

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

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

**June 30, 2018 and 2017**

# Delaware Agricultural Lands Preservation Foundation

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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, 2018 and 2017, 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 audit 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  
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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, 2018 and 2017, 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.

### ***Change in Accounting Principle***

As described in Note O to the financial statements, during the year ended June 30, 2018, the Foundation adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***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 14, the budgetary comparison schedules and related notes on pages 52 through 54, and the schedules of proportionate share of the net pension and 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

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

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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of federal awards 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. Such 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 schedule of federal awards 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 5, 2018, 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 5, 2018  
Wilmington, Delaware

## **Management's Discussion and Analysis**

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

Our discussion and analysis of the Delaware Agricultural Lands Preservation Foundation's (the Foundation) financial performance provides an overview of the Foundation's financial activities for the years ended June 30, 2018 (Fiscal Year 2018) and 2017 (Fiscal Year 2017).

**Financial Highlights**

For the year ended June 30, 2018, the Foundation's assets and deferred outflows increased by \$4,055,070 to \$251,329,414 from \$247,274,344. For the year ended June 30, 2017, the Foundation's assets and deferred outflows increased by \$3,324,003 to \$247,274,344 from \$243,950,341.

For the year ended June 30, 2018, the Foundation's net position increased by \$4,004,017 to \$250,733,873 from \$246,729,856. For the year ended June 30, 2017, total net position increased to \$246,729,856 from \$243,881,729. This \$2,848,127 increase in net position is net of a decrease of \$427,964 resulting from the retroactive implementation of GASB Statement No. 75.

The effects on the financial statements of implementing GASB Statement No. 75 were recognized as of June 30, 2017. The fiscal year 2016 balances included in this management's discussion and analysis include the balances as previously reported prior to the implementation of GASB Statement No. 75.

**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, 2018 and 2017 are taken into consideration regardless of when cash is received or paid.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis - Continued**  
**June 30, 2018 and 2017**

**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.

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.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis—Continued**  
**June 30, 2018 and 2017**

**Entity-Wide Financial Analysis**

A comparative net position analysis of the years ended June 30, 2018, 2017, and 2016 follows:

**Net Position**

|  | <b>Governmental Activities</b> |                       |                       |
|--|--------------------------------|-----------------------|-----------------------|
|  | <b>2018</b>                    | <b>2017</b>           | <b>2016</b>           |
| <b>Current Assets</b>                                  |                                |                       |                       |
| Pooled Cash and Investments                            | \$ 3,447,485                   | \$ 3,680,648          | \$ 3,851,732          |
| Deposit  | 105,286                        | 112,274               | -                     |
| Loans Receivable—Current                               | 23,727                         | 27,325                | 23,727                |
| Federal Grant Receivable                               | 776,161                        | -                     | -                     |
| Kent County Receivable                                 | 101,233                        | -                     | -                     |
| Rollback Taxes Receivable                              | 61,452                         | 137,647               | 168,375               |
| <b>Total Current Assets</b>                            | <b>4,515,344</b>               | <b>3,957,894</b>      | <b>4,043,834</b>      |
| <b>Noncurrent Assets</b>                               |                                |                       |                       |
| Capital Assets, Not Depreciated                        | 239,661,778                    | 236,169,701           | 233,587,469           |
| Capital Assets, Depreciated                            | 108,058                        | 106,570               | 106,570               |
| Less: Depreciation                                     | 106,818                        | 105,992               | 105,609               |
| Total Net Capital Assets, Depreciated                  | 1,240                          | 578                   | 961                   |
| Loans Receivable, Less Current Portion                 | 7,063,964                      | 7,085,023             | 6,302,056             |
| <b>Total Noncurrent Assets</b>                         | <b>246,726,982</b>             | <b>243,255,302</b>    | <b>239,890,486</b>    |
| <b>Total Assets</b>                                    | <b>251,242,326</b>             | <b>247,213,196</b>    | <b>243,934,320</b>    |
| <b>Deferred Outflows</b>                               | <b>87,088</b>                  | <b>61,148</b>         | <b>16,021</b>         |
| <b>Total Assets and Deferred Outflows of Resources</b> | <b>\$ 251,329,414</b>          | <b>\$ 247,274,344</b> | <b>\$ 243,950,341</b> |

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis--Continued**  
**June 30, 2018 and 2017**

**Entity-Wide Financial Analysis--Continued**

**Net Position--Continued**

|   | <b>Governmental Activities</b> |                       |                       |
|---|--------------------------------|-----------------------|-----------------------|
|   | <b>2018</b>                    | <b>2017</b>           | <b>2016</b>           |
| <b>Current Liabilities</b>  |                                |                       |                       |
| Accounts Payable  | \$ 8,542                       | \$ 5,982              | \$ 7,689              |
| Accrued Salaries and Related Costs                                | 7,484                          | 7,510                 | 7,222                 |
| <b>Total Current Liabilities</b>                                  | <b>16,026</b>                  | <b>13,492</b>         | <b>14,911</b>         |
| <b>Noncurrent Liabilities</b>                                     |                                |                       |                       |
| Compensated Absences  | 14,833                         | 12,468                | 11,317                |
| Net Postemployment Benefits Liability                             | 432,595                        | 440,394               | -                     |
| Net Pension Liability   | 78,616                         | 75,390                | 30,817                |
| <b>Total Noncurrent Liabilities</b>                               | <b>526,044</b>                 | <b>528,252</b>        | <b>42,134</b>         |
| <b>Total Liabilities</b>  | <b>542,070</b>                 | <b>541,744</b>        | <b>57,045</b>         |
| <b>Deferred Inflows</b>   | <b>53,471</b>                  | <b>2,744</b>          | <b>11,567</b>         |
| <b>Net Position</b>   |                                |                       |                       |
| Invested in Capital Assets  | 239,663,018                    | 236,170,279           | 233,588,430           |
| Restricted by Enabling Legislation                                | 11,070,855                     | 10,559,577            | 10,293,299            |
| <b>Total Net Position</b>   | <b>250,733,873</b>             | <b>246,729,856</b>    | <b>243,881,729</b>    |
| <b>Total Liabilities, Deferred Outflows,<br/>and Net Position</b> | <b>\$ 251,329,414</b>          | <b>\$ 247,274,344</b> | <b>\$ 243,950,341</b> |

At the close of the year ended June 30, 2018, the Foundation's assets exceeded its liabilities by \$250,700,256. At the close of the year ended June 30, 2017, the Foundation's assets exceeded its liabilities by \$246,671,452. 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, 2018 and 2017 consisted of consulting/contractual services and legal fees for the month of June. During the years ended June 30, 2018 and 2017, the majority of the Foundation's monthly fees were paid out of funds received by the Delaware Department of Agriculture's (DDA) Pesticides Section.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis—Continued**  
**June 30, 2018 and 2017**

**Entity-Wide Financial Analysis—Continued**

For the year ended June 30, 2018, total capital assets, net of depreciation, increased by \$3,492,739 to \$239,663,018 from \$236,170,279. For the year ended June 30, 2017, total capital assets, net of depreciation, increased by \$2,581,849 to \$236,170,279 from \$233,588,430.

For the year ended June 30, 2018, pooled cash and investments decreased by \$233,163 to \$3,447,485 from \$3,680,648. For the year ended June 30, 2017, pooled cash and investments decreased by \$171,084 to \$3,680,648 from \$3,851,732.

During the year ended June 30, 2018, the Foundation implemented Governmental Standards Board Statement No. 75 (GASBS No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes accounting and financial reporting standards to improve the information provided by state and local governments about financial support for OPEB Plans. The Foundation's net position, OPEB liability, and deferred outflows on the government-wide statement of net position as of June 30, 2017 have been restated to reflect this implementation.

For the year ended June 30, 2018, pension and OPEB deferred outflows increased by \$25,940 to \$87,088 from \$61,148, net pension and OPEB liability decreased by \$4,573 to \$511,211 from \$515,784, and pension and OPEB deferred inflows increased by \$50,727 to \$53,471 from \$2,744.

