June 30, 2019. At June 30, 2019 and 2018, the Foundation's proportion was 0.0044% and 0.0053%, respectively. Total pension cost for the years ended June 30, 2020 and 2019 amounted to \$20,183 and \$16,762, respectively.

Deferred Outflows and Inflows of Resources - At June 30, 2020, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
	<u> </u>	<u> </u>
Net Difference Between Projected and Actual Investment Earnings	\$ 773	\$ -
Net Difference Between Expected and Actual Experience	5,731	(500)
Changes in Assumptions	7,073	-
Changes in Proportion	4,141	(8,793)
Contributions Subsequent to the Date of Measurement	<u>11,737</u>	<u>-</u>
	<u>\$ 29,455</u>	<u>\$ (9,293)</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note I: Pension Plan - Continued

Deferred Outflows and Inflows of Resources - Continued - At June 30, 2019, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net Difference Between Projected and Actual Investment Earnings	\$ -	\$ (2,927)
Net Difference Between Expected and Actual Experience	3,608	(996)
Changes in Assumption	12,021	-
Changes in Proportion	6,622	(504)
Contributions Subsequent to the Date of Measurement	10,742	-
	\$ 32,993	\$ (4,427)

The amounts of \$11,737 and \$10,742 reported as deferred outflows of resources at June 30, 2020 and 2019, 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, 2020 will be recognized in pension expense as follows for the years ending June 30:

2021	\$	5,926
2022		(385)
2023		1,205
2024		2,001
2025		(322)
	\$	8,425

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note I: Pension Plan - Continued

Actuarial Assumptions - The total pension liability on the June 30, 2019 and 2018 measurement dates were determined by an actuarial valuation as of June 30, 2018 and 2017, respectively, with updated procedures used to roll forward the total pension liability to June 30, 2019 and 2018.

Investment Return - 7.0%, includes inflation at 2.5%, as of June 30, 2019.
7.0%, includes inflation at 2.5%, as of June 30, 2018.

Salary Increases - 2.5% plus merit, includes inflation at 2.5%, as of June 30, 2019 and 2018.

Mortality rates were as follows: As of June 30, 2019 and 2018, 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.

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.

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. As of June 30, 2019, 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	Target Asset Allocation
Domestic Equity	5.70%	29.5%
International Equity	5.70%	13.5%
Fixed Income	2.00%	27.1%
Alternative Investments	7.80%	22.4%
Cash and Equivalents	0.00%	7.5%

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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, 2020	\$ 123,780	\$ 68,132	\$ 22,126
June 30, 2019	\$ 133,982	\$ 69,041	\$ 14,541

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. For a more complete description, please refer to the State of Delaware's Consolidated Annual Financial Report. The report can be found available online at <https://accounting.delaware.gov>.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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 allocation of 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): Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 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 - The State provides health insurance options through several providers.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

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:

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 2020, the Foundation's contribution was 9.96% of covered payroll and totaled \$12,279. For fiscal year 2019, the Foundation's contribution was 10.22% of covered payroll and totaled \$11,704.

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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

Contributions - Continued - As of June 30, 2020 and 2019, the Foundation reported a liability of \$339,451 and \$427,793, respectively, for its proportionate share of the net OPEB liability. The collective total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total OPEB liability to June 30, 2019. The Foundation's proportion of the net OPEB liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of June 30, 2020 and 2019, the Foundation's proportion was 0.0043% and 0.0052%, respectively.

For the years ended June 30, 2020 and 2019, the Foundation recognized OPEB expense of \$986 and \$21,941.

As of June 30, 2020, 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	\$ -	\$ (307)
Net Difference Between Expected and Actual Experience	-	(38,106)
Changes of Assumptions	16,526	(36,367)
Changes in the Proportion	17,806	(75,896)
Contributions	12,279	-
	<u>\$ 46,611</u>	<u>\$ (150,676)</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

Contributions - Continued

As of June 30, 2019, the Foundation reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ (1,075)
Changes of Assumptions	-	(58,122)
Changes in the Proportion Contributions	23,741	(2,266)
	11,704	-
	\$ 35,445	\$ (61,463)

The Foundation's share of net deferred outflows and inflows of resources related to OPEB at June 30, 2020 will be recognized in OPEB expense as follows for the years ending June 30:

Year Ending June 30	
2021	\$ (27,414)
2022	(27,414)
2023	(27,238)
2024	(18,860)
2025	(15,418)
	\$ (116,344)

