

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

October 8, 2003



***Financial and Compliance Audit Division***

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**Albert J. Robinson, Jr., CPA**

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

Basic Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 2003  
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.

October 8, 2003

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

Basic Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 2003  
With Supplemental Financial Information

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
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August 21, 2003

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 basic 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, 2003. These 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in note 13, the Louisiana Agricultural Finance Authority was reclassified by the Division of Administration, Office of Statewide Reporting and Accounting Policy from a blended component unit of the State of Louisiana to a discrete component unit for fiscal year 2003. In accordance with GASB Statement 34, this change requires the authority to recognize activity reported as transfers to and from the primary government in previous years as revenues and expenses in the current year.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2003, 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, regulations, and contracts. 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.

LEGISLATIVE AUDITOR

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

Audit Report, June 30, 2003

Management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Louisiana Agricultural Finance Authority's basic financial statements. The Annual Fiscal Report to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

BB:STD:THC:dI

[LAFA03]

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management's discussion and analysis of the Louisiana Agricultural Finance Authority's financial performance presents a narrative overview and analysis of the authority's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this information in conjunction with the authority's basic financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

- The authority's assets exceeded its liabilities at the close of fiscal year 2003 by \$30,526,593, which represents a 1.5% decrease from last fiscal year. The net assets decreased by \$449,553.
- The authority's operating revenue decreased \$788,000 (or 17.9%) and the net results from activities decreased by \$395,097 (or 725.5%).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and supplementary information.

**Basic Financial Statements**

The basic financial statements present information for the authority, as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the authority's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the authority's cash changed as a result of current year operations. The cash flows statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Statement of Net Assets**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Current and other assets	\$29,304,273	\$28,497,026
Capital assets	34,162,958	33,485,113
Total assets	<u>63,467,231</u>	<u>61,982,139</u>
Other liabilities	10,150,221	4,389,396
Long-term debt outstanding	22,790,417	26,616,597
Total liabilities	<u>32,940,638</u>	<u>31,005,993</u>
Net assets:		
Invested in capital assets, net of debt	30,374,168	31,224,004
Restricted	220,840	250,586
Unrestricted (deficit)	<u>(68,415)</u>	<u>(498,444)</u>
Total net assets	<u><u>\$30,526,593</u></u>	<u><u>\$30,976,146</u></u>

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

**Statement of Revenues, Expenses, and  
Changes in Fund Net Assets**

	<u>For the Year Ended</u>	
	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Operating revenues	\$3,619,803	\$4,407,803
Operating expenses	<u>(5,654,394)</u>	<u>(5,240,270)</u>
Operating income (loss)	(2,034,591)	(832,467)
Nonoperating revenues (expenses)	<u>(9,596)</u>	<u>(9,986)</u>
Loss before contributions and transfers	(2,044,187)	(842,453)
Capital contributions	1,594,634	1,287,997
Transfers out	<u>                    </u>	<u>(500,000)</u>
Net increase (decrease) in net assets	<u><u>(\$449,553)</u></u>	<u><u>(\$54,456)</u></u>

The authority's total revenues decreased by \$788,000 (or 17.9%). The total cost of all programs and services increased by \$413,734 (or 7.9%).

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Concluded)

The amounts shown previously for fiscal year 2002 were restated for prior period adjustments and the reclassification of transfers. These adjustments affected capital assets, net assets invested in capital assets, net of debt, and operating revenues, expenses, and transfers .

**CAPITAL ASSETS**

At the end of 2003, the authority had \$34,162,958 invested in a broad range of capital assets, including land, buildings, equipment, and construction-in-progress. This amount represents a net increase (including additions and deductions) of \$694,000 (or 2.1%) over the last year.

**Capital Assets at Year-End**  
**(Net of Depreciation, in thousands)**

	<u>2003</u>	<u>2002</u>
Land	\$6,513	\$6,513
Buildings and improvements	20,480	19,367
Equipment	2,647	2,981
Construction in progress	2,068	4,624
Infrastructure	<u>2,455</u>	<u>          </u>
	<u>\$34,163</u>	<u>\$33,485</u>

This year's major additions included the completion of the railroad tracks in Lacassine for the Sugar Cane Project.

**DEBT ADMINISTRATION**

The authority has \$26,931 (in thousands) of revenue bonds and notes outstanding at June 30, 2003, compared to \$27,477 (in thousands) last year, a decrease of 2%. The authority does not have general obligation bonds, and the revenue bonds were private placement bonds that do not require rating.

The authority had no claims and judgments at current year-end or prior year-end.

**CONTACTING THE LOUISIANA AGRICULTURAL  
FINANCE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Louisiana Agricultural Finance Authority's finances and to show the authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Corinne Brousseau, Louisiana Department of Agriculture and Forestry, Post Office Box 631, Baton Rouge, Louisiana 70821-0631.

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

**Statement of Net Assets, June 30, 2003**

**ASSETS**

Current assets:

Cash (note 2)	\$338,478
Receivables (note 3)	14,000
Due from primary government (note 9)	24,146,725
Inventories	91
Revenue lease receivable (note 5-C)	347,526
Unamortized debt issue costs	6,618
Total current assets	<u>24,853,438</u>

Noncurrent assets:

Cash - restricted (note 2)	289,031
Due from primary government - restricted (note 9)	323,409
Revenue lease receivable (note 5-C)	3,785,389
Unamortized debt issue costs	52,106
Property, plant, and equipment (net of depreciation) (note 4)	34,162,958
Other noncurrent assets	900
Total noncurrent assets	<u>38,613,793</u>

TOTAL ASSETS

63,467,231

**LIABILITIES**

Current liabilities:

Accounts payable	230,049
Due to primary government (note 9)	600,221
Accounts payable from restricted assets	391,600
Deferred revenues	321,694
Bonds payable (note 6)	275,500
Notes payable (note 6)	7,654,627
Accrued interest on bonds payable	28,536
Accrued interest on notes payable	345,373
Other liabilities - obligations under capital leases (note 5)	302,621
Total current liabilities	<u>10,150,221</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 Net Assets, June 30, 2003**

**LIABILITIES (CONT.)**

## Noncurrent liabilities:

Deferred revenues	\$3,782,689
Bonds payable (note 6)	3,204,000
Notes payable (note 6)	15,797,059
Other liabilities - obligations under capital leases (note 5)	6,669
Total noncurrent liabilities	<u>22,790,417</u>

