

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Agricultural Finance Authority  
Department of Agriculture and Forestry  
State of Louisiana  
Baton Rouge, Louisiana

September 12, 2001



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE***  
***Legislative Auditor***

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**LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2001  
With Supplemental Financial Information**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

September 12, 2001

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**

Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2001  
*With Supplemental Financial Information*

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
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September 7, 2001

Independent Auditor's Report  
on the Financial Statements

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, as listed in the table of contents. These special purpose financial statements are the responsibility of management of the Louisiana Agricultural Finance Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Louisiana Agricultural Finance Authority. As such, they present the Proprietary Fund Type - Enterprise Fund that is part of the accounts and fund structure of the State of Louisiana. Furthermore, the special purpose financial statements, including the accompanying notes to the financial statements, have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with state laws and regulations. These purposes differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Agricultural Finance Authority at June 30, 2001, and the results of its operations and its cash flows for the year then ended, using the basis of accounting described in note 1.

LEGISLATIVE AUDITOR

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

Audit Report, June 30, 2001

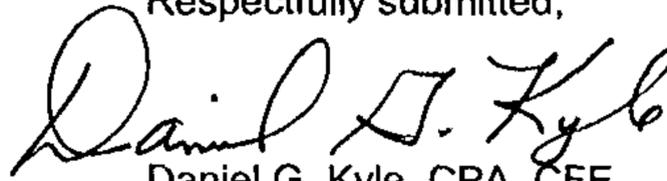
As discussed in note 17 to the special purpose financial statements, the Louisiana Agricultural Finance Authority intends to implement Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, for the fiscal year ended June 30, 2002. The implementation will be in accordance with the revised legal basis of accounting, which will be prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2001, on our consideration of the Louisiana Agricultural Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying supplemental financial information is presented for the purpose of additional analysis and is not a required part of the special purpose financial statements of the Louisiana Agricultural Finance Authority. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of the authority and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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[LAF01]

**Statement A****LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND****Balance Sheet (Legal Basis), June 30, 2001****ASSETS**

Cash and cash equivalents (note 2)	\$1,594,851
Receivables (note 3)	7,793
Due from primary government (note 11)	26,630,682
Inventories	86,811
Other assets	2,828,768
Property, plant, and equipment (net of depreciation, where applicable) (note 4)	<u>33,851,370</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$65,000,275</u></u></b>

**LIABILITIES AND EQUITY**

## Liabilities:

Accounts payable and accruals (note 5)	\$1,514,900
Deferred revenues	2,758,150
Notes payable (note 7)	26,405,464
Bonds payable (note 7)	2,575,000
Other liabilities - obligations under capital leases (note 6)	695,437
<b>Total Liabilities</b>	<b><u>33,948,951</u></b>

## Equity:

Contributed capital (note 8)	<u>25,115,268</u>
Retained earnings:	
Reserved (note 9)	1,011,324
Unreserved	<u>4,924,732</u>
<b>Total retained earnings</b>	<b><u>5,936,056</u></b>
<b>Total Equity</b>	<b><u>31,051,324</u></b>

**TOTAL LIABILITIES AND EQUITY****\$65,000,275**

The accompanying notes are an integral part of this financial statement.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses, and  
Changes in Retained Earnings (Legal Basis)  
For the Year Ended June 30, 2001**

Operating revenues - use of money and property	<u>\$2,136,426</u>
Operating expenses:	
Contractual services	903,076
Operating services	1,031,577
Supplies	426,775
Professional services	464,746
Depreciation expense	1,388,399
Other	157,210
Total operating expenses	<u>4,371,783</u>
Operating income (loss)	<u>(2,235,357)</u>
Nonoperating revenues (expenses):	
Loss on disposal of equipment	(119,394)
Amortization of bond issuance costs (note 7)	(7,248)
Interest income	145,020
Amortization of interest from capital leases	134,580
Interest expense	(1,355,668)
Other	734,090
Total nonoperating revenues (expenses)	<u>(468,620)</u>
Income (loss) before operating transfers	<u>(2,703,977)</u>
Operating transfers:	
Operating transfers in - primary government (note 14)	21,567,707
Operating transfers out - primary government (note 14)	<u>(20,095,096)</u>
Net operating transfers	<u>1,472,611</u>
Net income (loss)	(1,231,366)
<b>RETAINED EARNINGS AT BEGINNING OF YEAR, as restated (note 9)</b>	<u>7,167,422</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u><u>\$5,936,056</u></u>

The accompanying notes are an integral part of this financial statement.

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

Statement of Cash Flows (Legal Basis)  
For the Year Ended June 30, 2001

Cash flows from operating activities:		
Cash received from customers	\$2,758,361	
Cash payments to suppliers for goods and services	<u>(2,848,230)</u>	
Net cash provided for operating activities		(\$89,869)
Cash flows from noncapital financing activities:		
Proceeds from issuance of notes payable	24,000,000	
Repayment of notes payable	(7,594,536)	
Interest paid on notes payable	(405,465)	
Repayment of excess funds to primary government	(4,004,483)	
Miscellaneous receipts/disbursements -		
loan to primary government	(11,995,517)	
Proceeds from legal settlement	734,090	
Operating transfers in - primary government	787,190	
Operating transfers out - primary government	<u>(99,578)</u>	
Net cash provided for noncapital financing activities		1,421,701
Cash flows from capital and related financing activities:		
Principal paid on bonds	(785,000)	
Interest paid on bond maturities	(151,536)	
Principal paid on capital leases	(243,709)	
Interest paid on capital leases	(53,772)	
Acquisition/construction of capital assets	(779,050)	
Capital contributions	<u>620,695</u>	
Net cash provided (used) for capital and related financing activities		(1,392,372)
Cash flows from investing activities -		
interest earned on investment securities		<u>145,020</u>
Net increase in cash and cash equivalents		84,480
Cash and cash equivalents at beginning of year		<u>1,510,371</u>
Cash and cash equivalents at end of year		<u><u>\$1,594,851</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND  
Statement of Cash Flows, June 30, 2001

Reconciliation of Operating Income (loss) to	
Net Cash Provided (used) for Operating Activities:	
Operating income (loss)	(\$2,235,357)
Adjustments to reconcile operating loss to	
net cash provided by operating activities:	
Depreciation	\$1,388,399
Changes in assets and liabilities:	
Decrease in accounts receivable	247,501
(Increase) in due from primary government	(324,524)
(Increase) in inventories	(12,086)
Decrease in other assets	860,768
(Decrease) in accounts payable	(9,970)
(Decrease) in due to primary government	(4,600)
Total adjustments	<u>2,145,488</u>
Net cash provided (used) for operating activities	<u>(\$89,869)</u>
Schedule of Noncash Investing, Capital and Financing Activities:	
Borrowing under capital lease	\$308,418
Contributions of fixed assets	16,000
Transfer of equipment from LDAF	99,123
Disposal of fixed assets	446

(Concluded)

The accompanying notes are an integral part of this financial statement.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2001

**INTRODUCTION**

The Louisiana Agricultural Finance Authority (authority) is a component unit of the State of Louisiana created under the provisions of Louisiana Revised Statutes (R.S.) 3:261-284, within the Department of Agriculture and Forestry, State of Louisiana, and is domiciled in East Baton Rouge Parish. The authority consists of nine members, one of whom is the commissioner of the Department of Agriculture and Forestry and eight members appointed by the governor. The members may receive a per diem not to exceed \$40 per meeting, plus mileage expenses. The authority has no employees. Employees of the Department of Agriculture and Forestry perform the administrative and accounting functions of the authority.