Beginning in fiscal year 2012, a new program known as the Young Farmers Program was created by the State of Delaware to provide loans to farmers aged 40 or younger seeking to acquire their own farms. During the years ended June 30, 2018 and 2017, loans issued totaled \$0 and \$892,087, respectively. Loan collections totaled \$23,727 and \$103,123 during the years ended June 30, 2018 and 2017, respectively.

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 the NRCS cost-share amount. During the year ended June 30, 2018, the Foundation had settled easements of which \$831,762 of the total purchase price was eligible for cost-share assistance. At June 30, 2018, \$55,601 of the \$831,762 had been received from NRCS. The remaining \$776,161 was received subsequent to June 30, 2018.

**State of Delaware  
Delaware Agricultural Lands Preservation Foundation  
Management's Discussion and Analysis—Continued  
June 30, 2018 and 2017**

**Entity-Wide Financial Analysis—Continued**

**Governmental Activities**

|   | <u>2018</u>               | <u>2017</u>               | <u>2016</u>               |
|---|---------------------------|---------------------------|---------------------------|
| <b>Revenues</b>   |                           |                           |                           |
| General Revenues  |                           |                           |                           |
| Earnings on Pooled Cash and Investments                         | \$ 9,057                  | \$ 7,286                  | \$ 3,446                  |
| On-Behalf Payments  | 273,289                   | 266,796                   | 281,654                   |
| Rollback Taxes  | 61,741                    | 137,917                   | 168,878                   |
| License Plate Income  | 6,265                     | 7,315                     | 6,580                     |
| Wilson Farm Lease Income  | 13,401                    | 12,763                    | 12,155                    |
| Sussex County Easement Income                                   | -                         | -                         | 66,010                    |
| FOIA Request Fees   | -                         | 118                       | -                         |
| Program Revenues  |                           |                           |                           |
| Operating Grants and Contributions—State                        | 3,000,000                 | 2,500,000                 | 3,000,000                 |
| Operating Grants and Contributions—County Governments           | 272,199                   | 116,125                   | 146,432                   |
| Operating Grants and Contributions—Conservation<br>Organization | -                         | 384,345                   | -                         |
| Capital Grants and Contributions                                | 831,762                   | 344,590                   | 152,697                   |
| Operating and Contractual Services                              | <u>275,000</u>            | <u>275,000</u>            | <u>294,000</u>            |
| <b>Total Revenues</b>   | <u>4,742,714</u>          | <u>4,052,255</u>          | <u>4,131,852</u>          |
| <b>Expenses</b>   |                           |                           |                           |
| Farmland Preservation   | 185,825                   | 217,700                   | 225,600                   |
| Young Farmers   | 5,399                     | 15,754                    | 9,172                     |
| Administrative Services   |                           |                           |                           |
| Operating Services  | 470,589                   | 446,028                   | 433,944                   |
| Contractual Services  | <u>76,884</u>             | <u>96,682</u>             | <u>109,321</u>            |
| <b>Total Expenses</b>   | <u>738,697</u>            | <u>776,164</u>            | <u>778,037</u>            |
| <b>Changes in Net Position</b>                                  | <u><u>\$4,004,017</u></u> | <u><u>\$3,276,091</u></u> | <u><u>\$3,353,815</u></u> |

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis—Continued**  
**June 30, 2018 and 2017**

**Governmental Activities**

Earnings on pooled cash and investments increased to \$9,057 for the year ended June 30, 2018 from \$7,286 for the year ended June 30, 2017, due primarily to an increase in interest rates.

Earnings on pooled cash and investments increased to \$7,286 for the year ended June 30, 2017 from \$3,446 for the year ended June 30, 2016, due primarily to an increase in 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, 2018, the Foundation received and recognized as revenue \$272,199 in county reimbursements for easements purchased in Round 21. For the years ended June 30, 2017 and 2016, the Foundation received \$116,125 and \$146,432, respectively, in county reimbursements for easements purchased in Round 20 and 19, 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 decreased to \$61,741 for the year ended June 30, 2018 from \$137,917 for the year ended June 30, 2017. Rollback tax revenue decreased to \$137,917 for the year ended June 30, 2017 from \$168,878 for the year ended June 30, 2016. 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 \$6,265 for the year ended June 30, 2018, from \$7,315 for the year ended June 30, 2017. License plate income increased for the year ended June 30, 2017, from \$6,580 for the year ended June 30, 2016

For the year ended June 30, 2018, the Foundation received \$3,000,000 in grant funding from the State of Delaware (State), of which up to \$600,000 could be utilized for the Young Farmers Program. The \$3,000,000 State grant was reserved for farmland preservation, with \$275,000 of the Foundation's administrative expenses being funded by the Delaware Department of Agriculture's (DDA) Pesticides Section.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis—Continued**  
**June 30, 2018 and 2017**

**Governmental Activities—Continued**

For the year ended June 30, 2017, the Foundation received \$2,500,000 in grant funding from the State of Delaware (State) of which up to \$600,000 could be utilized for the Young Farmers Program. The \$2,500,000 State grant was reserved for farmland preservation, with \$275,000 of the Foundation's administrative expenses being funded by the Delaware Department of Agriculture's (DDA) Pesticides section.

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). During the year ended June 30, 2018, the Foundation had settled easements of which \$831,762 of the total purchase price was eligible for cost-share assistance. The closing deadline for the grant is March 31, 2020.

Contributions from a conservation organization provided funding on three easements purchased by the Foundation during the year ended June 30, 2017, for a total of \$384,345. No similar funding was received during the year ended June 30, 2018.

Expenses for administrative services increased insignificantly from \$542,710 for the year ended June 30, 2017 to \$547,473 for the year ended June 30, 2018. Farmland preservation expenses decreased from \$217,700 for the year ended June 30, 2017 to \$185,825 for the year ended June 30, 2018. The decrease was a result of decrease appraisal and legal costs. Five farm easements were acquired through Young Farmers Program during the year ended June 30, 2017. These easements were capitalized at their total acquisition value of \$344,090. 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, 2018, 2017, and 2016 totaled \$273,289, \$266,796, and \$281,654, respectively.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis—Continued**  
**June 30, 2018 and 2017**

**Governmental Funds**

|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|----------------------|
| <b>Revenues</b>                              |                      |                      |                      |
| Farmland Preservation                        | \$ 3,000,000         | \$ 2,500,000         | \$ 3,000,000         |
| Federal Grant                                | 831,762              | -                    | -                    |
| Pesticides Funds                             | 275,000              | 275,000              | 294,000              |
| Contributions from Conservation Organization | -                    | 384,345              | -                    |
| County Government Reimbursements             | 272,199              | 116,125              | 146,432              |
| Young Farmers Contributed Easements          | -                    | 344,090              | 150,734              |
| Young Farmers Donations                      | -                    | 500                  | 1,963                |
| Rollback Taxes                               | 61,741               | 137,917              | 168,878              |
| On-Behalf Payments                           | 273,289              | 266,796              | 281,654              |
| License Plate Income                         | 6,265                | 7,315                | 6,580                |
| Earnings on Pooled Cash and Investments      | 9,057                | 7,286                | 3,446                |
| Wilson Farm Lease Income                     | 13,401               | 12,763               | 12,155               |
| Sussex County Easement Income                | -                    | -                    | 66,010               |
| FOIA Request Fees                            | -                    | 118                  | -                    |
|  | <u>4,742,714</u>     | <u>4,052,255</u>     | <u>4,131,852</u>     |
| <b>Expenses</b>                              |                      |                      |                      |
| Farmland Preservation                        | 185,825              | 217,700              | 225,600              |
| Administrative Services                      |                      |                      |                      |
| Operating Services                           | 447,184              | 441,441              | 432,930              |
| Contractual Services                         | 76,884               | 96,682               | 109,321              |
| Young Farmers                                | 5,399                | 15,754               | 9,172                |
| Capital Outlays                              |                      |                      |                      |
| Property                                     | 3,492,077            | 2,582,232            | 974,818              |
| Equipment                                    | 1,488                | -                    | -                    |
|  | <u>4,208,857</u>     | <u>3,353,809</u>     | <u>1,751,841</u>     |
| <b>Net Change in Fund Balances</b>           | 533,857              | 698,446              | 2,380,011            |
| <b>Fund Balances—Beginning of Year</b>       | <u>11,029,425</u>    | <u>10,330,979</u>    | <u>7,950,968</u>     |
| <b>Fund Balances—End of Year</b>             | <u>\$ 11,563,282</u> | <u>\$ 11,029,425</u> | <u>\$ 10,330,979</u> |

