

DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

Financial Statement Audit
Fiscal Years 2020 and 2021

Kathleen K. McGuinness, RPh, CFE
DELAWARE STATE AUDITOR



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

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

June 30, 2021 and 2020



KATHLEEN
McGUINNESS
DELAWARE
STATE AUDITOR

*Delaware Agricultural Lands
Preservation Foundation
Financial Statement Audit
Fiscal Years 2020 and 2021*

What Was Performed? A financial statement audit of the Delaware Agriculture Lands Preservation Foundation for the fiscal years ended June 30, 2020 and 2021.

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

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

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

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

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

What Was Found? It is my pleasure to report this audit contained an unmodified opinion.¹

The audited financial statements of Delaware Agricultural Lands Preservation Foundation for Fiscal Years 2020 and 2021 can be found on our website auditor.delaware.gov.

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen McGuinness at Kathleen.Mcguinness@delaware.gov.

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

Delaware Agricultural Lands Preservation Foundation
Table of Contents
June 30, 2021 and 2020

	Page No.
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statements of Net Position	17
Statements of Activities	18
<i>Fund Financial Statements</i>	
Balance Sheets	21
Reconciliation of Balance Sheets to Statements of Net Position	22
Statements of Revenues, Expenditures, and Changes in Fund Balance	23
Reconciliation of the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance to the Statements of Activities	25
<i>Notes to Financial Statements</i>	27
<i>Required Supplementary Information</i>	
Budgetary Comparison Schedule - Contractual Fund	50
Budgetary Comparison Schedule - Operating Fund	51
Notes to Required Supplementary Information	52
Schedule of Proportionate Share of the Net Pension Liability and Contributions	53
Schedule of Proportionate Share of the Net OPEB Liability and Contributions	54
<i>Report Required by Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
<i>Single Audit</i>	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	57
Schedule of Expenditures of Federal Awards	60
Notes to Schedule of Expenditures of Federal Awards	61
Schedule of Findings and Questioned Costs	62



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

Independent Auditors' Report

To the Management
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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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
Delaware Department of Agriculture
Delaware Agricultural Lands Preservation Foundation
State of Delaware

Auditors' Responsibility - Continued

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Foundation as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, the budgetary comparison schedules and related notes on pages 50 through 52, and the schedules of proportionate share of the net pension and other postemployment benefit (OPEB) liabilities and contributions on pages 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

December 22, 2021
Wilmington, Delaware

Management's Discussion and Analysis

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis
June 30, 2021 and 2020

Our discussion and analysis of the Delaware Agricultural Lands Preservation Foundation's (Foundation) financial performance provides an overview of the Foundation's financial activities for the years ended June 30, 2021 (Fiscal Year 2021) and 2020 (Fiscal Year 2020).

Financial Highlights

For the year ended June 30, 2021, the Foundation's assets and deferred outflows increased by \$10,199,357 to \$284,033,901 from \$273,834,544. For the year ended June 30, 2020, the Foundation's assets and deferred outflows increased by \$11,689,386 to \$273,834,544 from \$262,145,158.

For the year ended June 30, 2021, the Foundation's net position increased by \$10,098,392 to \$283,344,538 from \$273,246,146. For the year ended June 30, 2020, total net position increased by \$11,693,761 to \$273,246,146 from \$261,552,385.

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, 2021 and 2020, are taken into consideration regardless of when cash is received or paid.

Reporting the Foundation's Most Significant Funds

Fund Financial Statements - All of the Foundation's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the end of the fiscal year available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Foundation's general government operations and the basic services it provides.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Reporting the Foundation's Most Significant Funds - Continued

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

Entity-Wide Financial Analysis

A comparative net position analysis of the years ended June 30, 2021, 2020, and 2019, follows:

	Net Position		
	Governmental Activities		
	2021	2020	2019
Current Assets			
Pooled Cash and Investments	\$ 9,379,549	\$ 15,020,044	\$ 10,382,690
Loans Receivable - Current	23,727	23,727	23,727
Federal Grant Receivable	2,426,939	649,575	348,498
Kent County Receivable	-	100,000	34,611
Rollback Taxes Receivable	129,581	37,934	26,136
Total Current Assets	11,959,796	15,831,280	10,815,662
Noncurrent Assets			
Capital Assets, Not Depreciated	264,229,706	250,369,961	243,518,715
Capital Assets, Depreciated	108,058	108,058	108,058
Less: Depreciation	107,791	107,612	107,314
Total Capital Assets, Depreciated	267	446	744
Loans Receivable, Less Current Portion	7,694,092	7,556,791	7,741,599
Total Noncurrent Assets	271,924,065	257,927,198	251,261,058
Total Assets	283,883,861	273,758,478	262,076,720
Deferred Outflows	150,040	76,066	68,438
Total Assets and Deferred Outflows	\$ 284,033,901	\$ 273,834,544	\$ 262,145,158

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Entity-Wide Financial Analysis - Continued

Net Position - Continued

	Governmental Activities		
	2021	2020	2019
Current Liabilities			
Accounts Payable	\$ 12,196	\$ 10,611	\$ 4,248
Accrued Salaries and Related Costs	3,151	3,153	10,741
Total Current Liabilities	15,347	13,764	14,989
Noncurrent Liabilities			
Compensated Absences	9,774	7,082	15,060
Net Postemployment Benefits Liability	462,655	339,451	427,793
Net Pension Liability	63,992	68,132	69,041
Total Noncurrent Liabilities	536,421	414,665	511,894
Total Liabilities	551,768	428,429	526,883
Deferred Inflows	137,595	159,969	65,890
Net Position			
Invested in Capital Assets	264,229,973	250,370,407	243,519,459
Restricted by Enabling Legislation	19,114,565	22,875,739	18,032,926
Total Net Position	283,344,538	273,246,146	261,552,385
Total Liabilities, Deferred Inflows, and Net Position	\$ 284,033,901	\$ 273,834,544	\$ 262,145,158

At the close of the year ended June 30, 2021, the Foundation's assets exceeded its liabilities by \$283,332,093. At the close of the year ended June 30, 2020, the Foundation's assets exceeded its liabilities by \$273,330,049. 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, 2021 and 2020 consisted of legal fees for the month of June. During the years ended June 30, 2021 and 2020, the majority of the Foundation's monthly fees were paid out of funds received by the State of Delaware (State).