## TOTAL LIABILITIES

<u>32,940,638</u>
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**NET ASSETS**

Invested in capital assets, net of related debt (note 7)	30,374,168
Restricted for other programs (note 7)	220,840
Unrestricted	<u>(68,415)</u>

## TOTAL NET ASSETS

<u><u>\$30,526,593</u></u>
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(Concluded)

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 Fund Net Assets  
For the Year Ended June 30, 2003**

Operating revenues:	
Rental income pledged as security for revenue bonds	\$1,866,247
Intergovernmental (note 11)	1,557,726
Use of money and property	70,980
Other	124,850
Total operating revenues	<u>3,619,803</u>
Operating expenses:	
Contractual services	3,256,377
Operating services	422,922
Interest expense	583,476
Depreciation expense	1,391,619
Total operating expenses	<u>5,654,394</u>
Operating loss	(2,034,591)
Nonoperating revenues (expenses) - loss on disposal of equipment	<u>(9,596)</u>
Loss before contributions	(2,044,187)
Capital contributions	<u>1,594,634</u>
Change in net assets	(449,553)
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR, AS RESTATED (note 8)</b>	<u>30,976,146</u>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<u><u>\$30,526,593</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  
For the Year Ended June 30, 2003**

Cash flows from operating activities:		
Cash received from customers	\$3,222,690	
Cash payments to suppliers for goods and services	<u>(3,875,332)</u>	
Net cash provided (used) by operating activities		(\$652,642)
Cash flows from noncapital financing activities:		
Primary government repayment of amounts due	2,239,497	
Repayment of notes payable	(7,269,911)	
Proceeds from issuance of notes payable	5,000,000	
Other	<u>(698)</u>	
Net cash provided by noncapital financing activities		(31,112)
Cash flows from capital and related financing activities:		
Principal paid on bonds	(2,030,500)	
Proceeds from issuance of bonds	3,755,000	
Principal and interest paid on capital leases	(250,137)	
Acquisition/construction of capital assets	(1,944,466)	
Capital contributions	<u>1,528,079</u>	
Net cash provided (used) by capital and related financing activities		<u>1,057,976</u>
Net increase (decrease) in cash and cash equivalents		374,222
Cash and cash equivalents at beginning of year		<u>253,287</u>
Cash and cash equivalents at end of year		<u><u>\$627,509</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, 2003**

Reconciliation of operating loss to net cash provided (used) for operating activities:		
Operating loss		(\$2,034,591)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	\$1,391,619	
Changes in assets and liabilities:		
Increase in accounts receivable	(13,877)	
Increase in due from primary government	(407,917)	
Decrease in inventories	55,873	
Increase in revenue lease receivable	(45,462)	
Increase in unamortized debt issuance costs	(45,294)	
Decrease in accounts payable	(43,287)	
Increase in due to primary government	704,891	
Decrease in interest payable	(214,597)	
Total adjustments		<u>1,381,949</u>
Net cash provided (used) by operating activities		<u><u>(\$652,642)</u></u>
Schedule of Noncash Investing, Capital and Financing Activities:		
Borrowing under capital lease	\$53,733	
Contributions of fixed assets	66,555	
Asset trade-ins	62,000	
Disposal of fixed assets	115,319	

(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, 2003

**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 accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with policies established by the Division of Administration, the authority has elected to follow GASB pronouncements issued after November 30, 1989, rather than FASB pronouncements.

**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 basic financial statements, which include the activity contained in the accompanying financial statements.

**C. FUND ACCOUNTING**

All activities of the authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**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 transactions of the authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets. Net assets are segregated into the following components: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

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

Notes to the Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the authority is rental fees for office space and intergovernmental revenue from the Department of Agriculture and Forestry. Operating expenses include administrative expenses, interest, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. BUDGET PRACTICES**

The Louisiana Agricultural Finance Authority does not have a budget.

**F. CASH**

For reporting purposes, cash includes demand deposits. Under state law, the authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the authority may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in 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 bulk fuel are valued at cost, which approximates market, and are expensed when used. The Louisiana Agricultural Finance Authority uses a perpetual inventory system for bulk fuel. Inventory is valued using the first-in, first-out (FIFO) method.

**H. CAPITAL ASSETS**

Property and equipment are valued at historical cost except for donated capital 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. Equipment includes all items valued at or above \$5,000. Depreciation of all exhaustible capital 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:

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

	<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.

**J. LONG-TERM OBLIGATIONS**

Bond issuance costs are reported and amortized over the life of the bonds. Capital leases are reported at the present value of net minimum lease payments.

**K. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following three components:

Invested in capital assets, net of related debt - consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - consists of all other net assets that are not included in the other categories previously mentioned.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the authority's policy is to first apply the expense toward restricted resources, then toward unrestricted resources.

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

**L. 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**

At June 30, 2003, the authority has cash in demand accounts (book balances) totaling \$627,509.

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, 2003, the authority has \$1,215,262 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Risk Category 1) and \$1,115,262 of pledged securities held by the authority's agent in the authority's name (GASB Risk Category 1).

**3. RECEIVABLES**

At June 30, 2003, the authority has receivable balances totaling \$14,000 relating to reimbursements of expenses. An allowance for doubtful accounts has not been established.

**4. CAPITAL ASSETS**

A summary of capital assets and related depreciation at June 30, 2003, follows:

	Balance July 1, 2002	Adjustments	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Capital assets not being depreciated:						
Land	\$6,512,745		\$6,512,745		(\$307)	\$6,512,438
Construction-in-progress	4,624,249	(\$3,975,742)	648,507	\$1,999,535	(579,971)	2,068,071
Total capital assets not being depreciated	<u>11,136,994</u>	<u>(3,975,742)</u>	<u>7,161,252</u>	<u>1,999,535</u>	<u>(580,278)</u>	<u>8,580,509</u>
Capital assets being depreciated:						
Buildings	23,135,328	1,351,052	24,486,380	667,780	(465,117)	24,689,043
Land improvements	617,186	2,612,180	3,229,366		(2,518,200)	711,166
Infrastructure				2,518,200		2,518,200
Equipment	5,744,442	14,697	5,759,139	360,855	(134,765)	5,985,229
Total capital assets being depreciated	<u>29,496,956</u>	<u>3,977,929</u>	<u>33,474,885</u>	<u>3,546,835</u>	<u>(3,118,082)</u>	<u>33,903,638</u>