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Management's Discussion and Analysis—Continued**  
**June 30, 2018 and 2017**

**Governmental Funds—Continued**

Overall, for the Special Revenue Fund, revenues exceeded expenses in Fiscal Years 2018 and 2017, resulting in a \$533,857 and \$698,446 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, 2018 and 2017**

|   | <b>Governmental Activities</b> |                       |
|---|--------------------------------|-----------------------|
|   | <b>2018</b>                    | <b>2017</b>           |
| <b>Assets</b>   |                                |                       |
| <b>Current Assets</b>   |                                |                       |
| Pooled Cash and Investments                                   | \$ 3,447,485                   | \$ 3,680,648          |
| Deposit   | 105,286                        | 112,274               |
| Loans Receivable—Current                                      | 23,727                         | 27,325                |
| Federal Grant Receivable                                      | 776,161                        | -                     |
| Kent County Receivable  | 101,233                        | -                     |
| Rollback Taxes Receivable                                     | 61,452                         | 137,647               |
| <b>Total Current Assets</b>                                   | <b>4,515,344</b>               | <b>3,957,894</b>      |
| <b>Noncurrent Assets</b>                                      |                                |                       |
| Capital Assets, Not Depreciated                               | 239,661,778                    | 236,169,701           |
| Capital Assets, Depreciated                                   | 108,058                        | 106,570               |
| Less: Depreciation  | 106,818                        | 105,992               |
| Total Net Capital Assets, Depreciated                         | 1,240                          | 578                   |
| Loans Receivable, Less Current Portion                        | 7,063,964                      | 7,085,023             |
| <b>Total Noncurrent Assets</b>                                | <b>246,726,982</b>             | <b>243,255,302</b>    |
| <b>Total Assets</b>   | <b>251,242,326</b>             | <b>247,213,196</b>    |
| <b>Deferred Outflows</b>                                      | <b>87,088</b>                  | <b>61,148</b>         |
| <b>Total Assets and Deferred Outflows of Resources</b>        | <b>\$ 251,329,414</b>          | <b>\$ 247,274,344</b> |
| <b>Liabilities, Deferred Outflows, and Net Position</b>       |                                |                       |
| <b>Current Liabilities</b>                                    |                                |                       |
| Accounts Payable  | \$ 8,542                       | \$ 5,982              |
| Accrued Salaries and Related Costs                            | 7,484                          | 7,510                 |
| <b>Total Current Liabilities</b>                              | <b>16,026</b>                  | <b>13,492</b>         |
| <b>Noncurrent Liabilities</b>                                 |                                |                       |
| Compensated Absences  | 14,833                         | 12,468                |
| Net Postemployment Benefits Liability                         | 432,595                        | 440,394               |
| Net Pension Liability   | 78,616                         | 75,390                |
| <b>Total Noncurrent Liabilities</b>                           | <b>526,044</b>                 | <b>528,252</b>        |
| <b>Total Liabilities</b>                                      | <b>542,070</b>                 | <b>541,744</b>        |
| <b>Deferred Inflows</b>                                       | <b>53,471</b>                  | <b>2,744</b>          |
| <b>Net Position</b>   |                                |                       |
| Invested in Capital Assets                                    | 239,663,018                    | 236,170,279           |
| Restricted by Enabling Legislation                            | 11,070,855                     | 10,559,577            |
| <b>Total Net Position</b>                                     | <b>250,733,873</b>             | <b>246,729,856</b>    |
| <b>Total Liabilities, Deferred Outflows, and Net Position</b> | <b>\$ 251,329,414</b>          | <b>\$ 247,274,344</b> |

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

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2018**

|   | <b>Program Revenue</b>                            |   |   |   |
|---|---|---|---|---|
| <b>Expenses</b>                         | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> | <b>Net Revenue<br/>and Change in<br/>Net Assets</b> |   |
| <b>Governmental Activities</b>          |   |   |   |   |
| Farmland Preservation                   | \$ (185,825)                                      | \$ 3,272,199                                    | \$ 831,762  | \$ 3,918,136  |
| Young Farmers Program                   | (5,399)   | -   | -   | (5,399)   |
| Administrative Services                 |   |   |   |   |
| Operating Services                      | (470,589)   | 165,000   | -   | (305,589)   |
| Contractual Services                    | (76,884)  | 110,000   | -   | 33,116  |
|   | <b>\$ (738,697)</b>                               | <b>\$ 3,547,199</b>                             | <b>\$ 831,762</b>                                   | <b>3,640,264</b>                                    |
| <b>General Revenues</b>                 |   |   |   |   |
| Earnings on Pooled Cash and Investments |   |   |   | 9,057   |
| On-Behalf Payments                      |   |   |   | 273,289   |
| Rollback Taxes                          |   |   |   | 61,741  |
| License Plate Income                    |   |   |   | 6,265   |
| Wilson Farm Lease Income                |   |   |   | 13,401  |
|   |   |   |   | <b>363,753</b>                                      |
|   |   |   |   | <b>Change in Net Position</b>                       |
|   |   |   |   | 4,004,017   |
|   |   |   |   | <b>Net Position</b> —Beginning of Year, as Restated |
|   |   |   |   | 246,729,856   |
|   |   |   |   | <b>Net Position</b> —End of Year                    |
|   |   |   |   | \$ 250,733,873                                      |

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

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2017**

|  | <b>Program Revenue</b>                            |   |   |
|--|---|---|---|
| <b>Expenses</b>                              | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> | <b>Net Revenue<br/>and Change in<br/>Net Assets</b> |
| <b>Governmental Activities</b>               |   |   |   |
| Farmland Preservation                        | \$ (217,700)                                      | \$ 3,000,470                                    | \$ -  |
| Young Farmers Program                        | (15,754)  | -   | 344,590   |
| Administrative Services                      |   |   |   |
| Operating Services                           | (446,028)   | 165,000   | -   |
| Contractual Services                         | (96,682)  | 110,000   | -   |
|  | <u>\$ (776,164)</u>                               | <u>\$ 3,275,470</u>                             | <u>\$ 344,590</u>                                   |
| <b>Total Governmental Activities</b>         | <u>\$ (776,164)</u>                               | <u>\$ 3,275,470</u>                             | <u>\$ 344,590</u>                                   |
|  |   |   |   |
| <b>General Revenues</b>                      |   |   |   |
| Earnings on Pooled Cash and Investments      |   |   | 7,286   |
| On-Behalf Payments                           |   |   | 266,796   |
| Rollback Taxes                               |   |   | 137,917   |
| License Plate Income                         |   |   | 7,315   |
| Wilson Farm Lease Income                     |   |   | 12,763  |
| FOIA Request Fees                            |   |   | 118   |
|  |   |   | <u>432,195</u>                                      |
| <b>Total General Revenues</b>                |   |   | <u>432,195</u>                                      |
| <b>Change in Net Position</b>                |   |   | <u>3,276,091</u>                                    |
| <b>Net Position—Beginning of Year</b>        |   |   | <u>243,453,765</u>                                  |
| <b>Net Position—End of Year, As Restated</b> |   |   | <u>\$ 246,729,856</u>                               |