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Entity-Wide Financial Analysis - Continued

For the year ended June 30, 2021, total capital assets, net of depreciation, increased by \$13,859,566 to \$264,229,973 from \$250,370,407. For the year ended June 30, 2020, total capital assets, net of depreciation, increased by \$6,850,948 to \$250,370,407 from \$243,519,459.

For the year ended June 30, 2021, pooled cash and investments decreased by \$5,640,495 to \$9,379,549 from \$15,020,044. For the year ended June 30, 2020, pooled cash and investments increased by \$4,637,354 to \$15,020,044 from \$10,382,690.

For the year ended June 30, 2021, pension and OPEB deferred outflows increased by \$73,974 to \$150,040 from \$76,066. Net pension and OPEB liability increased by \$119,064 to \$526,647 from \$407,583. Pension and OPEB deferred inflows decreased by \$22,374 to \$137,595 from \$159,969. For the year ended June 30, 2020, pension and OPEB deferred outflows increased by \$7,628 to \$76,066 from \$68,438. Net pension and OPEB liability decreased by \$89,251 to \$407,583 from \$496,834. Pension and OPEB deferred inflows increased by \$94,079 to \$159,969 from \$65,890.

Beginning in fiscal year 2012, a new program known as the Young Farmers Program was created by the State to provide loans to farmers aged 40 or younger seeking to acquire their own farms. During the years ended June 30, 2021 and 2020, loans issued totaled \$161,028 and \$258,836, respectively. Loan collections totaled \$23,727 and \$443,644 during the years ended June 30, 2021 and 2020, respectively.

The State created a Forestland Preservation Program through legislation in fiscal year 2006. It received \$1,000,000 of State funds during fiscal year 2008, and seven Forestland Preservation easements were purchased. No additional State funds were allocated to the program until fiscal years 2019. In fiscal years 2021 and 2020, the Bond Bill Epilogue stated that the Foundation may use up to \$500,000 and \$1,000,000, respectively, of Farmland Preservation funding for the Forestland Preservation Program. Four properties in Round 25 were selected for Forestland Preservation easements in fiscal year 2021 and are expected to be purchased during fiscal year 2022.

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Entity-Wide Financial Analysis - Continued

easements of which \$84,938, \$401,587, and \$831,762 of the total purchase price was eligible for cost-share assistance under the award during the years ended June 30, 2020, 2019, and 2018, respectively. As of June 30, 2020, all cost-share assistance funds have been expended under this grant.

On September 12, 2018, the Foundation was awarded a \$1,366,663 federal grant from the NRCS. Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,366,663 for the acquisition of agricultural land easements. During the years ended June 30, 2020 and 2019, the Foundation settled easements of which \$1,119,380 and \$181,613, respectively, of the total purchase price was eligible for cost-sharing assistance under the award. The above settlements satisfied the terms of the award, and no further cost-share assistance is available.

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

During the years ended June 30, 2021 and 2020, the Foundation settled easements of which \$3,649,851 and \$843,633, respectively, of the total purchase price was eligible for cost-share assistance under the terms of the agreement. As of June 30, 2021, total cost-share assistance made available under the terms of the agreement totaled \$4,493,484.

The Foundation expects to receive \$1,800,000 in cost-share assistance under the terms of the agreement for easements selected in June 2021 during Round 25 that will settle subsequent to fiscal year 2021.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Entity-Wide Financial Analysis - Continued

Changes in Net Position

	Governmental Activities		
	2021	2020	2019
Revenues			
General Revenues			
Earnings on Pooled Cash and Investments	\$ 20,444	\$ 33,518	\$ 16,680
On-Behalf Payments	204,947	226,420	250,954
Rollback Taxes	130,304	38,376	26,389
License Plate Income	9,065	5,285	5,530
Wilson Farm Lease Income	15,513	14,775	14,071
Silver Run Easement	-	-	125,000
Donations	-	-	525
Legal Fees Refund	3,308	20	-
Program Revenues			
Operating Grants and Contributions - State	5,048,621	10,037,578	10,000,000
Operating Grants and Contributions - County Governments	1,738,136	65,389	519,949
Capital Grants and Contributions	3,738,274	2,176,874	843,672
Total Revenues	10,908,612	12,598,235	11,802,770
Expenses			
Current			
Farmland Preservation	258,435	231,483	358,196
Young Farmers	3,142	6,873	5,799
Administrative Services			
Operating Services	396,826	446,774	508,547
Contractual Services	151,991	138,344	111,716
Total Current	810,394	823,474	984,258
Intergovernmental			
Transfer of Resources to/(from) Facilities Management	(174)	81,000	-
Total Expenses	810,220	904,474	984,258
Changes in Net Position	\$ 10,098,392	\$ 11,693,761	\$ 10,818,512

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Governmental Activities

Earnings on pooled cash and investments decreased to \$20,444 for the year ended June 30, 2021, from \$33,518 for the year ended June 30, 2020, due primarily to an decrease in cash on hand and interest rates.

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

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, 2021, the Foundation received and recognized as revenue \$1,738,136 in county reimbursements for easements purchased in Round 24 and 23. For the years ended June 30, 2020 and 2019, the Foundation received \$65,389 and \$519,949, respectively, in county reimbursements for easements purchased in Round 22.