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	Balance July 1, 2002	Adjustments	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Less accumulated depreciation for:						
Buildings	(\$4,379,609)	(\$13,209)	(\$4,392,818)	(\$621,867)	\$141,597	(\$4,873,088)
Land improvements	(22,104)	(6,796)	(28,900)	(17,899)		(46,799)
Equipment	(2,763,660)	22,041	(2,741,619)	(688,898)	92,170	(3,338,347)
Infrastructure				(62,955)		(62,955)
Total accumulated depreciation	<u>(7,165,373)</u>	<u>2,036</u>	<u>(7,163,337)</u>	<u>(1,391,619)</u>	<u>233,767</u>	<u>(8,321,189)</u>
Total capital assets	<u>\$33,468,577</u>	<u>\$4,223</u>	<u>\$33,472,800</u>	<u>\$4,154,751</u>	<u>(\$3,464,593)</u>	<u>\$34,162,958</u>

In prior years, the authority followed the Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting equipment. The LPAA's dollar threshold for capitalizing equipment is \$1,000. However, according to the Division of Administration, Office of Statewide Reporting and Accounting Policy's instructions, only equipment valued at or over \$5,000 is capitalized and depreciated for financial statement purposes. Therefore, the adjustment column includes the impact of the changes in this capitalization policy for items not included in the prior year adjustment.

The adjustment column also includes the reclassification of certain items. In the prior year, \$3,975,742 of building and land improvement projects had been completed at June 30. However, at that time, the supporting ledgers that were used to prepare the June 30, 2002, capital asset summary did not reflect the correct status of these projects.

Information relating to construction-in-progress follows:

Project	Costs to Date	Estimated Completion Date	Estimated Cost to Complete
Baton Rouge	\$1,476,942	02/01/2004	\$5,700,000
Hammond	181,564	10/01/2003	100,000
Haughton	4,140	11/01/2003	25,000
Homer	210,531	06/01/2004	350,000
Natchitoches	55,546	10/01/2003	75,000
Woodworth	139,348	01/01/2005	3,000,000
Total	<u>\$2,068,071</u>		<u>\$9,250,000</u>

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**5. LEASES**

**A. Capital Leases**

The authority has entered into lease agreements for financing the acquisition of equipment. 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	\$15,205	\$255,557
Equipment	6/10/2003	8/10/2004	959	53,733
			<u>\$16,164</u>	<u>\$309,290</u>

The assets acquired through capital leases are as follows:

Equipment	\$768,630
Less - accumulated depreciation	<u>(459,340)</u>
Total	<u>\$309,290</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, 2003:

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Year Ending June 30.

2004	\$318,762
2005	6,692
Total minimum lease payments	<u>325,454</u>
Less - amounts representing executory costs	<u>NONE</u>
Net minimum lease payments	325,454
Less - amounts representing interest	<u>(16,164)</u>
Present value of net minimum lease payments	<u><u>\$309,290</u></u>

**B. Operating Leases**

The total payments for operating leases during the fiscal year 2002-2003 amounted to \$1,200. A schedule of payments for operating leases follows for fiscal years ending June 30:

<u>Nature of</u> <u>Operating Lease</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Land	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$7,200</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 would take possession as lessee of the office buildings upon completion. The term of the lease agreement was from December 1, 1998, to January 15, 2004, or such earlier time as the bonds had been paid or provision for their payment had been made in accordance with the agreement. The bonds were defeased on October 2, 2002, and the lease agreement was terminated.

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On July 1, 2002, the authority entered into a lease agreement with the Department of Agriculture and Forestry for the acquisition, construction, and installation of cold storage facilities at the main office buildings in Baton Rouge and at the Woodworth site, and to refund the outstanding principal of \$1,755,000 for the Louisiana Agricultural Finance Authority Revenue Bonds, Series 1998. The term of the lease agreement is from July 1, 2002, to July 1, 2012, 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	07/01/2002	\$4,132,915	<u>\$653,415</u>	<u>\$3,479,500</u>
Less - amounts representing executory costs		<u>NONE</u>		
Minimum lease payments receivable		4,132,915		
Less - allowance for uncollectibles		<u>NONE</u>		
Net minimum lease payments receivable		4,132,915		
Estimated residual value of leased property		<u>NONE</u>		
Subtotal		<u>4,132,915</u>		
Less - unearned income		<u>(4,104,383)</u>		
Net investment in direct financing leases		<u>\$28,532</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, 2003.

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The following is a schedule by year of minimum lease receivables as of June 30, 2003:

<u>Year ending June 30,</u>	<u>Minimum Lease Receivable</u>
2004	\$347,526
2005	472,526
2006	472,526
2007	472,526
2008	472,526
2009-2012	<u>1,895,285</u>
Total	<u><u>\$4,132,915</u></u>

**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, 2003:

Buildings	\$7,851,270
Less - accumulated depreciation	<u>(2,657,558)</u>
Total carrying amount of property	<u><u>\$5,193,712</u></u>

The following is a schedule by year of minimum future rentals on noncancellable operating leases as of June 30, 2003:

<u>Composition of Lease</u>	<u>2003-2004</u>	<u>Thereafter</u>
Buildings - minimum future rentals	<u>\$1,133,760</u>	<u>NONE</u>

No contingent rentals were received from operating leases for the fiscal year ended June 30, 2003.

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**6. DEBT SERVICE REQUIREMENTS**

Notes Payable

At June 30, 2003, the notes payable of \$23,451,686 shown on Statement A is a bank loan. The interest rate on the notes is variable equal to the 30-day London InterBank Offered Rate (LIBOR) plus 75 basis points. Interest will be calculated on the basis of a 360-day year based on actual days elapsed. Activity during the fiscal year follows:

<u>Balance as of June 30, 2002</u>	<u>Increases</u>	<u>Repayments</u>	<u>Balance as of June 30, 2003</u>	<u>Due Within One Year</u>
<u>\$25,721,597</u>	<u>\$5,000,000</u>	<u>\$7,269,911</u>	<u>\$23,451,686</u>	<u>\$7,654,627</u>

Bonds Payable

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%	12/1/1998	1/15/2004	\$4,000,000	(\$4,000,000)	
Building projects	variable	10/2/2002	1/15/2012	2,755,000	(275,500)	\$2,479,500
Building projects	variable	2/21/2003	1/15/2012	500,000		500,000
Building projects	variable	5/7/2003	1/15/2012	500,000		500,000
				<u>\$7,755,000</u>	<u>(\$4,275,500)</u>	<u>\$3,479,500</u>