The authority was established to issue bonds to provide financing for agricultural loans, through the purchase or guarantee of existing loans or negotiation of new loans, and to supervise and use public employees, equipment and material in carrying out public work. The bonds are limited special obligations of the Louisiana Agricultural Finance Authority and do not constitute a general, special, or moral obligation of the State of Louisiana. In addition, the authority can issue revenue bonds for the purpose of acquiring, constructing, renovating, and equipping an office building and connected related facilities for use by the Department of Agriculture and Forestry in connection with the promotion and assistance of agriculture and forestry within the state. The revenue bonds are limited obligations of the Louisiana Agricultural Finance Authority and do not constitute a debt of the State of Louisiana. Upon termination of the authority by law, R.S. 3:283 requires that all rights, money, assets, and revenues in excess of obligations be deposited in the state General Fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. However, the accompanying financial statements have been prepared on a legal basis, which differs from accounting principles generally accepted in the United States of America in that note disclosures are not presented in the format and detail required by GASB Sections 2200.101 and 2300.106. The Division of Administration, Office of Statewide Reporting and Accounting Policy requires this reporting format.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**B. REPORTING ENTITY**

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The authority is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints eight of the nine authority members and is able to impose his will on the authority. The accompanying financial statements present only the activity of the Louisiana Agricultural Finance Authority. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

**C. FUND ACCOUNTING**

The authority uses a fund (Enterprise Fund) to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, equity, revenues, and expenses.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The enterprise fund is accounted for and reported using a flow of economic resources measurement focus. The accounts of the authority are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy.

All assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity consists of contributed capital and retained earnings. In addition, operating statements for the enterprise fund present increases or decreases in net total assets. The authority uses the accrual basis of accounting.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred. Amounts received from the primary government for capital outlay projects are recognized as transfers in the period received. Transfers from the primary government for other purposes are recognized as earned when the related expenses are incurred.

**E. BUDGET PRACTICES**

The Louisiana Agricultural Finance Authority does not have a budget.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**F. CASH AND CASH EQUIVALENTS**

For reporting purposes, cash and cash equivalents include savings, demand deposits, time deposits, and certificates of deposit. Under state law, the authority may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Furthermore, the authority may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

**G. INVENTORY**

Inventories of janitorial supplies and bulk fuel are valued at cost, which approximates market, and are expensed when used. The Louisiana Agricultural Finance Authority uses a periodic inventory system for janitorial supplies and a perpetual inventory system for bulk fuel. Inventory is valued using the first-in, first-out (FIFO) method.

**H. FIXED ASSETS**

Property and equipment are valued at historical cost except for donated fixed assets, which are recorded at their estimated value at the time of donation. The authority does not have a policy for capitalization of interest costs in fixed assets. Depreciation of all exhaustible fixed assets of the authority is charged as an expense against operations. Depreciation for financial reporting purposes is computed by the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	40
Equipment	5 or 10

**I. COMPENSATED ABSENCES, PENSION BENEFITS, AND POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The authority has no employees. Department of Agriculture and Forestry employees perform the administrative and accounting functions for the authority. Therefore, no compensated absences, pension benefits, or postretirement benefits are provided by the authority.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**J. ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2001, the authority has cash in demand accounts (book balances) totaling \$1,594,851.

Interest-bearing demand deposits	\$1,594,351
Utility deposits	<u>500</u>
Balance at June 30, 2001	<u><u>\$1,594,851</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2001, the authority has \$1,962,083 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 federal deposit insurance (GASB Risk Category 1) and \$1,862,083 of pledged securities held by the authority's agent in the authority's name (GASB Risk Category 1).

At June 30, 2001, the utility deposits consist of a \$300 deposit with the Town of Homer, a \$125 deposit with Louisiana Gas, and a \$75 deposit with South Oakdale Water System. These deposits are considered cash equivalents.

**3. RECEIVABLES**

At June 30, 2001, the authority has receivable balances totaling \$7,793 as follows:

<u>Class of Receivable</u>	<u>Total Receivables</u>
Rental income	\$1,840
Refunds and reimbursements	<u>5,953</u>
Total Receivables	<u><u>\$7,793</u></u>

The authority has not established an allowance for doubtful accounts.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**4. FIXED ASSETS**

A summary of fixed assets and related depreciation at June 30, 2001, is as follows:

	Beginning Balance July 1, 2000	Adjustments	Restated Beginning Balance July 1, 2000	Additions	Deletions	Ending Balance June 30, 2001
Land	\$6,465,581		\$6,465,581	\$16,000		\$6,481,581
Buildings and improvements	18,703,635		18,703,635	760,742		19,464,377
Equipment	6,686,759	(\$253,338)	6,433,421	606,778	(\$446)	7,039,753
Construction-in-progress	7,766,791	(7,609)	7,759,182	571,872	(759,442)	7,571,612
Less - accumulated depreciation	<u>(5,451,941)</u>		<u>(5,451,941)</u>	<u>(1,388,400)</u>	<u>134,388</u>	<u>(6,705,953)</u>
Total	<u>\$34,170,825</u>	<u>(\$260,947)</u>	<u>\$33,909,878</u>	<u>\$566,992</u>	<u>(\$625,500)</u>	<u>\$33,851,370</u>

The authority follows Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. The LPAA changed the dollar threshold for capitalizing equipment from \$250 to \$1,000 in September 2000. Therefore, the adjustment column reflects the impact of the change in capitalization policy.

Information relating to construction-in-progress is as follows:

Project	Costs to Date	Estimated Completion Date	Estimated Cost to Complete
Baton Rouge	\$5,215	12/30/02	\$475,000
Hammond	774,781	12/31/01	5,000
Haughton	970,895	12/31/01	5,000
Homer	377	08/31/01	
Lacassine	2,274,926	12/31/01	200,000
Lake Charles	477,530	08/31/01	
Monroe	2,260,697	12/31/01	5,000
Oakdale	54,240	08/31/01	
Woodworth	<u>752,951</u>	<u>12/31/01</u>	<u>5,000</u>
Total	<u>\$7,571,612</u>		<u>\$695,000</u>

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**5. PAYABLES**

At June 30, 2001, the authority has payables totaling \$1,514,900 as follows:

<u>Class of Payable</u>	<u>Amount</u>
Accounts payable	\$509,640
Accrued interest on bonds payable	52,498
Accrued interest on notes payable	<u>952,762</u>
Total payables	<u><u>\$1,514,900</u></u>

**6. LEASES**

**A. Capital Leases**

Capital leases are recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by the National Council on Governmental Accounting Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 are reported on the following schedules:

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Last Payment Date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Equipment	12/16/99	12/16/03	<u>\$69,913</u>	<u>\$695,437</u>

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2001:

<u>Year Ending June 30,</u>	
2002	\$297,481
2003	241,890
2004	<u>225,979</u>
Total minimum lease payments	765,350
Less - amounts representing executory costs	NONE
Net minimum lease payments	<u>765,350</u>
Less - amounts representing interest	<u>(69,913)</u>
Present value of net minimum lease payments	<u><u>\$695,437</u></u>

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**B. Operating Leases**

The total payments for operating leases during the fiscal year 2000-2001 amounted to \$1,200. A schedule of payments for operating leases follows:

Nature of Operating Lease	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Thereafter
Land	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$3,600</u>

**C. Revenue Leases**

Lessor - Direct Financing Leases

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable
- No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease

On December 1, 1998, the authority entered into a lease agreement with the Department of Agriculture and Forestry for the acquisition, construction, and equipping of office buildings in Hammond, Jonesville, Monroe, Oak Grove, Shreveport-Minden, Winnsboro, and Woodworth that were acquired by the authority as a result of the issuance of revenue bonds. Under the terms of the agreement, the Department of Agriculture and Forestry will take possession as lessee of the office buildings upon completion. The term of the lease agreement is from December 1, 1998, to January 15, 2004, or such earlier time as the bonds have been paid or provision for their payment has been made in accordance with the agreement. The authority records that portion of capital lease receivables attributable to future years as deferred revenues.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Minimum Lease Payments Receivable</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Buildings	12/01/98	\$2,810,648	<u>\$235,648</u>	<u>\$2,575,000</u>
Less - amounts representing executory costs		<u>NONE</u>		
Minimum lease payments receivable		2,810,648		
Less - allowance for uncollectibles		<u>NONE</u>		
Net minimum lease payments receivable		2,810,648		
Estimated residual value of leased property		<u>NONE</u>		
Subtotal		2,810,648		
Less - unearned income		<u>2,758,150</u>		
Net investment in direct financing leases		<u>\$52,498</u>		

Minimum lease payments do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the building exceeds a certain level of activity each year. The authority had no contingent rentals for fiscal year ended June 30, 2001.

The following is a schedule by year of minimum lease receivables for the five succeeding fiscal years as of June 30, 2001:

<u>Year ending June 30,</u>	<u>Minimum Lease Receivable</u>
2002	\$936,133
2003	939,150
2004	935,365
2005	NONE
2006	<u>NONE</u>
Total	<u>\$2,810,648</u>

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**D. Lessor - Operating Leases**

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting) and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become due.

The following property is on lease or held for leasing as of June 30, 2001:

Buildings	\$8,275,116
Less - accumulated depreciation	<u>2,383,963</u>
Total carrying amount of property	<u><u>\$5,891,153</u></u>

The following is a schedule by years of minimum future rentals on noncancellable operating lease(s) as of June 30, 2001:

<u>Composition of Lease</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>Thereafter</u>
Buildings - minimum future rentals	<u>\$1,817,683</u>	<u>\$1,467,800</u>	<u>\$1,142,960</u>	<u>NONE</u>

No contingent rentals were received from operating leases for the fiscal year ended June 30, 2001.

**7. GENERAL LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions (bonds payable) at June 30, 2001:

Long-term obligations payable at June 30, 2000	\$3,360,000
Additions	NONE
Retirements	<u>(785,000)</u>
Long-term obligations payable at June 30, 2001	<u><u>\$2,575,000</u></u>

The notes payable of \$26,405,464 shown on Statement A is a short-term bank loan at June 30, 2001.

According to the AICPA *Audit and Accounting Guide for State and Local Governmental Units of 1986*, "some authorities are created solely to lower the cost of borrowing for private sector entities . . . the debt . . . should normally not be recorded in the financial statements of the government unless the government authority or other component unit of the government has responsibility for repayment in the event of default."

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Debt issued by the authority for which the authority and the government have no responsibility for repayment is not recorded in the accompanying financial statement and is comprised of the following issues:

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Agricultural Loan Program:						
	unknown	1984B	various	\$6,496,669	\$6,355,501	\$141,168
	8.25%	1986A I	various	150,000,000	103,377,515	46,622,485
	8.80%	1986A II	various	150,000,000	101,286,633	48,713,367
Louisiana Pacific Corporation:						
	5.20%	1999A	various	5,610,000	140,000	5,470,000
	4.62%	1999B	various	3,080,000	100,000	2,980,000
Balance at June 30, 2001				<u>\$315,186,669</u>	<u>\$211,259,649</u>	<u>\$103,927,020</u>

Debt issued by the authority for which the authority and/or the government have responsibility for repayment in the event of default is recorded in the financial statements and is comprised of the following issue:

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Building projects	4.51%	12/01/1998	01/15/2004	<u>\$4,000,000</u>	<u>(\$1,425,000)</u>	<u>\$2,575,000</u>

Debt service requirements to maturity are as follows:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>
2002	\$820,000	\$116,133
2003	860,000	79,150
2004	895,000	40,365
Total	<u>\$2,575,000</u>	<u>\$235,648</u>

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The following is a summary of bond transactions of the authority for the year ended June 30, 2001, for state government related issues:

	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
Balance as of June 30, 2000	\$3,360,000	\$387,184	\$3,747,184
Less - debt service payments in current fiscal year	<u>(785,000)</u>	<u>(151,536)</u>	<u>(936,536)</u>
Balance as of June 30, 2001	<u>\$2,575,000</u>	<u>\$235,648</u>	<u>\$2,810,648</u>

On December 1, 1998, the authority sold \$4,000,000 of Revenue Bonds, Series 1998, to construct, furnish, and equip office buildings in Hammond, Jonesville, Monroe, Oak Grove, Shreveport-Minden, Winnsboro, and Woodworth, Louisiana. The bonds bear interest at 4.51% and are payable January 15 and July 15 of each year. The revenue bonds are secured by a pledge of the pesticide registration fees, the Feed Fund revenues, the Fertilizer Fund revenues, and by future lease rental payments from the State of Louisiana as lessee of the aforementioned properties. There are no bond reserve requirements per the trust indenture because of the pledge of pesticide registration fees, the Feed Fund revenues, and the Fertilizer Fund revenues.

Bond Defaults

The authority is authorized by R.S. 3:266 to issue bonds to provide financing for agricultural loans through the purchase or guarantee of existing loans or negotiation on new loans. During 1986, the authority issued two bond issues (1986A I and 1986A II) totaling \$300,000,000 that are currently in default.

Both of the 1986 bond issues were payable solely from the proceeds of two Guaranteed Investment Contracts with Executive Life Insurance Company and from certain agricultural loans permitted under the financing program. The commissioner of insurance from the state of California placed Executive Life Insurance Company into conservatorship on April 11, 1991. Later, both of the 1986 series bonds defaulted.

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. During the period April 11, 1991, through November 8, 1999, trustees received interim payments, including interest, totaling \$143,258,798 and \$142,981,524 for the LAFA I and LAFA II bonds, respectively. As a result of this modified plan, court ordered trust administration costs of \$4,526,500 for LAFA I and \$4,526,500 for LAFA II were incurred and distributions totaling \$277,187,321 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1995; November 30, 1995; April 24, 1996; May 15, 1997; and November 8, 1999. This amount represents principal of \$103,377,515 and interest of \$35,354,783 for LAFA I bondholders and principal of \$101,286,633 and interest of \$37,168,391

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

for LAFA II bondholders. Distributions under the modified plan of rehabilitation for Executive Life Insurance Company can continue until the conservator of the distributions declares the distributions are complete or the modified plan has expired.

In May 1999, the authority approved the issuance of \$8,690,000 in industry revenue bonds for the benefit of the Louisiana Pacific Corporation. Of these bonds, \$3,080,000 was issued in May 1999. The remaining \$5,610,000 was issued in July 1999. The total issue is backed by an \$11,700,000 mortgage in timber and real estate owned by the Louisiana Pacific Corporation. In addition, bondholders are secured by a letter of credit issued by Hibernia National Bank and Trust. These bonds are payable in semiannual installments over a period of five years. The authority has no obligation for the repayment of this debt in the event of default beyond collections that may be made through the sale of timber and real estate.