Rollback taxes are assessed on land which has been valued, assessed, and taxed as agricultural land, but has been used for purposes other than farming. A portion of these taxes go to the school district in which the property is located, and the Foundation receives the remainder less 7.5% paid to the county in which the property is located. Rollback tax revenue increased to \$130,304 for the year ended June 30, 2021, from \$38,376 for the year ended June 30, 2020. Rollback tax revenue increased to \$38,376 for the year ended June 30, 2020 from \$26,389 for the year ended June 30, 2019. 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 increased to \$9,065 for the year ended June 30, 2021, from \$5,285 for the year ended June 30, 2020. License plate income decreased to \$5,285 for the year ended June 30, 2020, from \$5,530 for the year ended June 30, 2019.

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Governmental Activities - Continued

For the year ended June 30, 2020, the Foundation received \$10,000,000 in grant funding from the State bond bill, of which up to \$3,000,000 could be utilized for the Young Farmers Program, and of which \$1,000,000 could be utilized for the Delaware Forestland Preservation Program. In addition, the Foundation received \$37,578 during the year ended June 30, 2020, from the State's operating budget for personnel expenses.

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

On September 12, 2018, the Foundation was awarded a \$1,366,663 federal grant from the NRCS. Under the terms of the grant, NRCS will make cost-share assistance available up to \$1,366,663 for the acquisition of agricultural land easements. During the years ended June 30, 2020 and 2019, the Foundation settled easements of which \$1,119,380 and \$181,613, respectively, of the total purchase price was eligible for cost-sharing assistance under the award. The above settlements satisfied the terms of the award, and no further cost-share assistance is available.

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

During the years ended June 30, 2021 and 2020, the Foundation settled easements of which \$3,649,851 and \$843,633, respectively, of the total purchase price was eligible for cost-share assistance under the terms of the agreement. As of June 30, 2021, total cost-share assistance made available under the terms of the agreement totaled \$4,493,484.

The Foundation expects to receive \$1,800,000 in cost-share assistance under the terms of the agreement for easements selected in June 2021 during Round 25.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Governmental Activities - Continued

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

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

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, 2021, 2020, and 2019, totaled \$204,947, \$226,420, and \$250,954, respectively.

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Governmental Funds

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues			
State of Delaware - Farmland Preservation	\$ 5,048,621	\$ 10,037,578	\$ 10,000,000
Federal Grant	1,872,487	1,398,376	843,672
County Government Reimbursements	1,738,136	65,389	519,949
Young Farmers Contributed Easements	88,423	128,923	-
Rollback Taxes	130,304	38,376	26,389
Silver Run Easement	-	-	125,000
On-Behalf Payments	204,947	226,420	250,954
License Plate Income	9,065	5,285	5,530
Earnings on Pooled Cash and Investments	20,444	33,518	16,680
Wilson Farm Lease Income	15,513	14,775	14,071
Donations	-	-	525
Legal Fee Refunds	3,308	20	-
Total Revenues	<u>9,131,248</u>	<u>11,948,660</u>	<u>11,802,770</u>
Expenses			
Current			
Farmland Preservation	258,435	231,483	358,196
Administrative Services			
Operating Services	371,239	457,254	491,470
Contractual Services	151,991	138,344	111,378
Young Farmers	3,142	6,873	5,799
Total Current	<u>784,807</u>	<u>833,954</u>	<u>966,843</u>
Capital Outlays			
Property	13,859,745	6,851,246	3,856,937
Total Capital Outlays	<u>13,859,745</u>	<u>6,851,246</u>	<u>3,856,937</u>
Intergovernmental			
Transfer of Resources to Facilities Management	(174)	81,000	-
Total Expenses	<u>14,644,378</u>	<u>7,766,200</u>	<u>4,823,780</u>
Net Change in Fund Balances	(5,513,130)	4,182,460	6,978,990
Fund Balances - Beginning of Year	<u>22,724,732</u>	<u>18,542,272</u>	<u>11,563,282</u>
Fund Balances - End of Year	<u>\$ 17,211,602</u>	<u>\$ 22,724,732</u>	<u>\$ 18,542,272</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Management's Discussion and Analysis - Continued
June 30, 2021 and 2020

Governmental Funds - Continued

Overall, for the Special Revenue Fund, expenses exceeded revenue in Fiscal Year 2021, resulting in a \$5,513,130 decrease in fund balance.

Overall, for the Special Revenue Fund, revenues exceeded expenses in Fiscal Year 2020, resulting in a \$4,182,460 increase in fund balance.

Requests for Information

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

Government-Wide Financial Statements

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Statements of Net Position
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Assets and Deferred Outflows		
Current Assets		
Pooled Cash and Investments	\$ 9,379,549	\$ 15,020,044
Loans Receivable - Current	23,727	23,727
Federal Grant Receivable	2,426,939	649,575
Kent County Receivable	-	100,000
Rollback Taxes Receivable	129,581	37,934
Total Current Assets	11,959,796	15,831,280
Noncurrent Assets		
Capital Assets, Not Depreciated	264,229,706	250,369,961
Capital Assets, Depreciated	108,058	108,058
Less: Depreciation	107,791	107,612
Total Capital Assets, Depreciated	267	446
Loans Receivable, Less Current Portion	7,694,092	7,556,791
Total Noncurrent Assets	271,924,065	257,927,198
Total Assets	283,883,861	273,758,478
Deferred Outflows	150,040	76,066
Total Assets and Deferred Outflows	\$ 284,033,901	\$ 273,834,544
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts Payable	\$ 12,196	\$ 10,611
Accrued Salaries and Related Costs	3,151	3,153
Total Current Liabilities	15,347	13,764
Noncurrent Liabilities		
Compensated Absences	9,774	7,082
Net Postemployment Benefits Liability	462,655	339,451
Net Pension Liability	63,992	68,132
Total Noncurrent Liabilities	536,421	414,665
Total Liabilities	551,768	428,429
Deferred Inflows	137,595	159,969
Net Position		
Invested in Capital Assets	264,229,973	250,370,407
Restricted by Enabling Legislation	19,114,565	22,875,739
Total Net Position	283,344,538	273,246,146
Total Liabilities, Deferred Inflows, and Net Position	\$ 284,033,901	\$ 273,834,544