Debt service requirements to maturity are as follows:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>
2004	\$275,500	\$72,026
2005	400,500	72,026
2006	400,500	72,026
2007	400,500	72,026
2008	400,500	72,026
2009-2012	<u>1,602,000</u>	<u>288,104</u>
Total	<u>\$3,479,500</u>	<u>\$648,234</u>

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The following is a summary of bond transactions of the authority for the year ended June 30, 2003, for state government related issues:

	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
<u>Series 1998</u>			
Balance as of June 30, 2002	\$1,755,000	\$119,515	\$1,874,515
Less - debt service payments in current fiscal year	(1,755,000)	(56,505)	(1,811,505)
Less - interest adjustment		(63,010)	(63,010)
Balance as of June 30, 2003	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
<u>Series 2002, 2002B, and 2002C</u>			
Series 2002 issued October 2, 2002	2,755,000	461,934	3,216,934
Less - debt service payments in current fiscal year	(275,500)		(275,500)
Series 2002B issued February 21, 2003	500,000	93,150	593,150
Series 2002C issued May 7, 2003	500,000	93,150	593,150
Balance as of June 30, 2003	<u>3,479,500</u>	<u>648,234</u>	<u>4,127,734</u>
Total balance as of June 30, 2003	<u>\$3,479,500</u>	<u>\$648,234</u>	<u>\$4,127,734</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 bore interest at 4.51% and were payable January 15 and July 15 of each year. The revenue bonds were 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 were 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. These bonds had a maturity date of January 15, 2004 and were defeased on October 2, 2002, creating an adjustment to interest as shown on the above schedule.

Lafa acquired a line of credit with Hibernia National Bank not to exceed \$9,000,000 to be evidenced by the Lafa's issuance of revenue bonds. The funds will be used to acquire, construct, and install cold storage facilities at the main office building of the Louisiana Department of Agriculture and Forestry on Florida Boulevard in Baton Rouge, install a connected related facility at the Woodworth site, and refund \$1,755,000 for the outstanding principal amount of Lafa 1998 Revenue bonds. Lafa drew \$2,755,000 in October 2002 (Series 2002), \$500,000 in February 2003 [Series 2002 (B)], and another \$500,000 [Series 2002(C)] in May 2003 on the line of credit. The related revenue bonds are secured by the Feed, Fertilizer, and Pesticide Funds (License and Regulatory Boards Funds Account) and capital leases. The interest rate on the bonds is variable. The interest rate to be used for interest payments will be calculated by multiplying the LIBOR by 65% and adding 119 basis points. Interest will be calculated on the basis of a 360-day year based on actual days elapsed. By completing the refunding, Lafa increased its total debt service payments by \$446 and resulted in an economic loss (difference between present values of the old and new debt service

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payments) of \$1,850. LIBOR is the rate at which deposits of United States dollars are offered in the London inter-bank market for certain set interest periods.

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 Series 1998 revenue bonds. The original issuance costs were \$36,240. These costs were being amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2002, was \$10,872. For the current year, the bond issuance costs amortized were \$7,248. The remaining balance of \$3,624 was expensed during the current year when the related bonds were defeased.

Unamortized bond issuance costs include legal fees and remarketing fees associated with the \$3,755,000 for Series 2002, 2002B, and 2002C revenue bonds. The original issuance costs were \$61,284. 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, 2003, is \$58,725. The bond issuance costs amortized in fiscal year 2002-2003 were \$2,559.

The authority has no advance refunded bonds.

Conduit Debt Obligations

In August 1995, the GASB issued Interpretation No. 2 (Disclosure of Conduit Debt Obligations). Governmental entities may enter into arrangements whereby a nongovernmental entity is able to finance the acquisition of facilities by issuing conduit debt obligations, which the GASB describes as follows:

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity.

The GASB concluded that conduit debt does not create a liability and, therefore, does not have to be presented on the governmental entity's financial statements.

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.

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 was backed by

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an \$11,700,000 mortgage in timber and real estate owned by the Louisiana Pacific Corporation. In addition, bondholders were secured by a letter of credit issued by Hibernia National Bank and Trust. These bonds were payable in semiannual installments over a period of five years. The authority had 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. These bonds were defeased on September 1, 2002.

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	\$6,427,084	\$69,585
	8.25%	1986A I	various	150,000,000	103,946,826	46,053,174
	8.80%	1986A II	various	150,000,000	101,856,212	48,143,788
Louisiana Pacific Corporation:						
	5.20%	1999A	various	5,610,000	5,610,000	
	4.62%	1999B	various	3,080,000	3,080,000	
Balance at June 30, 2003				<u>\$315,186,669</u>	<u>\$220,920,122</u>	<u>\$94,266,547</u>

Conduit Debt Obligations - Bond Defaults

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 January 15, 2003, trustees received interim payments, including interest, totaling \$144,292,093 and \$144,015,262 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 \$279,254,355 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1995; November 30, 1995; April 24, 1996; May 15, 1997; November 8, 1999; and January 15, 2003. This amount represents principal of \$103,946,826 and interest of \$35,818,767 for LAFA I bondholders and principal of \$101,856,212 and interest of \$37,632,550 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 that the distributions are complete or the modified plan has expired.

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**7. NET ASSETS**

Net assets represent the difference between assets and liabilities. The composition of net assets is as follows:

Invested in capital assets, net of related debt:	
Property, plant, and equipment (net of depreciation)	\$34,162,958
Less:	
Current portion of revenue bonds payable	(275,500)
Noncurrent portion of revenue bonds payable	(3,204,000)
Current portion of capital lease payable	(302,621)
Noncurrent portion of capital lease payable	<u>(6,669)</u>
Invested in capital assets, net of related debt	<u>\$30,374,168</u>
Restricted for Chloramphenicol Chemicals, Railroad Improvements and Formosan Termite Program:	
Restricted cash and cash equivalents	\$289,031
Restricted receivables	323,409
Liabilities from restricted assets	<u>(391,600)</u>
Restricted for Chloramphenicol Chemicals, Railroad Improvements and Formosan Termite Program	<u>\$220,840</u>

**8. NET ASSETS RESTATED**

The beginning net assets as reflected on Statement B have been restated to reflect various adjustments to account balances at June 30, 2002:

Net assets, June 30, 2002	\$30,959,610
Prior period adjustments	<u>16,536</u>
Net assets at June 30, 2003	<u>\$30,976,146</u>

**9. DUE TO/FROM PRIMARY GOVERNMENT**

At June 30, 2003, the authority owes the Department of Agriculture and Forestry, a department within the state of Louisiana, \$600,221 for reimbursement of costs associated with construction projects, expenses relating to salaries and related benefits, and other operating expenses.