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, 2018 and 2017**

|   | <b>Special Revenue Fund</b> |               |
|---|-----------------------------|---------------|
|   | <b>2018</b>                 | <b>2017</b>   |
| <b>Assets</b>                             |                             |               |
| <b>Current Assets</b>                     |                             |               |
| Pooled Cash and Investments               | \$ 3,447,485                | \$ 3,680,648  |
| Deposit                                   | 105,286                     | 112,274       |
| Loans Receivable–Current                  | 23,727                      | 27,325        |
| Federal Grant Receivable                  | 776,161                     | -             |
| Kent County Receivable                    | 101,233                     | -             |
| Rollback Taxes Receivable                 | 61,452                      | 137,647       |
|   | 4,515,344                   | 3,957,894     |
| <b>Total Current Assets</b>               | 4,515,344                   | 3,957,894     |
| <b>Noncurrent Assets</b>                  |                             |               |
| Loans Receivable, Less Current Portion    | 7,063,964                   | 7,085,023     |
|   | 7,063,964                   | 7,085,023     |
| <b>Total Assets</b>                       | \$ 11,579,308               | \$ 11,042,917 |
| <b>Liabilities and Fund Balance</b>       |                             |               |
| <b>Current Liabilities</b>                |                             |               |
| Accounts Payable                          | \$ 8,542                    | \$ 5,982      |
| Accrued Salaries and Related Costs        | 7,484                       | 7,510         |
|   | 16,026                      | 13,492        |
| <b>Total Current Liabilities</b>          | 16,026                      | 13,492        |
| <b>Total Liabilities</b>                  | 16,026                      | 13,492        |
| <b>Fund Balance</b>                       |                             |               |
| Restricted by Enabling Legislation        | 11,563,282                  | 11,029,425    |
|   | 11,563,282                  | 11,029,425    |
| <b>Total Liabilities and Fund Balance</b> | \$ 11,579,308               | \$ 11,042,917 |

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, 2018 and 2017**

|   | <b>2018</b>    | <b>2017</b>    |
|---|----------------|----------------|
| <b>Total Governmental Fund Balance</b>  | \$ 11,563,282  | \$ 11,029,425  |
| Amounts reported for governmental activities in the statement of net position are different because:  |                |                |
|   |                |                |
| Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation, as detailed in the footnotes, are included in the statement of net position.  | 239,663,018    | 236,170,279    |
|   |                |                |
| 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:   |                |                |
| Net Pension Liability   | (78,616)       | (75,390)       |
| Net Postemployment Benefits Liability   | (432,595)      | (440,394)      |
| Compensated Absences  | (14,833)       | (12,468)       |
|   |                |                |
| Deferred inflows and outflows related to the Foundation's net pension liability are based on differences between actual and expected investment returns, changes in the actuarially determined proportion of the Foundation's amount of the total pension liability and pension contributions made after the measurement date of the net pension liability. |                |                |
| Deferred Outflows–Pension Contributions   | 45,708         | 48,718         |
| Deferred Outflows–Postemployment Benefits Contributions   | 41,380         | 12,430         |
| Deferred Inflows  | (53,471)       | (2,744)        |
|   | \$ 250,733,873 | \$ 246,729,856 |
| <b>Total Net Position–Governmental Activities</b>   |                |                |

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, 2018 and 2017**

|  | <b>Special Revenue Fund</b> |                  |
|--|-----------------------------|------------------|
|  | <b>2018</b>                 | <b>2017</b>      |
| <b>Revenues</b>                              |                             |                  |
| Farmland Preservation                        | \$ 3,000,000                | \$ 2,500,000     |
| Pesticides Funds                             | 275,000                     | 275,000          |
| Federal Grant Revenue                        | 831,762                     | -                |
| Contributions from Conservation Organization | -                           | 384,345          |
| County Government Reimbursements             | 272,199                     | 116,125          |
| Young Farmers Contributed Easements          | -                           | 344,090          |
| Young Farmers Donations                      | -                           | 500              |
| Rollback Taxes                               | 61,741                      | 137,917          |
| On-Behalf Payments                           | 273,289                     | 266,796          |
| License Plate Income                         | 6,265                       | 7,315            |
| Earnings on Pooled Cash and Investments      | 9,057                       | 7,286            |
| Wilson Farm Lease Income                     | 13,401                      | 12,763           |
| FOIA Request Fees                            | -                           | 118              |
|  | <b>4,742,714</b>            | <b>4,052,255</b> |
| <b>Expenditures</b>                          |                             |                  |
| Farmland Preservation                        |                             |                  |
| Appraisals                                   | 135,225                     | 169,650          |
| Options and Negotiations                     | 44,000                      | 41,000           |
| Surveys                                      | 6,600                       | 7,050            |
|  | <b>185,825</b>              | <b>217,700</b>   |
| Young Farmers Grant                          |                             |                  |
| Easement Survey                              | -                           | 5,000            |
| Legal Fees                                   | 4,499                       | 10,754           |
| Appraisals                                   | 900                         | -                |
|  | <b>5,399</b>                | <b>15,754</b>    |

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, 2018 and 2017**

|                                       | <b>Special Revenue Fund</b> |                             |
|---------------------------------------|-----------------------------|-----------------------------|
|                                       | <b>2018</b>                 | <b>2017</b>                 |
| <b>Expenditures—Continued</b>         |                             |                             |
| Administrative                        |                             |                             |
| Contracts                             | \$ 5,134                    | \$ 4,780                    |
| Legal Fees                            | 76,074                      | 96,615                      |
| Wilson Farm Legal Fees                | 810                         | 67                          |
| Accounting and Auditing               | 37,517                      | 39,634                      |
| Office Expense                        | 3,876                       | 518                         |
| Computer Supplies                     | 145                         | -                           |
| Wilson Farm Property Maintenance      | -                           | 2,400                       |
| Salaries and Related Expenditures     | 400,512                     | 394,109                     |
|                                       | <u>524,068</u>              | <u>538,123</u>              |
| Total Administrative Expenditures     |                             |                             |
| Capital Outlay                        |                             |                             |
| Easements and Development Rights      | 3,492,077                   | 2,582,232                   |
| Equipment                             | 1,488                       | -                           |
|                                       | <u>3,493,565</u>            | <u>2,582,232</u>            |
| Total Capital Outlay                  |                             |                             |
|                                       | <u>4,208,857</u>            | <u>3,353,809</u>            |
| <b>Total Expenditures</b>             |                             |                             |
| <b>Net Change in Fund Balance</b>     | 533,857                     | 698,446                     |
| <b>Fund Balance—Beginning of Year</b> | <u>11,029,425</u>           | <u>10,330,979</u>           |
| <b>Fund Balance—End of Year</b>       | <u><u>\$ 11,563,282</u></u> | <u><u>\$ 11,029,425</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, 2018 and 2017**

|  | <b>2018</b>        | <b>2017</b>         |
|--|--------------------|---------------------|
| <b>Net Change in Fund Balances—Total Governmental Fund</b>   |                    |                     |
| Farmland Preservation, Young Farmers and Administrative Activities   | \$ 533,857         | \$ 698,446          |
| <br>Amounts reported for governmental activities in the statements of activities are different because:  |                    |                     |
| <br>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  | 3,493,565          | 2,582,232           |
| Depreciation   | (826)              | (383)               |
| <br>Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.   |                    |                     |
| Compensated Absences   | (2,365)            | (1,151)             |
| <br>Pension and 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.   |                    |                     |
| Pension Expense  | (3,226)            | (44,573)            |
| Net OPEB Adjustments   | (14,610)           | -                   |
| Changes in Deferred Outflows   | (3,010)            | 32,697              |
| Changes in Deferred Inflows of Resources   | 632                | 8,823               |
| <b>Change in Net Position of Governmental Activities</b>   | <b>\$4,004,017</b> | <b>\$ 3,276,091</b> |

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, 2018 and 2017**

**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 136<sup>th</sup> 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 1 member from the Senate and the Speaker of the House shall appoint 1 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 1 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 years ended June 30, 2018, and 2017, the General Assembly of the State provided funding for the Foundation under House Bill No. 225 of the 148<sup>th</sup> General Assembly in the amount of \$3,000,000 and \$2,500,000, respectively.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note A: Nature of Activities and Summary of Significant Policies—Continued**

*Nature of Activities—Continued*

For the years ended June 30, 2018 and 2017, the Delaware Department of Agriculture Pesticide Section provided \$275,000 to the Foundation to fund administrative costs.