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

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

	Program Revenue			
Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue and Change in Net Assets	
Governmental Activities				
Farmland Preservation	\$ (258,435)	\$ 6,229,336	\$ 3,649,851	\$ 9,620,752
Young Farmers Program	(3,142)	-	88,423	85,281
Administrative Services				
Operating Services	(396,826)	398,621	-	1,795
Contractual Services	(151,991)	158,800	-	6,809
Intergovernmental	174	-	-	174
Total Governmental Activities	\$ (810,220)	\$ 6,786,757	\$ 3,738,274	9,714,811
General Revenues				
Earnings on Pooled Cash and Investments				20,444
On-Behalf Payments				204,947
Rollback Taxes				130,304
License Plate Income				9,065
Wilson Farm Lease Income				15,513
Legal Fees Refund				3,308
Total General Revenues				383,581
Change in Net Position				10,098,392
Net Position - Beginning of Year				273,246,146
Net Position - End of Year				\$ 283,344,538

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, 2020

	<u>Program Revenue</u>			Net Revenue and Change in Net Assets
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities				
Farmland Preservation	\$ (231,483)	\$ 9,715,389	\$ 2,047,951	\$ 11,531,857
Young Farmers Program	(6,873)	-	128,923	122,050
Administrative Services				
Operating Services	(446,774)	262,578	-	(184,196)
Contractual Services	(138,344)	125,000	-	(13,344)
Intergovernmental	(81,000)	-	-	(81,000)
Total Governmental Activities	\$ (904,474)	\$ 10,102,967	\$ 2,176,874	11,375,367
General Revenues				
Earnings on Pooled Cash and Investments				33,518
On-Behalf Payments				226,420
Rollback Taxes				38,376
License Plate Income				5,285
Wilson Farm Lease Income				14,775
Legal Fees Refund				20
Total General Revenues				318,394
Change in Net Position				11,693,761
Net Position - Beginning of Year				261,552,385
Net Position - End of Year				\$ 273,246,146

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, 2021 and 2020

	Special Revenue Fund	
	2021	2020
Assets		
Current Assets		
Pooled Cash and Investments	\$ 9,379,549	\$ 15,020,044
Loans Receivable - Current	23,727	23,727
Federal Grant Receivable	2,426,939	649,575
Kent County Receivable	-	100,000
Rollback Taxes Receivable	129,581	37,934
	11,959,796	15,831,280
Noncurrent Assets		
Loans Receivable, Less Current Portion	7,694,092	7,556,791
	\$ 19,653,888	\$ 23,388,071
Liabilities, Deferred Inflows, and Fund Balance		
Current Liabilities		
Accounts Payable	\$ 12,196	\$ 10,611
Accrued Salaries and Related Costs	3,151	3,153
	15,347	13,764
Total Current Liabilities	15,347	13,764
Total Liabilities	15,347	13,764
Deferred Inflows		
Revenue Not Yet Available	2,426,939	649,575
Fund Balance		
Restricted by Enabling Legislation	17,211,602	22,724,732
	\$ 19,653,888	\$ 23,388,071
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 19,653,888	\$ 23,388,071

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, 2021 and 2020

	2021	2020
Total Governmental Fund Balance	\$ 17,211,602	\$ 22,724,732
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.	264,229,973	250,370,407
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	(63,992)	(68,132)
Net Postemployment Benefits Liability	(462,655)	(339,451)
Compensated Absences	(9,774)	(7,082)
Revenue earned but not yet available is not recognized in the funds.	2,426,939	649,575
Deferred inflows and outflows related to the Foundation's net pension and postemployment liabilities are based on differences between actual and expected investment returns, differences between actual and expected experience, changes in the actuarially determined proportion of the Foundation's amount of the total net liabilities and contributions made after the measurement date of the liabilities.		
Deferred Outflows - Pension Related	24,434	29,455
Deferred Outflows - Postemployment Benefits Related	125,606	46,611
Deferred Inflows - Pension Related	(18,339)	(9,293)
Deferred Inflows - Postemployment Benefits Related	(119,256)	(150,676)
	\$ 283,344,538	\$ 273,246,146
Total Net Position - Governmental Activities		

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, 2021 and 2020

	Special Revenue Fund	
	2021	2020
Revenues		
State of Delaware - Farmland Preservation	\$ 5,048,621	\$ 10,037,578
Federal Grant Revenue	1,872,487	1,398,376
County Government Reimbursements	1,738,136	65,389
Young Farmers Contributed Easements	88,423	128,923
Rollback Taxes	130,304	38,376
On-Behalf Payments	204,947	226,420
License Plate Income	9,065	5,285
Earnings on Pooled Cash and Investments	20,444	33,518
Wilson Farm Lease Income	15,513	14,775
Legal Fee Refunds	3,308	20
	<hr/>	<hr/>
Total Revenue	9,131,248	11,948,660
Expenditures		
Current		
Farmland Preservation		
Appraisals	211,225	149,733
Options and Negotiations	38,800	74,200
Surveys	8,410	7,550
	<hr/>	<hr/>
Total Farmland Preservation Expenditures	258,435	231,483
Young Farmers Grant		
Legal Fees	3,142	6,873
	<hr/>	<hr/>