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At June 30, 2003, the authority has amounts due from the primary government for the following:

<u>Source</u>	<u>Total</u>
Department of Agriculture and Forestry:	
Licensing and Regulatory Boards	\$580,440
Formosan Termite Program (funded from the state General Fund appropriation)	3,000
Boll Weevil Eradication Program for lease payments on office space	28,800
Repayment of loan for Boll Weevil Eradication Program*	23,482,100
Lease payments on office space	24,250
Reimbursement for sugar cane project expenses	320,409
Office of Group Benefits:	
Lease payments on office space	21,069
Reimbursement for office space renovations	10,025
Miscellaneous	41
	<hr/>
Total due from primary government	<u>\$24,470,134</u>

\*The Department of Agriculture and Forestry will fund the loan repayment from net slot machine proceeds collected pursuant to R.S. 27:392(B)(4).

**10. RISK MANAGEMENT**

The authority is exposed to various risks of losses related to general liability: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The authority is a party to various legal proceedings incidental to its business but is not involved in litigation seeking "damages." However, the authority is involved as a defendant in litigation seeking relief other than damages. In the opinion of management, all such matters are adequately covered by insurance purchased from the Office of Risk Management and are not expected to have a material effect on the financial statements. During the past three years, there were no claims against the authority that exceeded insurance coverage.

During the year ended June 30, 2003, \$370,388 was expended for legal services.

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**11. INTERGOVERNMENTAL REVENUES**

During fiscal year ended June 30, 2003, the authority received intergovernmental revenues from the primary government as follows:

<u>Source</u>	<u>Amount</u>
Department of Agriculture and Forestry:	
Chloramphenicol Project	\$459,329
Contractual services for Formosan Termite Program	75,168
Boll Weevil Eradication Program	730,089
Licensing and Regulatory Board	<u>293,140</u>
Total	<u>\$1,557,726</u>

**12. 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 uncommitted portion of this project as of June 30, 2003, is \$159,656 and the funding source was the Sugar Cane Research Program.

**13. RECLASSIFICATION OF ENTITY**

Effective for the fiscal year ended June 30, 2003, the Louisiana Agricultural Finance Authority was reclassified by the Division of Administration, Office of Statewide Reporting and Accounting Policy from a blended component unit to a discrete component unit of the State of Louisiana under the criteria established by GASB Statement No. 14. In prior years, the authority was reported as a blended component unit of the state because the authority provided services entirely, or almost entirely, for the benefit of the Louisiana Department of Agriculture and Forestry (LDAF). In recent years, the authority has exercised its ability to engage in financing activities that benefit the agricultural community and related businesses. Therefore, the authority is no longer considered to provide services entirely, or almost entirely, for the benefit of the LDAF and, accordingly, is now reported as a discrete component of the State of Louisiana.

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In accordance with GASB Statement No. 34, this change requires the authority to report financial activity with the primary government as revenues and expenses in the current year. In prior years, this activity was reported as transfers to and from the primary government. Furthermore, certain reclassifications have been made relating to operating and nonoperating revenues and expenses.

**14. SUBSEQUENT EVENT**

On September 11, 2003, the LAFA board authorized the issuance of LAFA Revenue Bonds in an amount not to exceed \$45 million for the acquisition, construction, and equipping of a sugar mill in Lacassine, Jefferson Davis Parish, Louisiana. The sugar mill will be used to refine sugar cane into the syrup stage. The bonds may be issued as fixed or variable rate bonds bearing interest at a rate not exceeding 12% per annum. Also, the bonds will mature no later than 35 years from the date of issuance. The bonds are payable from a pledge of the revenues from the operation of the project and are secured by the pledge of the net slot machine proceeds described in R.S. 27:392(B)(4).

The State Bond Commission approved the above debt at its September 18, 2003, meeting.

**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, 2003**

The annual fiscal report presents the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2003, and the results of its changes in fund net assets and its cash flows 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  
STATE OF LOUISIANA  
Annual Financial Statements  
June 30, 2003

C O N T E N T S

TRANSMITTAL LETTER  
AFFIDAVIT

Statements

MD&A

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Statement of Revenues, Expenses, and Changes in Fund Net Assets	B
Statement of Activities	C
Statement of Cash Flows	D

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STATE OF LOUISIANA  
Annual Financial Statements  
Fiscal Year Ending June 30, 2003

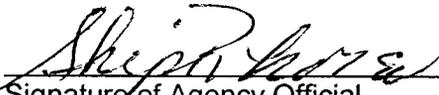
LOUISIANA AGRICULTURAL FINANCE AUTHORITY

Division of Administration  
Office of Statewide Reporting  
and Accounting Policy  
P. O. Box 94095  
Baton Rouge, Louisiana 70804-9095

Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Skip Rhorer, Assistant Commissioner of the Department of Agriculture & Forestry, who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Agricultural Finance Authority at June 30, 2003, and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 7<sup>th</sup> day of October, 2003.

  
Signature of Agency Official

  
NOTARY PUBLIC

Prepared by: Corinne Brousseau, CPA

Title: Auditor

Telephone No.: 225 922 1255

Date: \_\_\_\_\_



BOB ODOM  
CHAIRMAN

## Louisiana Agricultural Finance Authority

Post Office Box 3481  
Baton Rouge, Louisiana  
70821-3481  
(225) 922-1255

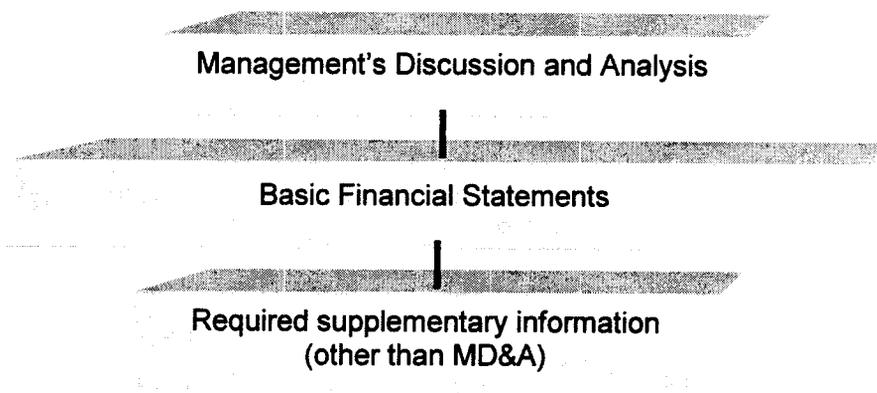
The Management's Discussion and Analysis of the Louisiana Agricultural Finance Authority's financial performance presents a narrative overview and analysis of the authority's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the authority's financial statements, which begin on page 6.

