

MINUTES
SUSSEX CONSERVATION DISTRICT
Board of Supervisors
April 25, 2023

The meeting was called to order by Chairman Joel Wharton at 7:01 p.m. at 23818 Shortly Road, Georgetown, DE.

Also present were:

Joe Booth	David Baird	Jessica Watson
Dale Ockels	Debbie Absher	Ziggy Savage
Will Carlisle	Stephen Gissy	Jen Nelson
Cory Whaley	Holly Givens	Tyler Brown
John Rieley	Dan Lee	

Moved by Joe Booth and seconded by Dale Ockels to approve the April 25, 2023, agenda.
Motion passed. (6 yes, 0 no)

Moved by Will Carlisle and seconded by Joe Booth to approve March 21, 2023, board meeting minutes.
Motion passed. (6 yes, 0 no)

Recognition of Visitors:

Alan Davis with Arrowhead Point Oysters presented the importance of oyster farming in Rehoboth Bay and the possibility of establishing an aquaculture cost-share program.

Maggie Vincent and Ashley Stern with PKS & Co. accounting firm out of Salisbury, MD, presented the 2022 audit findings. Ashley stated that the District is in a strong and healthy financial position and doing very well. The District was praised with the highest standards and marks that an audit can receive, otherwise known as unmodified findings. A summary of the District's audit opinion follows at the end of the minutes.

Moved by John Rieley and seconded by Joe Booth to accept the 2022 audit findings.
Motion passed. (6 yes, 0 no)

Items Requiring Board Action:

1a. Cost-Share Payment: Large Animal Mortality

Received request for the following cost share payment:

March	
Total Cost: \$8,205	Cows: 9
SCD Cost: \$8,205	Horses: 11
SCD Admin: \$1,380	

Moved by Dale Ockels and seconded by Joe Booth to approve the Sussex Conservation District requests for cost-share payment to John Kohout for animal mortality pick-up in the amount of \$8,205. Motion passed. (6 yes, 0 no)

1b. 3921 Emergency Funds for Tornado Damage to Tax Ditches in Sussex County

Received request to approve funding from 3921 Emergency Funds to cover repairs made by the SCD Equipment Program to several tax ditches in Sussex County. DNREC’s RC&D Program covered 90% of the cost, and the District’s cost share covered 10%.

Total Cost:	\$20,135
RC&D Funding:	\$18,122
ER 3921 funds:	\$2,013

Moved by Joe Booth and seconded by Dale Ockels to approve \$2,013 from the 3921 Emergency Funding Cost Share account to pay for tax ditch repairs in Sussex County due to tornado damage. Motion passed. (6 yes, 0 no)

2. Annual Adoption of Section 125 Benefits Plan

Received request to approve the Section 125 Benefits Plan for the 2023/24 benefit year. IRS Regulations require the Board of Supervisors to adopt the District’s Sec 125 Benefits Plan annually. The plan covers the Health, Dental, Vision, and other supplemental benefits the District offers. There are no changes proposed to the plan as part of this action.

The following Section 125 items are available to employees for the 7/1/23 through 6/30/24 plan year:

- Cash – (Employee elects no salary reductions for the section 125 plan)
- The employees’ health insurance premiums
- The employee’s dental insurance premiums
- The employee’s vision insurance premiums
- The employee’s AFLAC health & accident insurance premiums
- Medical Flexible Spending Accounts – FSA’s
- Dependent Care Flexible Spending Accounts – FSA’s

Moved by John Rieley and seconded by Joe Booth to approve the Section 125 Benefit Plan for the 7/1/2023 to 6/30/2024 plan year. Motion passed. (6 yes, 0 no)

3. Sussex County Tax Ditch Warrant Increases

The following Tax Ditches have requested an **Increase** in their maintenance tax. The increase in funds is necessary to complete general maintenance needs over the next few years. Their current collection rate is not adequate to meet the anticipated costs. The Delaware Department of Natural Resources (DNREC), Division of Watershed Stewardship, and Tax Ditch Program recommends approval of these requests. Each of these Tax Ditch organizations has on file with our office a copy of their most recent meeting minutes, including the warrant rate change approved by the taxable present, confirmation of bonding, and their audited 2022 Financial Statement (with Pass or Pass with Immaterial Deficiencies Rating). See the table of tax ditches on the following page.

Tax Ditch	Current Rate & Type	Proposed Rate & Type
Holly Branch Ditch #1	6% AM	8% AM
Marshy Hope * Dual County*	10% AM	12% AM
New Ditch	16% AM	22% AM
Phillips	6% AM	8% AM
Williams Canal*	10% AM	10% AM
Green Branch**	8% AM	8% AM
Iron Mine	10% AM	12% AM

AM= Adjusted Maintenance
M= Maintenance

* Williams Canal Tax Ditch, D-11 through D-22 (separate assessment lists) was combined by vote at their 2/9/23 Annual Meeting. COC #14, effective 3/22/23, is on file with the Court regarding this matter. This request to update their warrant allows the filing of a new warrant for D-11 with the County Tax Office and the withdrawal of warrants for D-12 through D-22.