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, 2021 and 2020

	Special Revenue Fund	
	2021	2020
Expenditures - Continued		
Current		
Administrative		
Contracts	\$ 18,687	\$ 28,659
Legal Fees	151,991	138,344
Accounting and Auditing	40,408	38,763
Office Expense	4,633	2,916
Wilson Farm Advertising Expenses	-	246
Wilson Farm Property Maintenance	-	7,100
Travel	-	595
Salaries and Related Expenditures	307,511	378,975
	<hr/>	<hr/>
Total Administrative Expenditures	523,230	595,598
	<hr/>	<hr/>
Total Current Expenditures	784,807	833,954
Capital Outlays		
Easements and Development Rights	13,859,745	6,851,246
Intergovernmental		
Transfer of Resources to/(from) Facilities Management	(174)	81,000
	<hr/>	<hr/>
Total Expenditures	14,644,378	7,766,200
	<hr/>	<hr/>
Net Change in Fund Balance	(5,513,130)	4,182,460
	<hr/>	<hr/>
Fund Balance - Beginning of Year	22,724,732	18,542,272
	<hr/>	<hr/>
Fund Balance - End of Year	\$ 17,211,602	\$ 22,724,732
	<hr/> <hr/>	<hr/> <hr/>

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, 2021 and 2020

	2021	2020
Net Change in Fund Balances - Total Governmental Fund	\$ (5,513,130)	\$ 4,182,460
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets with an initial, individual cost of more than \$1,000 are capitalized. The cost of capital outlays which are subject to depreciation is allocated over the assets' estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlays	13,859,745	6,851,246
Depreciation	(179)	(298)
<p>Governmental funds report using the current financial resources measurement focus and modified accrual basis of accounting and, therefore, certain revenue and expenses are not recognized in the governmental funds.</p>		
Federal Grant Revenue	1,777,364	649,575
Compensated Absences	(2,692)	7,978
<p>Pension and other postemployment benefit (OPEB) expenses in the statements of activities differ from the amount reported in the governmental funds because pension and OPEB expenses are recognized on the statements of activities based on the Foundation's proportionate share of the expenses of the cost-sharing plans, whereas expenditures are recognized in the governmental funds based on required contributions. The following summarizes the related changes:</p>		
Pension Liability	4,140	909
OPEB Liability	(123,204)	88,342
Deferred Outflows	73,974	7,628
Deferred Inflows	22,374	(94,079)
Change in Net Position of Governmental Activities	\$10,098,392	\$11,693,761

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, 2021 and 2020

Note A: Nature of Activities and Summary of Significant Policies

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

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

In accordance with the legislation, the State established a comprehensive agricultural lands preservation program to serve the long-term needs of the agricultural community and the citizens of Delaware. It is declared policy of the State to conserve, protect, and encourage improvement of agricultural lands within the State for the production of food and other agricultural products useful to the public, which are grown, raised, or harvested on lands and in water within the State. The Foundation is directed to provide economic incentives and benefits to agribusinesses, purchase development rights from landowners, encourage development in areas where infrastructures exist, and promote the agricultural industry and the concept of preserving viable land for the future.

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

For the year ended June 30, 2021, the General Assembly of the State provided funding for the Foundation under House Bill No. 300 of the 150th General Assembly in the amount of \$5,000,000. For the year ended June 30, 2020, the General Assembly of the State provided funding for the Foundation under Senate Bill No. 180 of the 150th General Assembly in the amount of \$10,000,000.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

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

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

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

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

The Foundation reports on only one fund, which is the special revenue fund.

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

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

Fund Balances/Net Position - In the government-wide statements of net position, the Foundation reports net position in three categories: invested in capital assets, restricted, and unrestricted. At June 30, 2021, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$264,229,973 and \$19,114,565, and \$0, respectively. At June 30, 2020, net position invested in capital assets, restricted by enabling legislation, and unrestricted totaled \$250,370,407 and \$22,875,739, and \$0, respectively.

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

Non-Spendable Fund Balance - Amounts that are in non-spendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Fund balance restricted by enabling legislation for the years ended June 30, 2021 and 2020, totaled \$17,211,602 and \$22,724,732, respectively.

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

Fund Balances/Net Position - Continued

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

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

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

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

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

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

June 30, 2019	\$ 15,060
Decrease in Liability	(7,978)
June 30, 2020	7,082
Increase in Liability	2,692
June 30, 2021	\$ 9,774

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, 2021.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

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

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the non-fiduciary activities of the Foundation. The statements of activities demonstrate the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other revenues are not properly included among program revenues and are not included in these financial statements.

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

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

Note B: Commitments and Contingencies

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

Note C: Pooled Cash and Investments

As of June 30, 2021 and 2020, funding available to the Foundation through State sources consisted of \$9,379,549 and \$15,020,044, respectively, which is a part of the pooled cash and investments controlled by the Office of the State Treasurer.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note C: Pooled Cash and Investments - Continued

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

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

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

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

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note C: Pooled Cash and Investments - Continued

Collateralization Requirements - Continued

- Securities of a political subdivision of the State with a Moody's Investors Service rating of "A" or better.

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

Note D: Rollback Taxes

Under the provisions of House Bill 200 of the 136th General Assembly and House Bill 630 of the 136th General Assembly, rollback taxes under the Farmland Assessment Act (FAA) are directed to be paid by New Castle, Kent, and Sussex counties to the Foundation. These rollback taxes are incurred whenever land that qualified under the FAA is changed from use for agriculture to some other use. Under the provisions of House Bill 630 of the 136th General Assembly, a change of use was further defined as changes in zoning, subdivision, building permits, or certificate of occupancy status. The tax is computed as the difference between the taxes that would have been paid without farmland assessment and the taxes that were in fact paid under farmland assessment for five years prior to the date of change in use. This sum of money is due and payable to the counties and is then directed by the counties to the school district within which the property lies and to the Foundation.