### FINANCIAL HIGHLIGHTS

- ★ The authority's assets exceeded its liabilities at the close of fiscal year 2003 by \$30,526,593, which represents a 1.5% decrease from last fiscal year. The net assets decreased by \$449,553.
- ★ The authority's operating revenue decreased \$788,000 (or 17.9%) and the net results from activities decreased by \$395,097 (or 725.5%).

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003**

**Basic Financial Statements**

The basic financial statements present information for the authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance sheet; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Balance Sheet presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

**Statement of Net Assets  
as of June 30, 2003  
(in thousands)**

	Total	
	2003	2002
Current and other assets	\$ 29,304	\$ 28,497
Capital assets	34,163	33,485
Total assets	<u>63,467</u>	<u>61,982</u>
Other liabilities	(10,150)	(4,389)
Long-term debt outstanding	(22,790)	(26,617)
Total liabilities	<u>(32,940)</u>	<u>(31,006)</u>
Net assets:		
Invested in capital assets, net of debt	(30,374)	(31,224)
Restricted	(221)	(250)
Unrestricted	68	498
Total net assets	<u>\$ (30,527)</u>	<u>\$ (30,976)</u>

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003**

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, and grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets  
for the years ended June 30, 2003  
(in thousands)**

	<u>Total</u>	
	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 3,620	\$ 4,408
Operating expenses	<u>(5,654)</u>	<u>(5,240)</u>
Operating income(loss)	(2,034)	(832)
Non-operating revenues(expenses)	<u>(10)</u>	<u>(10)</u>
Income(loss) before transfers	<u>(2,044)</u>	<u>(842)</u>
Transfers in	1,595	1,288
Transfers out	<u>(500)</u>	<u>(500)</u>
Net increase(decrease) in net assets	<u>\$ (449)</u>	<u>\$ (54)</u>

Total revenues decreased by \$788,000 (or 21.8%). The total cost of all programs and services increased by \$413,734 (or 7.9%).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2003, the authority had \$34,162,958, net, invested in a broad range of capital assets, including land, buildings, equipment, and land improvements. See Table below. This amount represents a net increase (including additions and deductions) of \$694,000, or 2.1%, over last year.

**STATE OF LOUISIANA  
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 AS OF JUNE 30, 2003**

**Capital Assets at Year-end  
 (Net of Depreciation, in thousands)**

	<u>2003</u>	<u>2002</u>
Land	\$ 6,512	\$ 6,513
Buildings and improvements	20,480	19,351
Equipment	2,647	2,981
Construction in progress	2,068	4,624
Infrastructure	<u>2,455</u>	<u>          </u>
Totals \$	<u><u>34,162</u></u>	<u><u>33,469</u></u>

This year's major additions included (in thousands) the continued construction of thirteen buildings.

**Debt**

The authority had \$26,931 thousand in bonds and notes outstanding at year-end, compared to \$27,477 thousand last year, a decrease of 2.0 % as shown in the table below.

**Outstanding Debt at Year-end  
 (in thousands)**

	<u>2003</u>	<u>2002</u>
General Obligation Bonds	\$	\$
Revenue Bonds and Notes	<u>26,931</u>	<u>27,477</u>
Totals \$	<u><u>26,931</u></u>	<u><u>27,477</u></u>

New debt resulted from a new bond issue and a new note.

The authority does not have general obligation bonds, and the revenue bonds where private placement bonds that do not require rating.

The authority has claims and judgments of \$ 0 outstanding at year-end compared with \$ 0 last year. Other obligations include accrued vacation pay and sick leave.

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS**

The authority does not have a budget.

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2003**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The authority does not have a budget.

**CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the authority's finances and to show the authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Corinne Brousseau at 225-922-1255.

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2003**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents (Note C1)	\$338,478
Receivables (net of allowance for doubtful accounts)(Note U)	14,000
Due from other funds (Note Y)	24,146,725
Inventories	91
Restricted assets (Note F):	
Cash	
Receivables	
Other current assets	354,144
Total current assets	24,853,438

**NONCURRENT ASSETS:**

Restricted assets (Note F):	
Cash	289,031
Receivables	323,409
Capital assets (net of depreciation)(Note D)	
Land	6,512,438
Buildings and improvements	20,480,322
Machinery and equipment	2,646,882
Infrastructure	2,455,245
Construction in progress	2,068,071
Other noncurrent assets	3,838,395
Total noncurrent assets	38,613,793
Total assets	<u>\$63,467,231</u>

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable and accruals (Note V)	230,049
Due to other funds (Note Y)	600,221
Deferred revenues	321,694
Other current liabilities	
Current portion of long-term liabilities:	
Capital lease obligations - (Note J)	302,621
Notes payable	7,654,627
Liabilities payable from restricted assets (Note Z)	391,600
Bonds payable	275,500
Other long-term liabilities	373,909
Total current liabilities	10,150,221

**NON-CURRENT LIABILITIES:**

Capital lease obligations (Note J)	6,669
Notes payable	15,797,059
Liabilities payable from restricted assets (Note Z)	
Bonds payable	3,204,000
Other long-term liabilities	3,782,689
Total long-term liabilities	22,790,417
Total liabilities	<u>32,940,638</u>

**NET ASSETS**

Invested in capital assets, net of related debt	30,374,168
Restricted for:	
Capital projects	
Debt service	
Other specific purposes	220,840
Unrestricted	(68,415)
Total net assets	30,526,593
Total liabilities and net assets	<u>\$63,467,231</u>

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

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2003**

**OPERATING REVENUES**

Sales of commodities and services	
Assessments	
Use of money and property	<u>\$1,937,227</u>
Licenses, permits, and fees	
Other	<u>1,682,576</u>
Total operating revenues	<u>3,619,803</u>