**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.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note A: Nature of Activities and Summary of Significant Policies—Continued**

**Implementation of GASB Statement**—During the year ended June 30, 2018, the Foundation implemented Governmental Standards Board Statement No. 75 (GASBS No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*. This statement establishes accounting and financial reporting standards to improve the information provided by state and local governments about financial support for OPEB Plans. See Note O.

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

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

**Capital Assets, Depreciated**—The Foundation defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Provisions for depreciation are made over the estimated useful lives of the respective assets (generally five years for equipment) using the straight-line method. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized.

**Capital Assets, Not Depreciated**—Purchased easements and development rights are intangible capital assets and are recorded at their purchase price. In accordance with 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, 2018, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$239,663,018, \$11,070,855, and \$0, respectively. At June 30, 2017, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$236,170,279, \$10,559,577, and \$0, respectively.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note A: Nature of Activities and Summary of Significant Policies—Continued**

***Fund Balances/Net Position—Continued***

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, 2018 and 2017 totaled \$11,563,282 and \$11,029,425, respectively.

*Committed Fund Balance*—Amounts constrained to specific purposes by the Foundation itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Foundation takes the same highest level action to remove or change the constraint.

*Assigned Fund Balance*—Amounts the Foundation intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.

*Unassigned Fund Balance*—Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

***Estimates***—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and 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.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note A: Nature of Activities and Summary of Significant Policies—Continued**

***Compensated Absences—Continued***

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.

A reconciliation of compensated absences at June 30, 2018 is as follows:

|                       |    |        |
|-----------------------|----|--------|
| July 1, 2016          | \$ | 11,317 |
| Increase in Liability |    | 1,151  |
| June 30, 2017         |    | 12,468 |
| Increase in Liability |    | 2,365  |
| June 30, 2018         | \$ | 14,833 |

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, 2018.

***Deferred Inflows and Outflows of Resources***—In addition to assets, the statements of net position includes 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 includes 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 demonstrates the degree to which the direct

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**Notes to Financial Statements—Continued**  
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**Note A: Nature of Activities and Summary of Significant Policies—Continued**

*Government-Wide and Fund Financial Statements—Continued*—expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other revenues are not properly included among program revenues and are not included in these financial statements.

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

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

**Note B: Commitments and Contingencies**

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

**Note C: Pooled Cash and Investments**

As of June 30, 2018 and 2017, funding available to the Foundation through State sources consisted of \$3,447,485 and \$3,680,648, 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

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**Notes to Financial Statements—Continued**  
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**Note C: Pooled Cash and Investments—Continued**

*Cash Management Policy Board—Continued* - the terms, conditions, and other matters relating to the investment of all money belonging to the State except money in any State pension fund and money held under the State deferred compensation program.

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

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

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

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

Since the Foundation's pooled cash and investments are managed by the Office of the State Treasurer, the Foundation is unable to control compliance with the collateralization requirements or determine if these requirements have been met.

The policy is available on the Office of the State Treasurer website [www.treasurer.delaware.gov](http://www.treasurer.delaware.gov).

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**June 30, 2018 and 2017**

**Note D: Rollback Taxes**

Under the provisions of House Bill 200 of the 136<sup>th</sup> General Assembly and House Bill 630 of the 136<sup>th</sup> 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 136<sup>th</sup> 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 previous to the date of change in use. This sum of money is due and payable to the counties and is then directed by the counties to 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 \$61,452 and \$137,647 as of June 30, 2018 and 2017, 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 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, 2018 and 2017, as there were no material delinquent loan balances or loan defaults during the year.

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**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note E: Loans Receivable—Continued**

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

|            |                     |
|------------|---------------------|
| 2019       | \$ 23,727           |
| 2020       | 23,727              |
| 2021       | 23,727              |
| 2022       | 27,648              |
| 2023       | 31,569              |
| Thereafter | <u>6,957,293</u>    |
|            | <u>\$ 7,087,691</u> |

**Note F: Federal Grant Receivable**

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 the NRCS cost-share amount. During the year ended June 30, 2018, the Foundation had settled easements of which \$831,762 of the total purchase price was eligible for cost-share assistance. At June 30, 2018 \$55,601 of the \$831,762 had been received from NRCS. The remaining \$776,161 was received subsequent to June 30, 2018.

**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 \$8,542 and \$5,982 as of June 30, 2018 and 2017, respectively.

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**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note H: Capital Assets**

Capital assets activity was as follows for the years ended June 30, 2018 and 2017:

|                                 | 2018                  |                     |             | Ending<br>Balances    |
|---------------------------------|-----------------------|---------------------|-------------|-----------------------|
|                                 | Beginning<br>Balances | Increases           | Decreases   |                       |
| Capital Assets, Not Depreciated |                       |                     |             |                       |
| Easement and Development        |                       |                     |             |                       |
| Rights                          | \$ 236,169,701        | \$ 3,492,077        | \$ -        | \$ 239,661,778        |
| Capital Assets, Depreciated     |                       |                     |             |                       |
| Equipment                       | 106,570               | 1,488               | -           | 108,058               |
| Less: Accumulated               |                       |                     |             |                       |
| Depreciation                    | (105,992)             | (826)               | -           | (106,818)             |
| Total Equipment, Net            | 578                   | 662                 | -           | 1,240                 |
| Total Capital Assets, Net       | <u>\$ 236,170,279</u> | <u>\$ 3,492,739</u> | <u>\$ -</u> | <u>\$ 239,663,018</u> |
|                                 |                       |                     |             |                       |
|                                 | 2017                  |                     |             |                       |
|                                 | Beginning<br>Balances | Increases           | Decreases   | Ending<br>Balances    |
| Capital Assets, Not Depreciated |                       |                     |             |                       |
| Easement and Development        |                       |                     |             |                       |
| Rights                          | \$ 233,587,469        | \$ 2,582,232        | \$ -        | \$ 236,169,701        |
| Capital Assets, Depreciated     |                       |                     |             |                       |
| Equipment                       | 106,570               | -                   | -           | 106,570               |
| Less: Accumulated               |                       |                     |             |                       |
| Depreciation                    | (105,609)             | (383)               | -           | (105,992)             |
| Total Equipment, Net            | 961                   | (383)               | -           | 578                   |
| Total Capital Assets, Net       | <u>\$ 233,588,430</u> | <u>\$ 2,581,849</u> | <u>\$ -</u> | <u>\$ 236,170,279</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. The Plan prepares separate financial statements. All details of the Plan can be obtained

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**Note I: Pension Plan—Continued**

by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402 or by visiting <https://open.omb.delaware.gov/>.

Detailed information regarding this Plan is available in the Delaware Code and the Rules and Regulations of the Board of Pension Trustees. Certain significant Plan provisions include:

***Plan Description and Eligibility***—The State Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities. There are two tiers within this plan: 1) Employees hired prior to January 1, 2012 (Pre-2012) and 2) Employees hired on or after January 1, 2012 (Post-2011).

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

***Vesting***—Pre-2012 date of hire: 5 years of credited service. Post 2011 date of hire: 10 years of credited service.

***Retirement***—Pre-2012 data of hire: Age 62 with 5 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 5 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% of pension (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 (5) years of credited service, the eligible survivor receives 75% of the benefit the employee would have received at age 62.

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**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note I: Pension Plan—Continued**

*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.

*Employer Contributions*—Employer contributions are determined by the Board of Pension Trustees. For the years ended June 30, 2018 and 2017, the rate of the employer contribution was 11.52% and 10.69%, respectively, of covered payroll. The Foundation's employer contributions for the years ended June 30, 2018 and 2017 were \$11,060 and \$10,008, respectively. The Foundation's required contributions equaled actual contributions made for the years ended June 30, 2018 and 2017.

*Net Pension Liability and Expense*—As of June 30, 2018 and 2017, the Foundation reported a net pension liability of \$78,616 and \$75,390, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, 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, 2016 to June 30, 2017. At June 30, 2017 and 2016, the Foundation's proportion was 0.0054% and 0.0050%, respectively. Total pension cost for the years ended June 30, 2018 and 2017 amounted to \$11,060 and \$10,008, respectively.