The Foundation recorded rollback taxes collected by the counties as of June 30, but not remitted to the Foundation until a later date as rollback taxes receivable. The amount of rollback taxes receivable were \$129,581 and \$37,934 as of June 30, 2021 and 2020, 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).

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note E: Loans Receivable - Continued

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, 2021 and 2020, as there were no material delinquent loan balances or loan defaults during the year.

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

2022	\$ 23,727
2023	56,117
2024	61,885
2025	66,479
2026	66,479
2027 and Thereafter	<u>7,443,132</u>
	<u><u>\$ 7,717,819</u></u>

Note F: Federal Grant Receivable

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

During the years ended June 30, 2021 and 2020, the Foundation settled easements of which \$3,649,851 and \$843,633, respectively, of the total purchase price was eligible for cost-share assistance under the terms of the agreement. As of June 30, 2021, total cost-share assistance made available under the terms of the agreement totaled \$4,493,484.

The Foundation expects to receive \$1,800,000 in cost-share assistance under the terms of the agreement for easements selected in June 2021 during Round 25 that will settle subsequent to fiscal year 2021.

As of June 30, 2021 and 2020, total eligible cost-share assistance to be received on settled easements totaled \$2,426,939 and \$649,575, respectively. Management has determined the amounts to be fully collectible.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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 \$12,196 and \$10,611 as of June 30, 2021 and 2020, respectively.

Note H: Capital Assets

Capital assets activity was as follows for the years ended June 30, 2021 and 2020:

	2021			Ending Balances
	Beginning Balances	Increases	Decreases	
Capital Assets, Not Depreciated				
Easement and Development				
Rights	\$ 250,369,961	\$ 13,859,745	\$ -	\$ 264,229,706
Capital Assets, Depreciated				
Equipment	108,058	-	-	108,058
Less: Accumulated				
Depreciation	(107,612)	(179)	-	(107,791)
Total Equipment	446	(179)	-	267
Total Capital Assets	<u>\$ 250,370,407</u>	<u>\$ 13,859,566</u>	<u>\$ -</u>	<u>\$ 264,229,973</u>
	2020			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated				
Easement and Development				
Rights	\$ 243,518,715	\$ 6,851,246	\$ -	\$ 250,369,961
Capital Assets, Depreciated				
Equipment	108,058	-	-	108,058
Less: Accumulated				
Depreciation	(107,314)	(298)	-	(107,612)
Total Equipment	744	(298)	-	446
Total Capital Assets	<u>\$ 243,519,459</u>	<u>\$ 6,850,948</u>	<u>\$ -</u>	<u>\$ 250,370,407</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note I: Pension Plan

The Foundation contributes to the State Employees' Pension Plan (Plan) established by the State to provide benefits for state employees excluding those who are shared with the Department of Agriculture (Note M). The Plan is a cost-sharing, multiple employer defined benefit pension plan established in the Delaware Code and is administered by the Delaware Public Employee's Retirement System (DPERS). The following are brief descriptions of the plan in effect as of June 30, 2020. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report. Separately issued financial statements for DPERS are available from the pension office at McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

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

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 multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this Plan, final average monthly compensation is the monthly average of the highest three periods of 12 months of compensation.

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

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note I: Pension Plan - Continued

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

Burial Benefit - \$7,000 per member.

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

Employer Contributions - Employer contributions are determined by the Board of Pension Trustees. For the years ended June 30, 2021 and 2020, the rate of the employer contribution was 13.43% and 13.06%, respectively, of covered payroll. The Foundation's employer contributions for the years ended June 30, 2021 and 2020, were \$8,087 and \$11,737, respectively. The Foundation's required contributions equaled actual contributions made for the years ended June 30, 2021 and 2020.

Net Pension Liability and Expense - As of June 30, 2021 and 2020, the Foundation reported a net pension liability of \$63,992 and \$68,132, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2019 to June 30, 2020. At June 30, 2020 and 2019, the Foundation's proportion was 0.0046% and 0.0044%, respectively. Total pension cost for the years ended June 30, 2021 and 2020, amounted to \$18,274 and \$20,183, respectively.

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note I: Pension Plan - Continued

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

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

The amounts of \$8,087 and \$11,737 reported as deferred outflows of resources at June 30, 2021 and 2020, respectively, represent the Foundation's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, will be recognized in pension expense as follows for the years ending June 30:

2022	\$ (1,547)
2023	86
2024	917
2025	(1,432)
2026	(16)
	\$ (1,992)

Actuarial Assumptions - The total pension liability on the June 30, 2020 and 2019 measurement dates were determined by an actuarial valuation as of June 30, 2019 and 2018, respectively, with updated procedures used to roll forward the total pension liability to June 30, 2020 and 2019.

Investment Return - 7.0%, includes inflation at 2.5%, as of June 30, 2020.
7.0%, includes inflation at 2.5%, as of June 30, 2019.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note I: Pension Plan - Continued

Actuarial Assumptions - Continued

Salary Increases - 2.5% plus merit, includes inflation at 2.5%, as of June 30, 2020 and 2019.

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

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

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

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

Asset Class	Long-Term Expected Rate of Return	Target Asset Allocation
Domestic Equity	5.70%	28.5%
International Equity	5.70%	15.2%
Fixed Income	2.00%	28.8%
Alternative Investments	7.80%	23.0%
Cash and Equivalents	0.00%	4.5%

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note I: Pension Plan - Continued

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

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

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2021	\$ 124,157	\$ 63,992	\$ 14,531
June 30, 2020	\$ 123,780	\$ 68,132	\$ 22,126

Note J: Other Postemployment Benefits (OPEB) Plan

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

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

Summary of Significant Accounting Policies - The Foundation's employees are covered under the State of Delaware Other Postemployment Benefits (OPEB) Plan. For purposes of measuring the Foundation's

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

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

Eligibility for State Employees -

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

Benefits Provided - The State provides health insurance options through several providers.