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

Actuarial Assumptions - The collective total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total OPEB liability to June 30, 2019. The actuarial valuation used the following actuarial assumptions for June 30, 2019 and 2018 measurements:

- Actuarial Cost Method - Entry Age Normal
- Investment Rate of Return - 7.00% and 3.75%, respectively, net of OPEB plan investment expense, including inflation
- Discount Rate - 3.50% and 3.87%, respectively
- Projected Salary Increases - 3.25% plus merit
- Healthcare Cost Trend Rate - 6.60% and 6.80%, 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 conducted in 2016. 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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

Actuarial Assumptions - Continued - 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 arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

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

The discount rate used to measure the total OPEB liability was 3.87% at the beginning of the current measurement period and 3.50% 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, 2019 and 2018 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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

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

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, 2020	\$ 406,343	\$ 339,451	\$ 292,187
June 30, 2019	\$ 515,779	\$ 427,793	\$ 363,438

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, 2020	\$ 292,850	\$ 339,451	\$ 402,186
June 30, 2019	\$ 364,213	\$ 427,793	\$ 510,936

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.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note K: Fair Value Measurements - Continued

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 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, 2020 and 2019 was \$15,020,044 and \$10,382,690, respectively.

Note L: Operating Lease-Lessor

The Foundation leased a parcel of its farmland located in Sussex County through February 2020. During the year ended June 30, 2020, the Foundation extended this lease through December 2024 with one five-year renewal option. Lease payments are due on or before January and increase by 5% annually. Lease payments received during the years ended June 30, 2020 and 2019 were \$14,775 and \$14,071, respectively.

During the year ended June 30, 2018, the Foundation entered into an agreement to lease property on a parcel of its farmland. The lease has an initial five-year term with one five-year renewal option. Monthly payments to be received under the terms of the lease are \$450 with a 3% annual increase. Lease payments received during the years ended June 30, 2020 and 2019 were \$5,400 and \$2,700, respectively.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2020 and 2019

Note L: Operating Lease-Lessor - Continued

As of June 30, 2020, future minimum rental payments to be received in accordance with the above leases are as follows for the years ending June 30:

2021	\$ 21,329
2022	22,279
2023	19,713
2024	<u>17,960</u>
	<u>\$ 81,281</u>

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, 2020 and 2019 totaled \$226,420 and \$250,954, 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, 2020

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Farmland Preservation	\$ 9,775,000	\$ 9,775,000	\$ -
Federal Grant	-	1,398,376	1,398,376
County Government Reimbursements	-	65,389	65,389
Young Farmers Contributed Easements	-	128,923	128,923
Rollback Taxes	-	38,376	38,376
License Plate Income	-	5,285	5,285
Interest Income	-	33,518	33,518
Wilson Farm Lease Income	-	14,775	14,775
Donations	-	20	20
Total Revenues	<u>9,775,000</u>	<u>11,459,662</u>	<u>1,684,662</u>
Expenditures			
Farmland Preservation	9,650,000	7,082,729	2,567,271
Young Farmers	-	6,873	(6,873)
Legal Fees	125,000	138,344	(13,344)
Total Expenditures	<u>9,775,000</u>	<u>7,227,946</u>	<u>2,547,054</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>4,231,716</u>	<u>\$ 4,231,716</u>
Fund Balance - Beginning of Year		<u>18,166,780</u>	
Fund Balance - End of Year		<u>\$ 22,398,496</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, 2020

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Farmland Preservation	\$ 225,000	\$ 225,000	\$ -
General Fund	-	37,578	
On-Behalf Payments	-	226,420	226,420
	<u>225,000</u>	<u>488,998</u>	<u>226,420</u>
Total Revenues			
Expenditures			
Personnel	107,700	378,975	(271,275)
Accounting and Auditing	40,000	38,763	1,237
Capital	5,000	-	5,000
Office Expense	5,000	2,916	2,084
Contracts	50,000	28,659	21,341
Wilson Farm Expenses	-	7,346	(7,346)
Travel	2,000	595	1,405
As Needed	15,300	81,000	(65,700)
	<u>225,000</u>	<u>538,254</u>	<u>(313,254)</u>
Total Expenditures			
Net Change in Fund Balance	<u>\$ -</u>	<u>(49,256)</u>	<u>\$ (86,834)</u>
Fund Balance - Beginning of Year		<u>375,492</u>	
Fund Balance - End of Year		<u>\$ 326,236</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, 2020

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 for the preservation of agricultural lands within the state. Of the \$10,000,000, \$1,000,000 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 2020 and are included in the special revenue fund in the financial statements.