Discounts on bonds and issuance costs are amortized using the following method:

Unamortized bond issuance costs include legal fees and remarketing fees associated with the \$4,000,000 revenue bonds. The original issuance costs were \$36,240. These costs will be amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2001, is \$18,120. The bond issuance costs amortized in fiscal year 2000-2001 were \$7,248.

The authority has no advance refunded bonds.

**8. CONTRIBUTED CAPITAL**

The following presents all transactions that affected contributed capital during the fiscal year.

Balance at June 30, 2000		\$24,478,573
Additions:		
Capital outlay program:		
Licensing and Regulatory Boards	\$599,232	
Boll Weevil program for construction	<u>21,463</u>	620,695
Donations from the Department of Agriculture and Forestry - land from the Forestry Commission		16,000
Deductions		<u>NONE</u>
Balance at June 30, 2001		<u>\$25,115,268</u>

**9. RETAINED EARNINGS**

The following is a breakdown of reserves. Reservations of retained earnings represent amounts either legally restricted to a specific future use or not available for expenditure.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Reserved for</u>	<u>Total</u>
Intermodal Infrastructure Program:	
Planning and construction of a rail intermodal system for hauling of sugarcane	\$752,136
Sugar industry study of infrastructure needs	<u>259,188</u>
Total reservations	<u>\$1,011,324</u>

The following table discloses the effects of the change in accounting principle (change in capitalization policy for valuation of movable property) during fiscal year ended June 30, 2001:

Retained earnings, June 30, 2000	\$7,082,554
Adjustments:	
Change in accounting principle	(253,338)
Prior period adjustments	<u>338,206</u>
Retained earnings, June 30, 2000, as restated	<u>\$7,167,422</u>

**10. SEGMENT INFORMATION**

Segment information for the year ended June 30, 2001, follows:

Operating revenues	\$2,136,426
Depreciation, depletion, and amortization expense	1,395,647
Operating income or (loss)	(2,235,357)
Operating transfers in	21,567,707
Operating transfers out	20,095,096
Net income or (loss)	(1,231,366)
Current capital:	
Contributions	37,463
Transfers	599,232
Property, plant, and equipment:	
Additions	1,195,950
Deletions	446
Total assets	65,000,275
Net working capital	(248,899)
Bonds and other long-term liabilities:	
Payable from operating revenues	437,335
Payable from other sources	1,755,000
Total equity	31,051,324

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**11. DUE FROM PRIMARY GOVERNMENT**

At June 30, 2001, the authority has amounts due from the primary government for the following:

<u>Source</u>	<u>Total</u>
Due from Primary Government:	
Department of Agriculture and Forestry:	
Licensing and Regulatory Boards as contributed capital	\$300,000
Formosan Termite Program (funded from the state	
General Fund appropriation)	31,670
Boll Weevil Eradication Program for lease payments on	
office space	28,800
Reimbursement for fuel usage	37,450
Reimbursement of expenses for Forestry truck bed upgrades	9,134
Return of Turbine Aircraft Fund proceeds	179,436
Repayment of loan for Boll Weevil Eradication Program	
(to be funded from the state General Fund appropriation)	26,000,000
State Employees Group Benefits Program:	
Lease payments on office space	21,069
Reimbursement for office space renovations	10,651
Department of Public Safety and Corrections - Office of State	
Fire Marshal for reimbursement of office space renovations	5,572
Department of Revenue for lease payment on warehouse space	<u>6,900</u>
Total Due from Primary Government	<u><u>\$26,630,682</u></u>

**12. LITIGATION**

The authority is not involved in litigation seeking "damages." The authority is involved in litigation against LAFA seeking relief other than damages. During the year ended June 30, 2001, \$278,602 was expended for legal services related to this lawsuit.

**13. ACCOUNTING CHANGES**

Accounting changes made during the year involved a change in accounting principle. The effect of the change is being shown as a restatement of retained earnings at June 30, 2000, and is explained in note 9.

**14. OPERATING TRANSFERS IN/OUT**

During fiscal year ended June 30, 2001, the authority had operating transfers in from the primary government as follows:

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Source</u>	<u>Amount</u>
Department of Agriculture and Forestry:	
Licensing and Regulatory Boards' contribution for debt service	\$785,000
Contractual services for Formosan Termite Program	787,190
Repayment of loan for Boll Weevil Eradication Program	<u>19,995,517</u>
 Total Operating Transfers In	 <u><u>\$21,567,707</u></u>

The authority had operating transfers out totaling \$20,095,096 to the Boll Weevil Eradication Fund, which is part of primary government.

**15. COOPERATIVE ENDEAVORS**

R.S. 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the State of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The authority has entered into a cooperative endeavor agreement with certain entities aimed at developing the economy of the state. The liability outstanding as of June 30, 2001, is \$2,568,285, and the funding source is the Boll Weevil Eradication Commission.

**16. SUBSEQUENT EVENTS**

On July 10, 2001, the Louisiana Department of Agriculture and Forestry (LDAF), the Louisiana Agricultural Finance Authority (LAFA), the Louisiana State Market Commission (SMC), and the Louisiana Agricultural Commodities Commission (LACC) met to discuss the financial difficulties of Liberty Rice Mill, Inc., Kaplan, Louisiana. This mill, due to a lack of funds, was facing imminent closure at the beginning of the rice harvest season. The financial impact would have been devastating to the rice farmers, the economy of the area, and the city of Kaplan.

To mitigate the impact, a cooperative endeavor has been approved among LDAF, LAFA, SMC and LACC. The LACC has legislative authority to seize and operate a processing facility such as Liberty Rice Mill, Inc. LAFA has the authority to borrow and make loans in this type of situation. The SMC, which has been involved in financing this rice mill, also has legislative authority to foster processing agricultural products.

Under the cooperative endeavor, Liberty Rice Mill, Inc., was placed in receivership, with a temporary order on July 11, 2001, which was made permanent after a hearing on July 24, 2001, and is being operated by LDAF and LACC personnel. LAFA provided interim financing for operations until they could obtain approval from the State Bond Commission to issue bonds. On August 16, 2001, the State Bond Commission approved LAFA to issue \$1,000,000 in bonds

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

for continuous operating funds. This facility, in recent years, has provided milling, drying and storage of rice for approximately 400 local farmers. This bond issue will allow for the harvest of the 2001 crop and additional time to find a permanent operator, either through a sale or lease of the facility.

**17. GASB 34 IMPLEMENTATION**

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

- A. A Management Discussion and Analysis (MD&A) section providing an analysis of the government entity's overall financial position and results of operations.
- B. Basic Financial Statements:
  - 1) Government-wide financial statements prepared using the economic resources measurement focus and the accrual basis of accounting. These statements are designed to provide a broad overview of a government entity's finances, in a manner similar to private sector business.
  - 2) Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds, using the modified accrual basis of accounting, and enterprise funds, if any.
  - 3) Notes to the financial statements that include various disclosures for the government-wide and fund financial statements to ensure that a complete picture is presented.
  - 4) Required supplementary information, such as budgetary comparison schedules.

In addition, this new GASB statement requires depreciation expense to be reported in the government-wide financial statements. However, depreciation expense will not be reported in the fund statements that use the modified accrual basis of accounting.