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

Contributions - The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For Fiscal year 2021, the Foundation's contribution was 9.16% of covered payroll and totaled \$7,741. For Fiscal year 2020, the Foundation's contribution was 9.96% of covered payroll and totaled \$12,279.

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

As of June 30, 2021 and 2020, the Foundation reported a liability of \$462,655 and \$339,451, respectively, for its proportionate share of the net OPEB liability. The collective total OPEB liability for the June 30, 2020, measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2020. 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, 2021 and 2020, the Foundation's proportion was 0.0044% and 0.0043%, respectively.

For the years ended June 30, 2021 and 2020, the Foundation recognized OPEB expense of \$20,528 and \$986.

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

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

As of June 30, 2020, the Foundation reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ (307)
Net Difference Between Expected and Actual Experience	-	(38,106)
Changes of Assumptions	16,526	(36,367)
Changes in the Proportion	17,806	(75,896)
Contributions	<u>12,279</u>	<u>-</u>
	<u>\$ 46,611</u>	<u>\$ (150,676)</u>

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

The Foundation's share of net deferred outflows and inflows of resources related to OPEB at June 30, 2021, will be recognized in OPEB expense as follows for the years ending June 30:

2022	\$ (7,957)
2023	(7,542)
2024	1,031
2025	3,983
2026	<u>9,094</u>
	<u>\$ (1,391)</u>

Actuarial Assumptions - The collective total OPEB liability for the June 30, 2020 and 2019 measurement dates were determined by an actuarial valuation as of June 30, 2019 and 2018, with updated procedures used to roll forward the total OPEB liability to June 30, 2020 and 2019, respectively. The actuarial valuation used the following actuarial assumptions for June 30, 2020 and 2019, measurements:

- Actuarial Cost Method - Entry Age Normal
- Investment Rate of Return - 7.00%, net of OPEB plan investment expense, including inflation
- Discount Rate - 2.21% and 3.50%, respectively
- Projected Salary Increases - 3.25% plus merit
- Healthcare Cost Trend Rate - 5.60% and 6.60%, respectively

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

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study 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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

Actuarial Assumptions - Continued - plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 and 2019, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Asset Allocation
Domestic Equity	5.70%	28.5%
International Equity	5.70%	15.2%
Fixed Income	2.00%	28.8%
Cash and Equivalents	0.0%	4.5%

The discount rate used to measure the total OPEB liability was 3.5% at the beginning of the current measurement period and 2.21% 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, 2020 and 2019 measurement dates are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

	1% Decrease	Current Discount	1% Increase
June 30, 2021	\$ 549,168	\$ 462,655	\$ 387,000
June 30, 2020	\$ 406,343	\$ 339,451	\$ 292,187

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

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

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

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

	1% Decrease	Current Discount	1% Increase
June 30, 2021	\$ 429,888	\$ 462,655	\$ 501,205
June 30, 2020	\$ 292,850	\$ 339,451	\$ 402,186

Note K: Fair Value Measurements

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

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

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

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

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note K: Fair Value Measurements - Continued

time of purchase, which are stated at cost or amortized cost. These investments would normally be considered Level 1 and Level 2 inputs on the fair value hierarchy; however, the existence of pooled allocations in determining the Foundation’s share of the pool is considered to be a Level 2 input. The fair value for pooled cash and investments categorized as Level 2 as of June 30, 2021 and 2020, was \$9,379,549 and \$15,020,044, respectively.

Note L: Operating Lease-Lessor

The Foundation leased a parcel of its farmland located in Sussex County through February 2020. During the year ended June 30, 2020, the Foundation extended this lease through December 2024 with one five-year renewal option. Lease payments are due on or before January and increase by 5% annually. Lease payments received during the years ended June 30, 2020 and 2019, were \$15,513 and \$14,775, respectively.

During the year ended June 30, 2018, the Foundation entered into an agreement to lease property on a parcel of its farmland. The lease has an initial five-year term with one five-year renewal option. Monthly payments to be received under the terms of the lease are \$450 with a 3% annual increase. Lease payments received during the years ended June 30, 2020 and 2019, were \$6,141 and \$5,400, respectively.

As of June 30, 2021, future minimum rental payments to be received in accordance with the above leases are as follows for the years ending June 30:

2022	\$ 22,279
2023	19,713
2024	<u>17,960</u>
	<u><u>\$ 59,952</u></u>

Note M: On-Behalf Payments

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to Financial Statements - Continued
June 30, 2021 and 2020

Note N: Risk Management

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

Required Supplementary Information

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Budgetary Comparison Schedule - Contractual Fund
Budget to Actual*
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Farmland Preservation	\$ 4,650,000	\$ 4,650,000	\$ -
Federal Grant	-	1,872,487	1,872,487
County Government Reimbursements	-	1,738,136	1,738,136
Young Farmers Contributed Easements	-	88,423	88,423
Rollback Taxes	-	130,304	130,304
License Plate Income	-	9,065	9,065
Interest Income	-	20,444	20,444
Wilson Farm Lease Income	-	15,513	15,513
Donations	-	3,308	3,308
Total Revenues	<u>4,650,000</u>	<u>8,527,680</u>	<u>3,877,680</u>
Expenditures			
Farmland Preservation	4,491,200	14,118,180	(9,626,980)
Young Farmers	-	3,142	(3,142)
Legal Fees	158,800	151,991	6,809
Total Expenditures	<u>4,650,000</u>	<u>14,273,313</u>	<u>(9,623,313)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(5,745,633)</u>	<u>\$ (5,745,633)</u>
Fund Balance - Beginning of Year		<u>22,398,496</u>	
Fund Balance - End of Year		<u>\$ 16,652,863</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, 2021