**Green Branch Tax Ditch, D-52, and D-53 (separate assessment lists) were combined by vote at their 2/25/23 Annual Meeting. This request to update their warrant allows the filing of a new warrant for D-52 with the County Tax Office and the withdrawal of the warrant for D-53. COC #15, effective 4/17/23, has been filed with the Court.

Moved by Joe Booth and seconded by Will Carlisle to approve the tax ditch warrant increases as presented. Motion passed. (6 yes, 0 no)

Being no further business, the meeting was adjourned at 8:53 p.m.

The next board meeting will be held Tuesday, May 23, 2023, at 7 p.m. at 23818 Shortly Road, Georgetown, DE.

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SUSSEX CONSERVATION DISTRICT
INFORMATION ON FEDERAL AWARDS
IN ACCORDANCE WITH THE
UNIFORM GUIDANCE
YEAR ENDED DECEMBER 31, 2022

SUSSEX CONSERVATION DISTRICT

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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SUSAN P. KEEN, CPA
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Board of Supervisors of
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Georgetown, Delaware

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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 Sussex Conservation District, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise Sussex Conservation District's basic financial statements, and have issued our report thereon dated April 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sussex Conservation District's internal control over financial reporting (internal control) as a basis for designing 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 Sussex Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sussex Conservation District'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.

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sussex Conservation District'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.

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Salisbury, Maryland
April 25, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE**

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Board of Supervisors of
Sussex Conservation District
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Report on Compliance for Each Major Federal Program

Salisbury

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Opinion on Each Major Federal Program

We have audited Sussex Conservation District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sussex Conservation District's major federal programs for the year ended December 31, 2022. Sussex Conservation District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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In our opinion, Sussex Conservation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Lewes

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Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

Report on Schedule of Federal Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Sussex Conservation District, as of and for the year ended December 31, 2022, and have issued our report thereon dated April 25, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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Purpose of this Report

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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
April 25, 2023

SUSSEX CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-through Expenditures	Federal Expenditures	Cluster Name	Cluster Total
CASH ASSISTANCE						
U.S. Department of Agriculture						
Soil Water Conservation	10.902		\$	\$ 555,024		
Environmental Quality Incentives Program	10.912			119,266		
Soil Water Conservation- RCPP	10.932	None		1,276		
Total U.S. Department of Agriculture				675,566		
Environmental Protection Agency						
Non Point Source Implementation Grants	66.460	22-03		198,900		
Non Point Source Implementation Grants	66.460	18-05		48,184		
Non Point Source Implementation Grants	66.460	None		10,993		
Total 66.460				258,077		
Chesapeake Bay Program	66.466	CB-96334201		36,446		
Chesapeake Bay Program	66.466	CB-96345701		374,315		
Chesapeake Bay Program	66.466	FY 15-40348		250,000		
Chesapeake Bay Program	66.466	FY 21-40348		515,307		
Total 66.466				1,176,068		
Pass through Delaware Department of Health and Social Services, Division of Public Health					Drinking Water State Revolving Fund	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	None		209,305		209,305
Chesapeake Bay Program	66.964	C-296395001		75,000		
Total Environmental Protection Agency				1,718,450		
Total All Cash Assistance				2,394,016		
NON-CASH ASSISTANCE						
USDA - Free Rent at \$3,500.38 per month				42,005		
Total Non- Cash Assistance				42,005		
Total Expenditures of Federal Awards			\$	\$ 2,436,021		

The accompanying notes are an integral part of this schedule.

SUSSEX CONSERVATION DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2022

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards including the federal grant activity of Sussex Conservation District is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards that were passed through from other governments have been included on this schedule.

INDIRECT COST RATE

The District has elected to use the 10% de Minimis indirect cost rate.

CASH MATCH

The District has satisfied all matching requirements. The District has used the landowner cost required to plant cover crops. This is calculated at a rate of \$75.04 per acre, as defined by the NRCS, for 2022. In addition, the District used dollars received from the State of Delaware to satisfy other matching requirements.

NON-CASH ASSISTANCE

Included in the expenditures reported on the schedule of expenditures of federal awards is non-cash assistance from the United States Department of Agriculture for the use of federal property for a total of \$42,005. This amount was determined at the fair market value of the rental of the property.

**SUSSEX CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2022

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Type of auditors' report issued on compliance for major federal programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.466	Chesapeake Bay Program

Dollar threshold used to distinguish between type A and type B Programs	\$750,000	
Auditee qualified as a low-risk auditee?	<u> X </u> Yes	<u> </u> No

B. FINDINGS – FINANCIAL STATEMENT AUDIT
NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
NONE

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SUSSEX CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FINANCIAL STATEMENT AUDIT- NONE

MAJOR FEDERAL AWARD PROGRAMS AUDIT- NONE