The authority will implement the general provisions of GASB Statement No. 34 no later than the fiscal year ending June 30, 2002.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
SUPPLEMENTAL FINANCIAL INFORMATION**

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,  
DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY  
As of and for the Year Ended June 30, 2001**

The annual fiscal report presents the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2001, and the results of its operations for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2001**

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**ACCOUNTANT'S REPORT**

Louisiana Agricultural Finance Authority  
Department of Agriculture and Forestry  
State of Louisiana  
Baton Rouge, Louisiana

We have compiled the special purpose balance sheet (legal basis) of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of June 30, 2001, and the related special purpose Statement of Revenues, Expenses, and Changes in Retained Earnings, and of Cash Flows (legal basis) for the year ended June 30, 2001, and the accompanying supplementary information, in accordance with Statements on Standards of Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As described in note A to the financial statements, the accompanying special purpose financial statements present only the funds of the Louisiana Agricultural Finance Authority. As such, they present the Proprietary Fund Type - Enterprise Fund that is part of the accounts and fund structure of the State of Louisiana. Furthermore, the special purpose financial statements, including the accompanying notes to the financial statements, have been prepared on the legal basis of accounting, the purpose of which is to reflect compliance with state laws and regulations. These purposes differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

This report is intended for the information and use of the management of the Louisiana Agricultural Finance Authority and the Louisiana Legislative Auditor and should not be used for any other purpose.



July 31, 2001

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

BALANCE SHEET (LEGAL BASIS)  
JUNE 30, 2001

<b>ASSETS</b>	
Cash	\$ 1,594,851
Receivables (net)	7,793
Due from primary government	26,630,682
Inventories	86,811
Other assets	2,828,768
Property, plant, and equipment (net where applicable)	<u>33,851,370</u>
TOTAL ASSETS	<u>\$ 65,000,275</u>
<b>LIABILITIES AND EQUITY</b>	
Liabilities:	
Accounts payable and accruals	\$ 1,514,900
Deferred revenues -capital lease receivables	2,758,150
Notes payable	26,405,464
Bonds payable	2,575,000
Other liabilities - obligations under capital leases	<u>695,437</u>
Total Liabilities	33,948,951
Equity:	
Contributed capital	25,115,268
Retained earnings:	
Reserved	1,011,324
Unreserved	<u>4,924,732</u>
Total retained earnings	<u>5,936,056</u>
Total Equity	31,051,324
TOTAL LIABILITIES AND EQUITY	<u>\$ 65,000,275</u>

See accountant's report and accompanying notes.

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
(LEGAL BASIS)  
JUNE 30, 2001

Revenues	
Use of money and property	\$ 2,136,426
Operating expenses:	
Contractual services	903,076
Operating services	1,031,577
Supplies	426,775
Professional services	464,746
Depreciation expense	1,388,399
Bad debt expense	<u>157,210</u>
Total operating expenses	4,371,783
Operating (loss)	(2,235,357)
Nonoperating revenues (expenses)	
Loss on equipment reclassification	(119,394)
Amortization of bond issuance costs	(7,248)
Interest income	145,020
Amortization of interest from capital leases	134,580
Interest expense	(1,355,668)
Other income	<u>734,090</u>
Total nonoperating revenues (expenses)	(468,620)
(Loss) before operating transfers	(2,703,977)
Operating transfers in - primary government	21,567,707
Operating transfers out - primary government	<u>(20,095,096)</u>
Net (loss)	(1,231,366)
RETAINED EARNINGS AT BEGINNING OF YEAR (AS RESTATED)	<u>7,167,422</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 5,936,056</u>

See accountant's report and accompanying notes.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**STATEMENT OF CASH FLOWS (LEGAL BASIS)  
JUNE 30, 2001**

Cash flows from operating expenses:	
Cash received from customers	\$ 2,758,361
Cash payments to suppliers for goods and services	<u>(2,848,230)</u>
Net cash provided by operating activities	(89,869)
Cash flows noncapital financing activities:	
Proceeds from issuance of notes payable	24,000,000
Repayment of notes payable	(7,594,536)
Interest on notes payable	(405,465)
Loan to primary government	(11,995,517)
Payment of amount due primary government	(4,004,483)
Proceeds from legal settlement	734,090
Operating transfers in - primary government	787,190
Operating transfer out - primary government	<u>(99,578)</u>
Net cash provided by noncapital financing activities	1,421,701
Cash flows from capital and related financing activities:	
Principal paid on bonds	(785,000)
Interest paid on bond maturities	(151,536)
Principal paid on capital leases	(243,709)
Interest paid on capital leases	(53,771)
Acquisition/construction of capital assets	(779,050)
Capital contributions	<u>620,695</u>
Net cash (used) by capital and related financing activities	(1,392,372)
Cash flows from investing activities:	
Interest and dividends earned on investment securities	<u>145,021</u>
Net increase (decrease) in cash and cash equivalents	84,480
Cash and cash equivalents at beginning of year	1,510,371
Cash and cash equivalents at end of year	<u>\$ 1,594,851</u>

(Continued)

See accountant's report and accompanying notes.

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

STATEMENT OF CASH FLOWS (LEGAL BASIS)  
JUNE 30, 2001

Reconciliation of operating (loss) to net cash provided (used) for operating activities:

Operating (loss)	\$ (2,235,357)
Adjusting to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,388,399
Changes in assets and liabilities:	
Decrease in accounts receivable	247,501
(Increase) in due from primary government	(324,524)
Decrease in other assets	860,768
(Increase) in inventories	(12,086)
(Decrease) in accounts payable	(9,969)
(Decrease) in due to primary government	<u>(4,600)</u>
Net cash provided by operating activities	<u>\$ (89,869)</u>

Schedule of noncash investing, capital and financing activities:

Borrowing under capital lease	\$ 308,418
Contributions of fixed assets	\$ 16,000
Transfer of equipment from LDAF	\$ 99,123
Disposal of fixed assets	\$ 446

(Concluded)

See accountant's report and accompanying notes.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

**INTRODUCTION**

The Louisiana Agricultural Finance Authority (authority) is a component unit of the State of Louisiana created under the provisions of Louisiana Revised Statutes (R.S.) 3:261-284, within the Department of Agriculture and Forestry, State of Louisiana, and is domiciled in East Baton Rouge Parish. The authority consists of nine members, one of whom is the commissioner of the Department of Agriculture and Forestry and eight members appointed by the governor. The members may receive a per diem not to exceed \$40 per meeting plus mileage expenses. The authority has no employees. Employees of the Department of Agriculture and Forestry perform the administrative and accounting functions of the authority.

The authority was established to issue bonds to provide financing for agricultural loans, through the purchase or guarantee of existing loans or negotiation of new loans, and to supervise and use public employees, equipment and material in carrying out public work. The bonds are limited special obligations of the Louisiana Agricultural Finance Authority and do not constitute a general, special, or moral obligation of the State of Louisiana. In addition, the authority can issue revenue bonds for the purpose of acquiring, constructing, renovating, and equipping an office building and related facilities for use by the Department of Agriculture and Forestry in connection with the promotion and assistance of agriculture and forestry with the state. The revenue bonds are limited obligations of the Louisiana Agricultural Finance Authority and do not constitute a debt of the State of Louisiana. Upon termination of the authority by law, R.S. 3:283 requires that all rights, money, assets, and revenues in excess of obligations be deposited in the state General Fund.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of Presentation**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local government entities. The GASB issued a *Codification of Governmental Accounting and Financial Reporting Standards* in November 1984, with a subsequent update in June 1999. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles in that note disclosures are not presented in the format and detail required by GASB Sections 2200.10 and 2300.106. This reporting format is required by the Division of Administration, Office of Statewide Reporting and Accounting Policy.