	Budget	Actual Amounts	Variance with Budget Positive (Negative)
Revenues			
Farmland Preservation	\$ 350,000	\$ 350,000	\$ -
General Fund	-	48,621	48,621
On-Behalf Payments	-	204,947	204,947
	350,000	603,568	253,568
Expenditures			
Personnel	107,700	307,511	(199,811)
Accounting and Auditing	45,000	40,408	4,592
Capital	5,000	-	5,000
Office Expense	12,000	4,633	7,367
Contracts	75,000	18,687	56,313
Travel	2,000	-	2,000
As Needed	103,000	(174)	103,174
	349,700	371,065	(21,365)
Net Change in Fund Balance	\$ 300	232,503	\$ 232,203
Fund Balance - Beginning of Year		326,236	
Fund Balance - End of Year		\$ 558,739	

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

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

State of Delaware
Delaware Agricultural Lands Preservation Foundation
Notes to the Required Supplementary Information
Budgetary Reporting
June 30, 2021

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

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

The State appropriated \$5,000,000 to the Foundation to be used for the presentation of agricultural lands within the state. Of the \$5,000,000, \$1,500,000 was available to be used to provide loans to farmers aged 40 or younger seeking to acquire their own farms. An additional \$500,000 of the \$5,000,000 was available to be used for the Delaware Forestland Preservation Program.

The Foundation creates two separate budgets. Together, the budgets encompass the \$5,000,000 in State funds received during Fiscal year 2021 and are included in the special revenue fund in the financial statements.

The contractual fund budget consists of \$4,650,000 to be used for preservation programs, including the Young Farmer Loan program. The operating fund budget consists of \$350,000 to be used for administrative purposes, such as personnel costs.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportionate Share of the Net Pension Liability						
Measurement Date	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Foundation's Proportion of the Net Pension Liability	0.0046%	0.0044%	0.0053%	0.0054%	0.0050%	0.0046%
Foundation's Proportion of the Net Pension Liability - Dollar Value	\$ 63,992	\$ 68,132	\$ 69,041	\$ 78,616	\$ 75,390	\$ 9,423
Foundation's Covered Employee Payroll	60,216	89,870	83,078	106,142	93,620	85,261
Foundation's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	106.27%	75.81%	83.10%	74.07%	80.53%	11.05%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	87.27%	87.49%	87.49%	85.31%	84.11%	92.69%
Contributions						
Contractually Required Contributions	8,087	11,737	10,742	11,060	10,008	9,140
Contributions in Relation to the Contractually Required Contributions	8,087	11,737	10,742	11,060	10,008	9,140
Contribution Excess (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foundation's Covered Employee Payroll	\$ 60,216	\$ 89,870	\$ 83,078	\$ 106,142	\$ 93,620	\$ 85,261
Contributions as a Percentage of Covered Employee Payroll	13.43%	13.06%	12.93%	10.42%	10.69%	10.72%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportionate Share of the Net OPEB Liability					
Measurement Date	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Foundation's Proportion of the Net OPEB Liability	0.0044%	0.0043%	0.0052%	0.0052%	0.0048%
Foundation's Proportion of the Net OPEB Liability - Dollar Value	\$ 462,655	\$ 339,451	\$ 427,793	\$ 432,595	\$ 440,394
Foundation's Covered Employee Payroll	84,509	123,283	114,521	127,217	112,489
Foundation's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	547.46%	275.34%	373.55%	340.04%	391.50%
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.27%	4.89%	4.44%	4.13%	3.30%
Contributions					
Contractually Required Contributions	7,741	12,279	11,704	11,704	12,430
Contributions in Relation to the Contractually Required Contributions	<u>7,741</u>	<u>12,279</u>	<u>11,704</u>	<u>11,704</u>	<u>12,430</u>
Contribution Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Foundation's Covered Employee Payroll	<u>\$ 84,509</u>	<u>\$ 123,283</u>	<u>\$ 114,521</u>	<u>\$ 127,217</u>	<u>\$ 112,489</u>
Contributions as a Percentage of Covered Employee Payroll	<u>9.16%</u>	<u>9.96%</u>	<u>10.22%</u>	<u>9.20%</u>	<u>11.05%</u>

In accordance with GASB Statement No. 75, 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.



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

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

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

We have audited, in accordance with 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, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated December 22, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Belfint, Lyons & Shuman, P.A.

December 22, 2021
Wilmington, Delaware



BELFINT • LYONS • SHUMAN
Certified Public Accountants

www.belfint.com

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

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

Report on Compliance for Each Major Federal Program

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, 2021. 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
Delaware Department of Agriculture
Delaware Agriculture Lands Preservation Foundation
State of Delaware

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

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

Opinion on Each Major Federal Program

In our opinion, Delaware Agricultural Lands Preservation Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

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

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

Belfint, Lyons & Shuman, P.A.

December 22, 2021
Wilmington, Delaware

Delaware Agriculture Lands Preservation Foundation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures	Expenditures to Subrecipients
Direct Programs			
<u>Department of Agriculture</u>			
Agricultural Conservation Easement Program (ACEP)	10.931	\$ 3,649,851	\$ -
Total Expenditures of Federal Awards		<u>\$ 3,649,851</u>	<u>\$ -</u>

Delaware Agricultural Lands Preservation Foundation
Notes to Schedule of Expenditure of Federal Awards
June 30, 2021

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, 2021. 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, 2021

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. FINANCIAL STATEMENT FINDINGS None Reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS None Reported

IV. PRIOR YEAR FINDINGS None Reported