**OPERATING EXPENSES**

Cost of sales and services	<u>3,839,853</u>
Administrative	<u>422,922</u>
Depreciation	<u>1,391,619</u>
Amortization	
Total operating expenses	<u>5,654,394</u>

Operating income(loss) (2,034,591)

**NON-OPERATING REVENUES(EXPENSES)**

State appropriations	
Intergovernmental revenues (expenses)	
Taxes	
Use of money and property	
Gain (loss) on disposal of fixed assets	<u>(9,596)</u>
Federal grants	
Interest expense	
Other	
Total non-operating revenues(expenses)	<u>(9,596)</u>

Income(loss) before contributions and transfers (2,044,187)

Capital contributions	1,594,634
Transfers in	
Transfers out	

Change in net assets (449,553)

Total net assets – beginning as restated 30,976,146

Total net assets – ending \$30,526,593

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

**STATE OF LOUISIANA  
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2003**

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Component Unit:				
Louisiana Agricultural Finance Authority	\$ 5,663,990	\$ 1,866,247	\$ 1,557,726	\$ 1,594,634
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
General revenues:				
Taxes				<u>          </u>
State appropriations				<u>          </u>
Grants and contributions not restricted to specific programs				<u>          </u>
Interest				70,980
Miscellaneous				124,850
Special items				<u>          </u>
Transfers				<u>          </u>
Total general revenues, special items, and transfers				195,830
Change in net assets				(449,553)
Net assets - beginning				30,976,146
Net assets - ending				<u>\$ 30,526,593</u>

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

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Cash flows from operating activities</b>		
Cash received from customers	<u>\$3,222,690</u>	
Cash payments to suppliers for goods and services	<u>(3,875,332)</u>	
Net cash provided(used) by operating activities		<u>(\$652,642)</u>
<b>Cash flows from non-capital financing activities</b>		
State appropriations		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable	<u>5,000,000</u>	
Principal paid on notes payable	<u>(7,269,911)</u>	
Interest paid on notes payable		
Operating grants received		
Other	<u>2,238,799</u>	
Transfers in		
Transfers out		
Net cash provided(used) by non-capital financing activities		<u>(31,112)</u>
<b>Cash flows from capital and related financing</b>		
Proceeds from sale of bonds	<u>3,755,000</u>	
Bond issuance costs		
Principal paid on bonds	<u>(2,030,500)</u>	
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets	<u>(1,944,466)</u>	
Proceeds from sale of capital assets		
Capital contributions	<u>1,528,079</u>	
Other	<u>(250,137)</u>	
Net cash provided(used) by capital and related financing activities		<u>1,057,976</u>
<b>Cash flows from investing activities</b>		
Purchases of investment securities		
Proceeds from sale of investment securities		
Interest and dividends earned on investment securities		
Net cash provided(used) by investing activities		<u>0</u>
Net increase(decrease) in cash and cash equivalents		<u>374,222</u>
Cash and cash equivalents at beginning of year		<u>253,287</u>
Cash and cash equivalents at end of year		<u>\$627,509</u>

(Continued)

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

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Reconciliation of operating income(loss) to net cash provided(used) by operating**

Operating income(loss)		<u>(2,034,591)</u>
Adjustments to reconcile operating income(loss) to Net cash provided by operating activities:		
Depreciation/amortization	1,391,619	
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable	(13,877)	
(Increase)decrease in due from other funds	(407,917)	
(Increase)decrease in prepayments		
(Increase)decrease in inventories	55,873	
(Increase)decrease in other assets	(90,756)	
Increase(decrease) in accounts payable	(43,287)	
Increase(decrease) in accrued payroll and related		
Increase(decrease) in compensated absences payable	704,891	
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues		
Increase(decrease) in other liabilities	(214,597)	
		<u>1,381,949</u>
Net cash provided(used) by operating activities		<u>(652,642)</u>

**Schedule of noncash investing, capital, and financing activities:**

Borrowing under capital lease	<u>53,733</u>
Contributions of fixed assets	<u>66,555</u>
Purchases of equipment on account	
Asset trade-ins	<u>62,000</u>
Other (specify)	
Disposal of fixed assets	<u>115,319</u>
<b>Total noncash investing, capital, and financing activities:</b>	<u><u>297,607</u></u>

(Concluded)

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

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003**

**INTRODUCTION**

The Louisiana Agricultural Finance Authority was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 3:261-2840. The following is a brief description of the operations of the authority, which includes the parish/parishes in which the authority is located:

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 utilize 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.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF ACCOUNTING**

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 governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the programs as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are recognized and reported

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2003**

in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

**B. BUDGETARY ACCOUNTING**

The Louisiana Agricultural Finance Authority does not have a budget.

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS** (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

**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 (including restricted assets with a maturity of three months or less when purchased) are 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

**STATE OF LOUISIANA  
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
 Notes to the Financial Statement  
 As of and for the year ended June 30, 2003**

bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2003, were secured as follows:

	Deposits in bank accounts			<u>Total</u>
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	
Deposits in bank accounts per balance sheet	\$ <u>627,509</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>627,509</u>
Bank balances:				
1. Insured or collateralized with securities held by the entity or its agency <u>in the entity's name</u>	\$ <u>1,215,262</u>	<u>NONE</u>	<u>NONE</u>	\$ <u>1,215,262</u>

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

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

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>Hibernia National Bank</u>	<u>all programs</u>	\$ <u>1,215,262</u>

Were uncollateralized securities fitting the description in (3) above during the year significantly greater than at June 30, 2003? If yes, attach a statement listing the amount(s) and a reason for this occurrence.