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**2. Reporting Entity**

Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying financial statements present only transactions of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana. Annually the State of Louisiana, through the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy, issues both comprehensive and general purpose financial statements, which include the activity contained in the accompanying financial statement as an enterprise fund. The comprehensive annual financial report is audited by the Louisiana Legislative Auditor.

**3. Fund Accounting**

The accounts of the authority are organized and operated on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses.

**4. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accounts of the authority are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred. Amounts received from the primary government for capital outlay projects are recognized as transfers in the period received; transfers from the primary government for other purposes are recognized as earned when the related expenses are incurred.

**5. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**B. BUDGETARY PRACTICES**

The Louisiana Agricultural Finance Authority does not have a budget.

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**1. Deposits With Financial Institutions**

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits and certificates of deposit. Under state law, the authority may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the authority may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments are (including restricted assets with a maturity of three months or less when purchased) considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2001, were as follows:

	Deposits in Bank Accounts			Total
	Cash	Certificates of Deposit	Other	
Deposits in Bank Accounts per Balance Sheet	\$ 1,594,351	NONE	NONE	\$ 1,594,351
Bank Balances -				
a. Insured (FDIC) or collateralized with securities held by the entity or its agents in the entity's name	\$ 1,962,083	NONE	NONE	\$ 1,962,083

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The following is a breakdown by banking institution, program, and amount of the balances shown above:

Banking Institution	<u>Program</u>	<u>Amount</u>
Hibernia National Bank	All programs	\$ <u>1,962,083</u>

There was no cash in the State Treasury or petty cash at June 30, 2001. However, there is a deposit of \$300 to the town of Homer, a deposit of \$125 to Louisiana Gas and a deposit and membership fee to South Oakdale Water System of \$75 at June 30, 2001, that are considered cash equivalents.

**2. Investments**

There were no investments at June 30, 2001.

**D. RECEIVABLES**

At June 30, 2001, the authority has net receivable balances totaling \$7,793 as follows:

Class of Receivable	<u>Total Receivables</u>
Rental income	\$ 1,840
Refunds and reimbursements	<u>5,953</u>
Total Receivables, Net	<u>\$ 7,793</u>

**E. NOT USED**

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F. FIXED ASSETS

1. The fixed assets are included on the balance sheet of the authority and are valued at \$33,851,370. Depreciation of all exhaustible fixed assets of the authority is charged as an expense against operations. Accumulated depreciation is not reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method. All fixed assets are valued at historical cost except for donated fixed assets which are recorded at their estimated value at the time of donation.

2. The authority does not have a policy for capitalization of interest costs in fixed assets.

3. A summary of changes in fixed assets is as follows:

	Useful Life	Restated Beginning Balance July 1, 2000	Additions	Deletions	Ending Balance June 30, 2001
Land		\$ 6,465,581	\$ 16,000	\$ -0-	\$ 6,481,581
Buildings and improvements	40 yrs.	18,703,635	760,742	-0-	19,464,377
Equipment	5 or 10 yrs.	6,686,759	606,778	(253,784)	7,039,753
Construction-in-progress		7,759,182	571,872	(759,442)	7,571,612
Less - accumulated depreciation		<u>(5,451,941)</u>	<u>(1,388,400)</u>	<u>134,388</u>	<u>(6,705,953)</u>
Total		<u>\$ 34,163,216</u>	<u>\$ 566,992</u>	<u>\$ (878,838)</u>	<u>\$ 33,851,370</u>

4. Information relating to construction-in-progress is as follows:

Project	Costs to Date	Estimated Completion Date	Estimated Cost to Complete
Baton Rouge	\$ 5,215	12/30/02	\$ 475,000
Hammond	774,781	12/31/01	5,000
Haughton	970,895	12/31/01	5,000
Homer	377	08/31/01	-0-
Lacassine	2,274,926	12/31/01	200,000
Lake Charles	477,530	08/31/01	-0-
Monroe	2,260,697	12/31/01	5,000
Oakdale	54,240	08/31/01	-0-
Woodworth	<u>752,951</u>	<u>12/31/01</u>	<u>5,000</u>
Total	<u>\$ 7,571,612</u>		<u>\$ 695,000</u>

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**G. INVENTORIES**

Inventories of janitorial supplies and bulk fuel are valued at cost, which approximates market, and are expensed when used. The Louisiana Agricultural Finance Authority uses a periodic inventory system for janitorial supplies and a perpetual system for bulk fuel. Inventory is valued using the first-in, first-out (FIFO) method.

**H. NOT USED**

**I. PAYABLES**

At June 30, 2001, the authority has payables totaling \$1,514,900 as follows:

<u>Class of Payable</u>	<u>Amount</u>
Accounts payable	\$ 509,640
Accrued interest on bonds payable	52,498
Accrued interest on notes payable	<u>952,762</u>
Total payables	<u><u>\$ 1,514,900</u></u>

**J. LEAVE**

The authority has no employees.

**K. RETIREMENT SYSTEM**

The authority has no employees

**L. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The authority has no employees.

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M. LEASES

1. Operating Leases

The total payments for operating leases during the fiscal year 2000 - 2001 amount to \$1,200. A schedule of payments for operating leases follows:

Nature of Operating Lease	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>Thereafter</u>
Land	\$ <u>1,200</u>	\$ <u>1,200</u>	\$ <u>1,200</u>	\$ <u>1,200</u>	\$ <u>4,800</u>

2. Capital Leases

Capital leases are recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by the National Council on Governmental Accounting (NCGA) Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 are reported on the following schedules:

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Last Payment Date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal End of Lease</u>	<u>Fund That Pays the Lease</u>
Equipment	12/16/99	12/16/03	\$ <u>69,913</u>	\$ <u>695,437</u>	N/A

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2001:

2002	\$ 297,481
2003	241,890
2004	<u>225,979</u>
Total minimum lease payments	765,350
Less - amounts representing executory costs	<u>None</u>
Net minimum lease payments	765,350
Less - amounts representing interest	<u>(69,913)</u>
Present value of net minimum leases payment	<u>\$ 695,437</u>

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**3. Revenue Leases**

Lessor - Direct Financing Leases

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- ▶ Collectibility of the minimum lease payments is reasonably predictable.
- ▶ No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

On December 1, 1998, the authority entered into a lease agreement with the Department of Agriculture and Forestry for the acquisition, construction, and equipping of office buildings in Hammond, Jonesville, Monroe, Oak Grove, Shreveport-Minden, Winnsboro, and Woodworth that were acquired by the authority as a result of the issuance of revenue bonds. Under the terms of the agreement, the Department of Agriculture and Forestry will take possession as lessee of the office buildings upon completion. The term of the lease agreement is from December 1, 1998, to January 15, 2004, or such earlier time as the bonds have been paid or provision for their payment has been made in accordance with the agreement. The authority records that portion of capital lease receivables attributable to future years as deferred revenues.