*Deferred Outflows and Inflows of Resources*—At June 30, 2018, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows | Deferred<br>Inflows |
|---|----------------------|---------------------|
| Net Difference Between Projected and Actual Investment Earnings | \$ 9,191             | \$ -                |
| Net Difference Between Expected and Actual Experience           | 908                  | (1,386)             |
| Changes in Assumptions  | 15,447               | -                   |
| Changes in Proportion   | 9,102                | (726)               |
| Contributions Subsequent to the Date of Measurement             | 11,060               | -                   |
|   | <u>\$ 45,708</u>     | <u>\$ (2,112)</u>   |

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**June 30, 2018 and 2017**

**Note I: Pension Plan—Continued**

*Deferred Outflows and Inflows of Resources—Continued*

At June 30, 2017, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows</u> | <u>Deferred<br/>Inflows</u> |
|---|------------------------------|-----------------------------|
| Net Difference Between Projected and Actual Investment Earnings | \$ 23,497                    | \$ -                        |
| Net Difference Between Expected and Actual Experience           | -                            | (1,654)                     |
| Changes in Assumption   | 6,981                        | -                           |
| Changes in Proportion   | 8,232                        | (1,090)                     |
| Contributions Subsequent to the Date of Measurement             | <u>10,008</u>                | <u>-</u>                    |
|   | <u>\$ 48,718</u>             | <u>\$ (2,744)</u>           |

The amount of \$11,060 reported as deferred outflows of resources at June 30, 2018 represents 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, 2017 will be recognized in pension expense as follows for the years ending June 30:

|      |                  |
|------|------------------|
| 2019 | \$ 4,836         |
| 2020 | 12,736           |
| 2021 | 9,557            |
| 2022 | 1,812            |
| 2023 | <u>3,763</u>     |
|      | <u>\$ 32,704</u> |

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**June 30, 2018 and 2017**

**Note I: Pension Plan—Continued**

***Deferred Outflows and Inflows of Resources—Continued***

The following presents a summary of changes in the collective deferred inflows of resources and deferred outflows of resources for the year ended June 30, 2018:

|   | Measurement<br>Period<br>Ended<br>June 30 | Amortization<br>Period | Beginning<br>of Year<br>Balance | Additions         | Deductions         | End of Year<br>Balance |
|---|---|------------------------|---------------------------------|-------------------|--------------------|------------------------|
| <b>Deferred Inflows of Resources</b>  |   |                        |                                 |                   |                    |                        |
| Difference Between Expected<br>and Actual Experience                                      | 2017                                      | 6 Years                | \$ (1,654)                      | \$ (1,386)        | \$ 1,654           | \$ (1,386)             |
| Change in Proportion  | 2017                                      | 6 Years                | (1,090)                         | (726)             | 1,090              | (726)                  |
| Total Deferred Inflows of Resources   |   |                        | <u>\$ (2,744)</u>               | <u>\$ (2,112)</u> | <u>\$ 2,744</u>    | <u>\$ (2,112)</u>      |
| <b>Deferred Outflows of Resources</b>   |   |                        |                                 |                   |                    |                        |
| Contributions Subsequent<br>to Measurement Date   | 2017                                      | 1 Year                 | \$ 10,008                       | \$ 11,060         | \$ (10,008)        | \$ 11,060              |
| Change in Assumptions   | 2017                                      | 6 Years                | 6,981                           | 15,447            | (6,981)            | 15,447                 |
| Change in Proportion  | 2017                                      | 6 Years                | 8,232                           | 9,102             | (8,232)            | 9,102                  |
| <b>Net Difference Between Projected and Actual<br/>Experience</b>                         |   |                        |                                 |                   |                    |                        |
|   | 2017                                      | 6 Years                | -                               | 908               | -                  | 908                    |
| <b>Earnings on Pension Plan Investments</b>   |   |                        |                                 |                   |                    |                        |
|   | 2017                                      | 5 Years                | -                               | (16,153)          | 3,230              | (12,923)               |
|   | 2016                                      | 5 Years                | 29,283                          | -                 | (7,906)            | 21,377                 |
|   | 2015                                      | 5 Years                | 8,830                           | -                 | (3,179)            | 5,651                  |
|   | 2014                                      | 5 Years                | (14,616)                        | -                 | 9,702              | (4,914)                |
| Total Net Difference Between Projected and<br>Actual Earnings on Pension Plan Investments |   |                        | <u>23,497</u>                   | <u>(16,153)</u>   | <u>1,847</u>       | <u>9,191</u>           |
| Total Deferred Outflows of Resources  |   |                        | <u>\$ 48,718</u>                | <u>\$ 20,364</u>  | <u>\$ (23,374)</u> | <u>\$ 45,708</u>       |

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**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note I: Pension Plan—Continued**

*Deferred Outflows and Inflows of Resources—Continued*—The following presents a summary of changes in the collective deferred inflows of resources and deferred outflows of resources for the year ended June 30, 2017:

|   | Measurement<br>Period<br>Ended<br>June 30 | Amortization<br>Period | Beginning<br>of Year<br>Balance | Additions  | Deductions  | End of Year<br>Balance |
|---|---|------------------------|---------------------------------|------------|-------------|------------------------|
| Deferred Inflows of Resources   |   |                        |                                 |            |             |                        |
| Difference Between Expected<br>and Actual Experience                                      | 2016                                      | 6 Years                | \$ (691)                        | \$ (1,654) | \$ 691      | \$ (1,654)             |
| Change in Proportion  | 2016                                      | 6 Years                | (1,453)                         | (1,090)    | 1,453       | (1,090)                |
| Net Difference Between Projected and Actual<br>Earnings on Pension Plan Investments       |   |                        |                                 |            |             |                        |
|   | 2016                                      | 5 Years                | -                               | -          | -           | -                      |
|   | 2015                                      | 5 Years                | 10,899                          | -          | (10,899)    | -                      |
|   | 2014                                      | 5 Years                | (20,322)                        | -          | 20,322      | -                      |
| Total Net Difference Between Projected and<br>Actual Earnings on Pension Plan Investments |   |                        | (9,423)                         | -          | 9,423       | -                      |
| Total Deferred Inflows of Resources   |   |                        | \$ (11,567)                     | \$ (2,744) | \$ 11,567   | \$ (2,744)             |
| Deferred Outflows of Resources  |   |                        |                                 |            |             |                        |
| Contributions Subsequent<br>to Measurement Date   | 2016                                      | 1 Year                 | \$ 9,140                        | \$ 10,008  | \$ (9,140)  | \$ 10,008              |
| Change in Assumptions   | 2016                                      | 6 Years                | -                               | 6,981      | -           | 6,981                  |
| Change in Proportion  | 2016                                      | 6 Years                | 6,881                           | 8,232      | (6,881)     | 8,232                  |
| Net Difference Between Projected and<br>Actual Earnings on Pension Plan Investments       |   |                        |                                 |            |             |                        |
|   | 2016                                      | 5 Years                | -                               | 36,604     | (7,321)     | 29,283                 |
|   | 2015                                      | 5 Years                | -                               | 11,773     | (2,943)     | 8,830                  |
|   | 2014                                      | 5 Years                | -                               | -          | (14,616)    | (14,616)               |
| Total Net Difference Between Projected and<br>Actual Earnings on Pension Plan Investments |   |                        | -                               | 48,377     | (24,880)    | 23,497                 |
| Total Deferred Outflows of Resources  |   |                        | \$ 16,021                       | \$ 73,598  | \$ (40,901) | \$ 48,718              |

**State of Delaware**  
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**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note I: Pension Plan—Continued**

*Actuarial Assumptions*—The total pension liability on the June 30, 2017 and 2016 measurement dates were determined by an actuarial valuation as of June 30, 2016 and 2015, respectively, with updated procedures used to roll forward the total pension liability to June 30, 2017 and 2016.

*Investment Return*—7.0%, includes inflation at 2.5%, as of June 30, 2017.  
7.2%, includes inflation at 2.5%, as of June 30, 2016.

*Salary Increases*—2.5% plus merit, includes inflation at 2.5%, as of June 30, 2017 and 2016.