The contractual fund budget consists of \$9,775,000 to be used for preservation programs, including the Young Farmer Loan program. The operating fund budget consists of \$225,000 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportionate Share of the Net Pension Liability						
Measurement Date	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
Foundation's Proportion of the Net Pension Liability	0.0044%	0.0053%	0.0054%	0.0050%	0.0046%	0.5000%
Foundation's Proportion of the Net Pension Liability - Dollar Value	\$ 68,132	\$ 69,041	\$ 78,616	\$ 75,390	\$ 9,423	\$ 13,868
Foundation's Covered Employee Payroll	\$ 89,870	\$ 83,078	\$ 106,142	\$ 93,620	\$ 85,261	\$ 77,695
Foundation's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	75.81%	83.10%	74.07%	80.53%	11.05%	17.85%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	87.49%	87.49%	85.31%	84.11%	92.69%	95.80%
Contributions						
Contractually Required Contributions	\$ 11,737	\$ 10,742	\$ 11,060	\$ 10,008	\$ 9,140	\$ 8,259
Contributions in Relation to the Contractually Required Contributions	<u>\$ 11,737</u>	<u>\$ 10,742</u>	<u>\$ 11,060</u>	<u>\$ 10,008</u>	<u>\$ 9,140</u>	<u>\$ 8,259</u>
Contribution Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Foundation's Covered Employee Payroll	<u>\$ 89,870</u>	<u>\$ 83,078</u>	<u>\$ 106,142</u>	<u>\$ 93,620</u>	<u>\$ 85,261</u>	<u>\$ 77,695</u>
Contributions as a Percentage of Covered Employee Payroll	<u>13.06%</u>	<u>12.93%</u>	<u>10.42%</u>	<u>10.69%</u>	<u>10.72%</u>	<u>10.63%</u>

In accordance with GASB Statement No. 68, 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportionate Share of the Net OPEB Liability				
Measurement Date	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Foundation's Proportion of the Net OPEB Liability	0.0043%	0.0052%	0.0052%	0.0048%
Foundation's Proportion of the Net OPEB Liability - Dollar Value	\$ 339,451	\$ 427,793	\$ 432,595	\$ 440,394
Foundation's Covered Employee Payroll	\$ 123,283	\$ 114,521	\$ 127,217	\$ 112,489
Foundation's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	275.34%	373.55%	340.04%	391.50%
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.89%	4.44%	4.13%	3.30%
Contributions				
Contractually Required Contributions	\$ 12,279	\$ 11,704	\$ 11,704	\$ 12,430
Contributions in Relation to the Contractually Required Contributions	\$ 12,279	\$ 11,704	\$ 11,704	\$ 12,430
Contribution Excess (Deficit)	\$ -	\$ -	\$ -	\$ -
Foundation's Covered Employee Payroll	<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>9.96%</u>	<u>10.22%</u>	<u>9.20%</u>	<u>11.05%</u>

In accordance with GASB Statement No. 75, 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.



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

We have audited, 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, 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, 2020, 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 2, 2020.

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.

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

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.

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 may exist that have not been identified.

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 2, 2020
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 of
Delaware Department of Agriculture
Delaware Agriculture Lands Preservation Foundation
State of Delaware

Report on Compliance for Each Major Federal Program

We have audited Delaware Agriculture Lands Preservation Foundation's (Foundation) compliance with the types of compliance requirements described 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, 2020. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the

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

Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Delaware Agricultural Lands Preservation 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, 2020.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 2, 2020
Wilmington, Delaware

Delaware Agriculture Lands Preservation Foundation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures	Expenditures to Subrecipients
Direct Programs			
<u>Department of Agriculture</u>			
Agricultural Conservation Easement Program (ACEP)	10.931	\$ 2,047,951	-
Total Expenditures of Federal Awards		<u>\$ 2,047,951</u>	<u>-</u>

Delaware Agricultural Lands Preservation Foundation
Notes to Schedule of Expenditure of Federal Awards
June 30, 2020

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, 2020. 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, 2020

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. PRIOR YEAR FINDINGS None Reported