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Minimum Lease Payments Receivable</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Buildings	12/01/98	\$ 2,810,648	\$ 235,648	\$ 2,575,000
Less - amounts representing executory costs		<u>NONE</u>		
Minimum lease payments receivable		2,810,648		
Less - allowance for uncollectibles		<u>NONE</u>		
Net minimum lease payments receivable		2,810,648		
Less - unearned income		<u>2,758,150</u>		
 Net investment in direct financing leases		 <u>\$ 52,498</u>		

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Minimum lease payments do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the building exceeds a certain level of activity each year. The authority had no contingent rentals for fiscal year ended June 30, 2001.

The following is a schedule by year of minimum lease receivables for the five succeeding fiscal years as of June 30, 2001:

	<u>Minimum Lease Receivable</u>
2002	\$ 936,133
2003	939,150
2004	935,365
2005	NONE
2006	<u>NONE</u>
Total	<u>\$ 2,810,648</u>

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**4. Lessor - Operating Leases**

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting) and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become due.

The following property is on lease or held for leasing as of June 30, 2001:

Buildings	\$ 8,275,116
Less - accumulated depreciation	<u>2,383,963</u>
 Total carrying amount of property	 <u>\$ 5,891,153</u>

The following is a schedule by years of minimum future rentals on noncancellable operating leases as of June 30, 2001:

<u>Composition of Lease</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>Thereafter</u>
Buildings - minimum future rentals	<u>\$ 1,817,683</u>	<u>\$ 1,467,800</u>	<u>\$ 1,142,960</u>	<u>\$ None</u>

No contingent rental were received from operating leases for the fiscal year ended June 30, 2001.

**N. GENERAL LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions at June 30, 2001:

Long-term obligations payable at June 30, 2000	\$ 3,360,000
Additions	None
Retirements	<u>(785,000)</u>
 Long-term obligations payable at June 30, 2001	 <u>\$ 2,575,000</u>

Notes payable of \$26,405,464 are short-term bank loans due to Hibernia National Bank bearing interest at 30 day LIBOR plus .75%

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According to the AICPA *Audit and Accounting Guide for State and Local Governmental Units* of 1986, "some authorities are created solely to lower the cost of borrowing for private sector entities....the debt.....should normally not be recorded in the financial statements of the government unless the government authority or other component unit of the government has responsibility for repayment in the event of default."

Debt issued by the authority for which the authority and the government have no responsibility for repayment is not recorded in the accompanying financial statement and is comprised of the following issues:

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Agricultural Loan Program:						
	Unknown	1984B	various	\$ 6,496,669	\$ 6,355,501	\$ 141,168
	8.25%	1986A I	various	150,000,000	103,377,515	46,622,485
	8.80%	1986A II	various	150,000,000	101,286,633	48,713,367
Louisiana Pacific Corporation:						
	5.20%	1999A	various	5,610,000	140,000	5,470,000
	4.62%	1999B	various	<u>3,080,000</u>	<u>100,000</u>	<u>2,980,000</u>
Balance at June 30, 2001				<u>\$ 315,186,669</u>	<u>\$211,259,649</u>	<u>\$103,927,020</u>

Debt issued by the authority for which the authority and/or government have responsibility for repayment in the event of default is recorded in the financial statements and is comprised of the following issue:

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Building projects	4.51%	12/01/1998	01/15/2004	<u>\$4,000,000</u>	<u>\$(1,425,000)</u>	<u>\$ 2,575,000</u>

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Debt service requirements to maturity are as follows:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 820,000	\$ 116,133
2003	860,000	79,150
2004	<u>895,000</u>	<u>40,365</u>
 Total	 <u>\$ 2,575,000</u>	 <u>\$ 235,648</u>

The following is a summary of bond transactions of the authority for the year ended June 30, 2001, for state government related issues:

	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
Balance as of June 30, 2000	\$ 3,360,000	\$ 387,184	\$ 3,747,184
Less - debt service payment in current fiscal year	<u>(785,000)</u>	<u>(151,536)</u>	<u>(936,536)</u>
 Balance as of June 30, 2001	 <u>\$ 2,575,000</u>	 <u>\$ 235,648</u>	 <u>\$ 2,810,648</u>

On December 1, 1998, the authority sold \$4,000,000 of Revenue Bonds, Series 1998, to construct, furnish, and equip office buildings in Hammond, Jonesville, Monroe, Oak Grove, Shreveport-Minden, Winnsboro and Woodworth, Louisiana. The bonds bear interest at 4.51% and are payable January 15 and July 15 of each year. The revenue bonds are secured by a pledge of the pesticide registration fees, the Feed Fund revenues, the Fertilizer Fund revenues, and by future lease rental payments from the State of Louisiana as lessee of the aforementioned properties. There are no bond reserve requirements per the trust indenture because of the pledge of pesticide registration fees the Feed Fund revenues, and the Fertilizer Fund revenues.

**Bond Defaults**

The authority is authorized by R. S. 3:266 to issue bonds to provide financing for agricultural loans through the purchase or guarantee of existing loans or negotiation on new loans. During 1986, the authority issued two bond issues (1986A I and 1986A II) totaling \$300,000,000 that are currently in default.

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Both of the 1986 bond issues were payable solely from the proceeds of two Guaranteed Investment Contracts with Executive Life Insurance Company and from certain agricultural loans permitted under the financing program. The commissioner of insurance from the state of California placed Executive Life Insurance into conservatorship on April 11, 1991. Later, both of the 1986 series bonds defaulted.

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. During the period April 11, 1991, through November 8, 1999, trustees received interim payments, including interest, totaling \$143,258,798 and \$142,981,524 for the LAFA I and LAFA II bonds, respectively. As a result of this modified plan, court ordered trust administration costs of \$4,526,500 for LAFA I and \$4,526,500 for LAFA II were incurred and distributions totaling \$277,187,321 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1985; November 30, 1995; April 24, 1996; May 15, 1997; and November 8, 1999. This amount represents principal of \$101,286,633 and interest of \$37,168,391 for LAFA II bondholders. Distributions under the modified plan of rehabilitation for Executive Life Insurance Company can continue until the conservator of the distributions declares the distributions are complete or the modified plan has expired.

In May 1999, the authority approved the issuance of \$8,690,000 in industry revenue bonds for the benefit of the Louisiana Pacific Corporation. Of these bonds, \$3,080,000 was issued in May 1999. The remaining \$5,610,000 was issued in July 1999. The total issue is backed by an \$11,700,000 mortgage in timber and real estate owned by the Louisiana Pacific Corporation. In addition, bondholders are secured by a letter of credit issued by Hibernia National Bank and Trust. These bonds are payable in semiannual installments over a period of five years. The authority has no obligation for the repayment of this debt in the event of default beyond collections that may be made through the sale of timber and real estate.

Discounts on bonds and issuance costs include legal fees and remarketing fees associated with the \$4,000,000 revenue bonds. The original issuance costs were \$36,240. These costs will be amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2001, is \$18,120. The bond issuance costs amortized in fiscal year 2000-2001 were \$7,248.

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**O. LITIGATION**

The authority is not involved in litigation seeking "damages". The authority is involved in litigation against LAFA seeking relief other than damages. During the year ended June 30, 2001, \$278,602 was expended for legal services related to this lawsuit.

**P. RELATED PARTY TRANSACTIONS**

The authority has no related party transactions at June 30, 2001.