Mortality rates were as follows: As of June 30, 2017 and 2016: 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, 2017, 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<br>Expected Rate<br>of Return | Target Asset<br>Allocation |
|-------------------------|---|----------------------------|
| Domestic Equity         | 5.70%                                   | 33.5%                      |
| International Equity    | 5.70%                                   | 13.7%                      |
| Fixed Income            | 2.00%                                   | 26.6%                      |
| Alternative Investments | 7.80%                                   | 22.7%                      |
| Cash and Equivalents    | 0.00%                                   | 3.5%                       |

**State of Delaware**  
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**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note I: Pension Plan—Continued**

**Discount Rate**—The discount rate used to measure the total pension liability was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in Fiscal Year 2017. 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, 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<br>Discount Rate | 1% Increase |
|---------------|-------------|--------------------------|-------------|
| June 30, 2018 | \$ 142,516  | \$ 78,616                | \$ 25,282   |
| June 30, 2017 | \$ 131,037  | \$ 75,390                | \$ 28,606   |

**Pension Plan Fiduciary Net Position**—Detailed information about the Delaware Public Employees' Retirement System (DPERS) fiduciary net position is available in the DPERS Comprehensive Annual Financial Report which can be obtained from the pension office at McArdle Building, Suite 41, 860 Silver Lake Boulevard, Dover, Delaware, 19904-2402 or by visiting <https://open.omb.delaware.gov/>.

**Note J: Other Postemployment Benefits Plan (OPEB)**

**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.

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**June 30, 2018 and 2017**

**Note J: Other Postemployment Benefits Plan (OPEB)—Continued**

*Plan Description—Continued*

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 Plan in effect as of June 30, 2017. For a more complete description, please refer to the State of Delaware's Consolidated Annual Financial Report available online at <https://accounting.delaware.gov>

*Summary of Significant Accounting Policies*—The Foundation's employees are covered under the State of Delaware Other Postemployment Benefits 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*—During the fiscal year ended June 30, 2017, the State provided health insurance options through several providers.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note J: Other Postemployment Benefits Plan (OPEB)—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<br>and December 31, 2006 |   | After January 1, 2007 |   |
|---|---|-----------------------|---|
| Years of<br>Service                           | Percent of<br>Premium Paid<br>by Employer | Years of<br>Service   | Percent of<br>Premium Paid<br>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. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, 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 2018, the Foundation’s contribution was 9.20% of covered payroll and totaled \$11,704. For fiscal year 2017, the Foundation’s contribution was 11.05% of covered payroll and totaled \$12,430.

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, 2018 and 2017**

**Note J: Other Postemployment Benefits Plan (OPEB)—Continued**

*Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*—As of June 30, 2018 and 2017, the Foundation reported a liability of \$432,595 and \$440,394, respectively, for its proportionate share of the net OPEB liability. The collective total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total OPEB liability to June 30, 2017. 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, 2018 and 2017, the Foundation's proportion was 0.0052% and 0.0048%, respectively.

For the year ended June 30, 2018, the Foundation recognized OPEB expense of \$26,313. As of June 30, 2018, the Foundation reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Net Difference Between Projected and Actual Earnings<br>on Plan Investments | \$ -  | \$ 856                                       |
| Changes of Assumptions  | -   | 50,503                                       |
| Changes in the Proportion   | 29,676  | -  |
| Contributions   | 11,704  | -  |
|   | <u>\$ 41,380</u>                              | <u>\$ 51,359</u>                             |

As of June 30, 2017, the Foundation reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

|               | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---------------|---|--|
| Contributions | \$ 12,430                                     | \$ -   |

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note J: Other Postemployment Benefits Plan (OPEB)—Continued**

*Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—Continued*

The Foundation's share of net deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending<br>June 30 |                         |
|------------------------|-------------------------|
| 2019                   | \$ 5,369                |
| 2020                   | 5,369                   |
| 2021                   | 5,369                   |
| 2022                   | 5,369                   |
| 2023                   | 5,153                   |
| Thereafter             | <u>(4,946)</u>          |
|                        | <u><u>\$ 21,683</u></u> |

*Actuarial Assumptions* - The collective total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total OPEB liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions for June 30, 2017 and 2016 measurements:

- Actuarial Cost Method - Entry Age Normal
- Investment Rate of Return - 3.75%
- Discount Rate - 3.58% and 2.85%, respectively
- Projected Salary Increases - 3.25% plus merit
- Healthcare Cost Trend Rate - 7.00% decreasing 0.2% per year to 4% in 2032. (June 30, 2016 rate not available)

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.

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**Note J: Other Postemployment Benefits Plan (OPEB)—Continued**

*Actuarial Assumptions—Continued*

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.

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, 2017 and 2016 are summarized in the following table:

| Asset Class          | Long-Term<br>Expected Real<br>Rate of Return | Target<br>Asset<br>Allocation |
|----------------------|--|-------------------------------|
| Domestic Equity      | 3.75%  | 36.7%                         |
| International Equity | 3.75%  | 19.2%                         |
| Fixed Income         | 3.75%  | 38.1%                         |
| Cash and Equivalents | 0.0%   | 6.0%                          |

The discount rate used to measure the total OPEB liability was 2.85% at the beginning of the current measurement period and 3.58% 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, 2017 and 2016 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, 2018 and 2017**

**Note J: Other Postemployment Benefits Plan (OPEB)—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%<br>Decrease<br>2.58% | Current<br>Discount<br>Rate 3.58% | 1%<br>Increase<br>4.58% |
|-------------------------|-----------------------------------|-------------------------|
| <u>\$ 518,700</u>       | <u>\$ 432,595</u>                 | <u>\$ 365,497</u>       |

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*—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%<br>Decrease<br>6.00% | Current<br>Trend Rate<br>7.00% | 1%<br>Increase<br>8.00% |
|-------------------------|--------------------------------|-------------------------|
| <u>\$ 366,276</u>       | <u>\$ 432,595</u>              | <u>\$ 513,830</u>       |

**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, 2018 and 2017**

**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 5 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, 2018 and 2017 were \$3,447,485 and \$3,680,648, respectively.

**Note L: Operating Lease-Lessor**

The Foundation has leased a parcel of its farmland located in Sussex County through February 2020.

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.

As of June 30, 2018, future minimum rental payments to be received in accordance with the above leases are as follows for the years ending June 30:

|      |           |
|------|-----------|
| 2019 | \$ 19,024 |
| 2020 | 14,943    |
| 2021 | 5,729     |
| 2022 | 5,901     |
|      | <hr/>     |
|      | \$ 45,597 |
|      | <hr/>     |

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Financial Statements—Continued**  
**June 30, 2018 and 2017**

**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, 2018 and 2017 totaled \$273,289 and \$266,796, 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.

**Note O: Implementation of New Pronouncement**

For the year ended June 30, 2018, the Foundation has implemented Governmental Standards Board Statement No. 75 (GASBS No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes accounting and financial reporting standards to improve the information provided by state and local governments about financial support for OPEB Plans.