**Q. ACCOUNTING CHANGES**

Accounting changes made during the year involve correcting prior year accounting errors. The effect of these changes are reflected in the Retained Earnings balance at the beginning of the year as follows:

Retained Earnings, June 30, 2000, as originally stated	\$ 7,082,554
Funds returned to LDAF for research project canceled in prior year	75,000
Receivable recorded in prior year	(9,232)
Receivable not recorded in prior year	46,810
Payables not recorded in prior year	(20,101)
Correct prior year fixed assets balance	<u>(7,609)</u>
Retained Earnings, June 30, 2000, as restated	<u>\$ 7,167,422</u>

**R. FUND DEFICITS**

The authority did not incur a fund deficit during fiscal year ended June 30, 2001.

**S. MATERIAL VIOLATIONS OF FINANCE - RELATED LEGAL  
AND CONTRACTUAL PROVISIONS**

The authority has no material violations of finance-related legal or contractual provisions at June 30, 2001, or during the year then ended.

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**T. COMPARATIVE DATE**

The authority does not have a different fiscal year-end than the state's.

**U. CONTRIBUTED CAPITAL**

The following presents all changes that affected contributed capital during fiscal year:

Balance at June 30, 2000	\$ 24,478,573
Additions:	
Capital outlay program:	
Licensing and Regulatory Boards	599,232
LDFA Boil Weevil program for construction	21,463
Donations from the Department of Agriculture and Forestry:	
Land from the Forestry Commission	16,000
Balance at June 30, 2001	\$ 25,115,268

**V. RETAINED EARNINGS DISCLOSURES**

The following is a breakdown of reserves. Reservations of retained earnings represent amounts either legally restricted to a specific future use or not available for expenditure.

Reserved for

Planning and construction of a rail intermodal system for hauling of sugarcane	\$ 752,136
Sugar industry study of infrastructure needs	259,188
Total reservations	\$ 1,011,324

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**W. COOPERATIVE ENDEAVORS**

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state. The liability outstanding as of June 30, 2001, by funding source is as follows:

<u>Funding Source</u>	<u>Balance June 30, 2001</u>
Boll Weevil Eradication Commission	<u>\$ 2,568,285</u>

**X. GOVERNMENT MANDATED NON EXCHANGE TRANS (GRANTS)**

The Louisiana Agricultural Finance Authority has no Federal Grants.

**Y. SUBSEQUENT EVENTS**

On July 10, 2001, the Louisiana Department of Agriculture and Forestry (LDAF), the Louisiana Agricultural Finance Authority (LAFA), the Louisiana State Market Commission (SMC), and the Louisiana Agricultural Commodities Commission (LACC) met to discuss the financial difficulties of Liberty Rice Mill, Inc., Kaplan, Louisiana. This mill, due to a lack of funds, was facing imminent closure at the beginning of the rice harvest season. The financial impact would have been devastating to the rice farmers, the economy of the area and to the city of Kaplan.

To mitigate the impact, a cooperative endeavor has been approved among LDAF, LAFA, SMC and LACC. The LACC has legislative authority to seize and operate a processing facility such as Liberty Rice Mill, Inc. LAFA has authority to borrow and make loans in this type of situation. The SMC, which has been involved in financing this rice mill, also has legislative authority to foster processing agricultural products.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Under the cooperative endeavor, Liberty Rice Mill, Inc. was placed in receivership, with a temporary order on July 11, 2001, which was made permanent after a hearing on July 24, 2001, and is being operated by LDAF and LACC personnel. LAFA has provided interim financing for the operation of the mill, and subject to the State Bond Commission approval, will obtain a loan from Hibernia Bank. This loan will provide continuous operating funds. This facility, in recent years, has provided milling, drying and storage of rice for approximately 400 local farmers. The terms of the loan, not to exceed \$1,000,000 at 5% for six months, will allow for the harvest of the 2001 crop and will allow additional time to find permanent operator, either through a sale or lease of the facility.

**SUPPLEMENTARY INFORMATION**

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

SCHEDULE OF SEGMENT INFORMATION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001

Operating revenues	\$ 2,136,426
Depreciation, depletion, and amortization expense	1,388,399
Operating income (loss)	(2,235,357)
Operating grants, entitlements, and shared revenues	-0-
Operating transfers:	
In	21,567,707
Out	20,095,096
Tax revenues	-0-
Net income (loss)	(1,231,366)
Current capital	
Contributions	37,463
Transfers	599,232
Property, plant and equipment:	
Additions	1,171,280
Deletions	253,784
Net working capital	(248,899)
Total assets	65,000,275
Bonds and other long-term liabilities:	
Payable from operating revenues	437,335
Payable from other sources	1,755,000
Total equity	\$ 31,051,324

See accountant's report.

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

**SCHEDULE OF PER DIEM  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

Lafa MEETINGS  
JULY 1, 2000 - JUNE 30, 2001

**September 8, 2000 Meeting**

Commissioner Odom

Willie Smith	Per Diem	\$	40.00
	Milage	\$	50.40
Jerry Hunter	Per Diem	\$	40.00
	Milage	\$	103.60

William Potter	Does not claim expenses
Steve Pol	Does not claim expenses
Bret Allain	Does not claim expenses
V. M. Wheeler	Does not claim expenses
John Simpson	Absent
Steven Davison	Absent

**November 18, 2000 Meeting**

Commissioner Odom

Willie Smith	Per Diem	\$	40.00
	Milage	\$	50.40
Jerry Hunter	Per Diem	\$	40.00
	Milage	\$	99.68

Steven Davison	Does not claim expenses
V. M. Wheeler	Does not claim expenses
Bret Allain	Does not claim expenses
John Simpson	Absent
William Potter	Absent
Steve Pol	Absent

See accountant's report.

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001

February 1, 2001 Meeting

Commissioner Odom

Willie Smith	Per Diem	\$	40.00
	Milage	\$	50.40

Jerry Hunter	Per Diem	\$	40.00
	Milage	\$	103.60

William Potter	Does not claim expenses
Steve Pol	Does not claim expenses
V. M. Wheeler	Does not claim expenses
Bret Allain	Does not claim expenses
John Simpson	Does not claim expenses
Steven Davison	Absent

May 30, 2001 Meeting

Commissioner Odom

Willie Smith	Per Diem	\$	40.00
	Milage	\$	50.40

Jerry Hunter	Per Diem	\$	40.00
	Milage	\$	100.80

John Simpson	Does not claim expenses
Steven Davison	Does not claim expenses
William Potter	Does not claim expenses
Steve Pol	Absent
V. M. Wheeler	Absent
Bret Allain	Absent

See accountant's report.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws, regulations, and contracts and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

September 7, 2001

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Special Purpose Financial Statements  
Performed in Accordance With Government Auditing Standards

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Agricultural Finance Authority's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**EXHIBIT A**

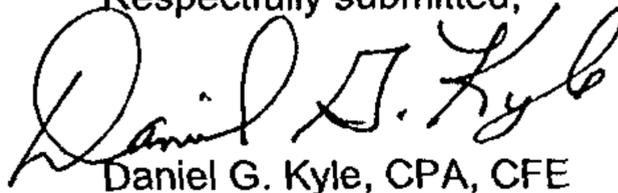
LEGISLATIVE AUDITOR

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

Compliance and Internal Control Report  
September 7, 2001  
Page 2

This report is intended solely for the information and use of the authority and its management and is not intended to be, and should not be, used by anyone other than these parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive, flowing style.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

BQD:STD:DSP:dl

[LAFA01]

EXHIBIT A