The Foundation's net position, OPEB liability, and deferred outflows of the government-wide statement of net position as of June 30, 2017 has been restated to reflect this implementation as follows:

|  | Deferred<br>Outflow -<br>Contributions | Net<br>OPEB<br>Liability | Restricted<br>Net Position | Total<br>Net Position       |
|--|--|--------------------------|----------------------------|-----------------------------|
| June 30, 2017 - Governmental<br>Balances - as Previously Reported<br>State of Delaware OPEB Plan | \$ -<br>(12,430)                       | \$ -<br>440,394          | \$ 10,987,541<br>(427,964) | \$ 247,157,820<br>(427,964) |
| June 30, 2017 - Governmental<br>Balances - as Restated   | <u>\$ (12,430)</u>                     | <u>\$ 440,394</u>        | <u>\$ 10,559,577</u>       | <u>\$ 246,729,856</u>       |

## **Required Supplementary Information**

**State of Delaware**  
**Delaware Agricultural Lands Preservation Foundation**  
**Budgetary Comparison Schedule—Contractual Fund**  
**Budget to Actual\***  
**Year Ended June 30, 2018**

|                                       | <u>Budget</u>     | <u>Actual<br/>Amounts</u> | <u>Variance<br/>with Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|-------------------|---------------------------|---|
| <b>Revenues</b>                       |                   |                           |   |
| Farmland Preservation                 | \$ 3,000,000      | \$ 3,000,000              | \$ -  |
| Federal Grant                         | -                 | 831,762                   | 831,762   |
| Pesticides Funds                      | 110,000           | 110,000                   | -   |
| County Government Reimbursements      | -                 | 272,199                   | 272,199   |
| Rollback Taxes                        | -                 | 61,741                    | 61,741  |
| License Plate Income                  | -                 | 6,265                     | 6,265   |
| Interest Income                       | -                 | 9,057                     | 9,057   |
| Wilson Farm Lease Income              | -                 | 13,401                    | 13,401  |
| <b>Total Revenues</b>                 | <u>3,110,000</u>  | <u>4,304,425</u>          | <u>1,194,425</u>  |
| <b>Expenditures</b>                   |                   |                           |   |
| Farmland Preservation                 | 2,500,000         | 3,677,902                 | (1,177,902)   |
| Young Farmers                         | -                 | 5,399                     | (5,399)   |
| Legal Fees                            | 110,000           | 76,884                    | 33,116  |
| <b>Total Expenditures</b>             | <u>2,610,000</u>  | <u>3,760,185</u>          | <u>(1,150,185)</u>  |
| <b>Net Change in Fund Balance</b>     | <u>\$ 500,000</u> | 544,240                   | <u>\$ 44,240</u>  |
| <b>Fund Balance—Beginning of Year</b> |                   | <u>10,802,172</u>         |   |
| <b>Fund Balance—End of Year</b>       |                   | <u>\$ 11,346,412</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, 2018**

|                                       | <u>Budget</u>  | <u>Actual<br/>Amounts</u> | <u>Variance<br/>with Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|----------------|---------------------------|---|
| <b>Revenues</b>                       |                |                           |   |
| On-Behalf Payments                    | \$ -           | \$ 273,289                | \$ 273,289  |
| Pesticide Funds                       | 165,000        | 165,000                   | -   |
| <b>Total Revenues</b>                 | <u>165,000</u> | <u>438,289</u>            | <u>273,289</u>  |
| <b>Expenditures</b>                   |                |                           |   |
| Salaries and Related Expenditures     | 107,700        | 400,512                   | (292,812)   |
| Accounting and Auditing               | 37,000         | 37,517                    | (517)   |
| Capital                               | 5,000          | 1,488                     | 3,512   |
| Office Expense                        | 9,300          | 4,021                     | 5,279   |
| Contracts                             | 6,000          | 5,134                     | 866   |
| <b>Total Expenditures</b>             | <u>165,000</u> | <u>448,672</u>            | <u>(283,672)</u>  |
| <b>Net Change in Fund Balance</b>     | <u>\$ -</u>    | <u>(10,383)</u>           | <u>\$ (10,383)</u>  |
| <b>Fund Balance—Beginning of Year</b> |                | <u>227,253</u>            |   |
| <b>Fund Balance—End of Year</b>       |                | <u>\$ 216,870</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.

**Delaware Agricultural Lands Preservation Foundation**  
**Notes to the Required Supplementary Information**  
**Budgetary Reporting**  
**June 30, 2018**

**Note A: Budgetary Basis vs. Generally Accepted Accounting Principles (GAAP)**

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

The contractual fund budget consists of \$3,000,000 in funds appropriated by the State to be used for the preservation of agricultural lands within the State and \$110,000 provided by the Department of Agriculture Pesticides Section. \$600,000 of the \$3,000,000 in funds were available to be used to provide loans to farmers aged 40 or younger seeking to acquire their own farms.

The operating fund budget consists of \$165,000 in funds provided by the Delaware Department of Agriculture (DDA) Pesticides Section to be used for administrative purposes, such as personnel costs.

Because the funds are used for different purposes, the Foundation creates two separate budgets. Together, the budgets encompass the \$3,275,000 in State funds received during fiscal year 2018 and are included in the special revenue fund in the financial statements.

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

|  | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|-------------------|
| <b>Proportionate Share of the Net Pension Liability</b>  |                   |                   |                   |
| Actuarial Valuation Date   | June 30, 2017     | June 30, 2016     | June 30, 2015     |
| Foundation's Proportion of the Net Pension Liability   | 0.0054%           | 0.0050%           | 0.0046%           |
| Foundation's Proportion of the Net Pension Liability—Dollar Value  | \$ 78,616         | \$ 75,390         | \$ 9,423          |
| Foundation's Covered Employee Payroll  | \$ 127,223        | \$ 112,455        | \$ 107,972        |
| Foundation's Proportionate Share of the Net Pension Liability<br>as a Percentage of its Covered Employee Payroll | 61.79%            | 67.04%            | 8.73%             |
| Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability                                     | 85.31%            | 84.11%            | 92.69%            |
| <b>Contributions</b>   |                   |                   |                   |
| Contractually Required Contributions   | \$ 11,060         | \$ 10,008         | \$ 9,140          |
| Contributions in Relation to the Contractually Required Contributions  | <u>\$ 11,060</u>  | <u>\$ 10,008</u>  | <u>\$ 9,140</u>   |
| Contribution Excess (Deficit)  | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| Foundation's Covered Employee Payroll  | <u>\$ 127,223</u> | <u>\$ 112,455</u> | <u>\$ 107,972</u> |
| Contributions as a Percentage of Covered Employee Payroll  | <u>8.69%</u>      | <u>8.90%</u>      | <u>8.47%</u>      |

In accordance with GASB Statement No. 67 and 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>2018</u>  | <u>2017</u>       |
|---|--|-------------------|
| <b>Proportionate Share of the Net OPEB Liability</b>  |  |                   |
| Actuarial Valuation Date  | June 30, 2016 with update<br>procedures used to roll forward<br>the total OPEB liability to June<br>30, 2017 |                   |
| Foundation's Proportion of the Net OPEB Liability   | 0.0052%  | 0.0048%           |
| Foundation's Proportion of the Net OPEB Liability—Dollar Value  | \$ 432,595   | \$ 440,394        |
| Foundation's Covered Employee Payroll   | \$ 127,223   | \$ 127,313        |
| Foundation's Proportionate Share of the Net OPEB Liability<br>as a Percentage of its Covered Employee Payroll | 340.03%  | 345.91%           |
| Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability                                     | 4.13%  | 3.30%             |
| <b>Contributions</b>  |  |                   |
| Contractually Required Contributions  | \$ 11,704  | \$ 12,430         |
| Contributions in Relation to the Contractually Required Contributions   | <u>\$ 11,704</u>   | <u>\$ 12,430</u>  |
| Contribution Excess (Deficit)   | <u>\$ -</u>  | <u>\$ -</u>       |
| Foundation's Covered Employee Payroll   | <u>\$ 127,223</u>  | <u>\$ 127,313</u> |
| Contributions as a Percentage of Covered Employee Payroll   | <u>9.20%</u>   | <u>9.76%</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.



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***Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***

To the Management 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, 2018, 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 5, 2018.

***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) to determine the 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 Agricultural 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***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 5, 2018  
Wilmington, Delaware



***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, 2018. 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 Agricultural 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, 2018.

### ***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 Agricultural 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 5, 2018  
Wilmington, Delaware

**Delaware Agriculture Lands Preservation Foundation**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program Title</b>             | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> | <b>Expenditures to<br/>Subrecipients</b> |
|---|------------------------------------|---------------------|--|
| <b>Direct Programs</b>  |                                    |                     |  |
| <u>Department of Agriculture - Natural Resources Conservation Service</u> |                                    |                     |  |
| Agriculture Conservation Easement<br>Program (ACEP)                       | 10.931                             | \$ 831,762          | \$ -                                     |

**Delaware Agricultural Lands Preservation Foundation**  
**Notes to Schedule of Expenditure of Federal Awards**  
**June 30, 2018**

**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, 2018. 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, 2018**

**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> | <u>Name of Federal Program or Cluster</u> |
| 10.931                | Agricultural Conservation Easement        |

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