NONE

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury	\$ <u>NONE</u>
Petty cash	\$ <u>NONE</u>

**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**Notes to the Financial Statement**  
**As of and for the year ended June 30, 2003**

**D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES ASSETS**

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	Year ended June 30, 2003						
	Balance 6/30/2002	Additions	Transfers *	Retirements	Balance 6/30/2003	Prior Period Adjustment	Adjusted Balance 6/30/2003
Land	6,512,745	--	--	(307)	6,512,438	--	6,512,438
Non-depreciable land improvements	--	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--	--
Construction in progress	4,624,249	1,999,535	(579,971)	--	6,043,813	(3,975,742)	2,068,071
<b>Total capital assets not being depreciated</b>	<b>11,136,994</b>	<b>1,999,535</b>	<b>(579,971)</b>	<b>(307)</b>	<b>12,556,251</b>	<b>(3,975,742)</b>	<b>8,580,509</b>
Furniture, fixtures, and equipment	5,744,442	360,855	--	(134,765)	5,970,532	14,697	5,985,229
Less accumulated depreciation	(2,763,660)	(688,898)	--	92,170	(3,360,388)	22,041	(3,338,347)
Total furniture, fixtures, and equipment	2,980,782	(328,043)	--	(42,595)	2,610,144	36,738	2,646,882
Buildings and improvements	23,135,328	87,809	579,971	(465,117)	23,337,991	1,351,052	24,689,043
Less accumulated depreciation	(4,379,609)	(621,867)	--	141,597	(4,859,879)	(13,209)	(4,873,088)
Total buildings and improvements	18,755,719	(534,058)	579,971	(323,520)	18,478,112	1,337,843	19,815,955
Depreciable land improvements	617,186	--	(2,518,200)	--	(1,901,014)	2,612,180	711,166
Less accumulated depreciation	(22,104)	(17,899)	--	--	(40,003)	(6,796)	(46,799)
Total depreciable land improvements	595,082	(17,899)	(2,518,200)	--	(1,941,017)	2,605,384	664,367
Infrastructure	--	--	2,518,200	--	2,518,200	--	2,518,200
Less accumulated depreciation	--	(62,955)	--	--	(62,955)	--	(62,955)
Total infrastructure	--	(62,955)	2,518,200	--	2,455,245	--	2,455,245
<b>Total other capital assets</b>	<b>22,331,583</b>	<b>(942,955)</b>	<b>579,971</b>	<b>(366,115)</b>	<b>21,602,484</b>	<b>3,979,965</b>	<b>25,582,449</b>
Capital assets not being depreciated	11,136,994	1,999,535	(579,971)	(307)	12,556,251	(3,975,742)	8,580,509
Other capital assets, at cost	29,496,956	448,664	579,971	(599,882)	29,925,709	3,977,929	33,903,638
Total cost of capital assets	40,633,950	2,448,199	--	(600,189)	42,481,960	2,187	42,484,147
Less accumulated depreciation	(7,165,373)	(1,391,619)	--	233,767	(8,323,225)	2,036	(8,321,189)
<b>Capital assets, net</b>	<b>33,468,577</b>	<b>1,056,580</b>	<b>--</b>	<b>(366,422)</b>	<b>34,158,735</b>	<b>4,223</b>	<b>34,162,958</b>

\* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

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**E. INVENTORIES**

The unit's inventories are valued at First in, First out (FIFO) (method of valuation). These are perpetual inventories and are expensed when used. **NOTE: DO NOT INCLUDE POSTAGE. THIS IS SHOWN AS A PREPAYMENT.**

**F. RESTRICTED ASSETS**

Restricted assets in the authority at June 30, 2003, reflected at \$612,440 in the current assets section on Statement A, consist of \$289,031 in cash in bank and \$323,409 in receivables.

**G. LEAVE**

The Louisiana Agricultural Finance Authority has no employees.

**H. RETIREMENT SYSTEM**

The Louisiana Agricultural Finance Authority has no employees.

**I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The Louisiana Agricultural Finance Authority has no employees.

**J. LEASES**

**1. OPERATING LEASES**

The total payments for operating leases during fiscal year 2003 amounted to \$1,200. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009- 2013</u>	<u>FY2014- 2018</u>
land for hanger	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$

**2. CAPITAL LEASES**

Capital leases are (are not) recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and

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operating leases by National Council on Governmental Accounting (NCGA) Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 should be reported on the following schedules:

Capital leases are defined as an arrangement in which any one of the following conditions apply: (1) ownership transfers by the end of the lease, (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset life or, (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

**SCHEDULE A – TOTAL AGENCY CAPITAL LEASES EXCEPT LEAF**

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	<u>1,299,480</u>	<u>16,164</u>	<u>309,290</u>
c. Land	_____	_____	_____
Total	<u>\$ 1,299,480</u>	<u>\$ 16,164</u>	<u>\$ 309,290</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 (last day of your fiscal year) and a breakdown of yearly principal and interest:

<u>Year ending June 30, 2003:</u>	<u>Total</u>
2004	\$ <u>318,762</u>
2005	<u>6,692</u>
2006	_____
2007	_____
2008	_____
2009-2013	_____
2014-2018	_____
2019-2023	_____
Total minimum lease payments	<u>325,454</u>
Less amounts representing executory costs	_____
Net minimum lease payments	<u>325,454</u>
Less amounts representing interest	<u>(16,164)</u>
Present value of net minimum lease payments	<u>\$ 309,290</u>

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SCHEDULE B – NEW AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	77,500	959	53,733
c. Land	_____	_____	_____
Total	\$ <u>77,500</u>	\$ <u>959</u>	\$ <u>53,733</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 (last day of your fiscal year) and a breakdown of yearly principal and interest:

<u>Year ending June 30, 2003:</u>	<u>Total</u>
2004	\$ 48,000
2005	6,692
2006	_____
2007	_____
2008	_____
2009-2013	_____
2014-2018	_____
2019-2023	_____
Total minimum lease payments	54,692
Less amounts representing executory costs	_____
Net minimum lease payments	54,692
Less amounts representing interest	(959)
Present value of net minimum lease payments	\$ <u>53,733</u>

SCHEDULE C – LEAF CAPITAL LEASES

The authority has no LEAF Capital Leases.

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**3. 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 the unreimbursable costs yet to be incurred by the lessor under the lease.

Provide a general description of the direct financing agreement, and complete the chart below:

On July 1, 2002, the authority entered into a lease agreements with the Department of Agriculture & Forestry for the acquisition, construction, and equipping of an office building in Woodworth and a cold storage food distribution warehouse acquired by the authority as a result of the issuance of its revenue bonds. Under the terms of the agreement, the Department of Agriculture and Forestry will take possession as lessee upon completion. The term of the lease agreement is from July 1, 2002, to July 1, 2012.

<u>Composition of lease</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>
a. Office space	<u>07/01/03</u>	\$ <u>4,132,915</u>
b. Equipment	<u>                    </u>	<u>                    </u>
c. Land	<u>                    </u>	<u>                    </u>
Less amounts representing executory costs		<u>                    </u>
Minimum lease payment receivable		<u>4,132,915</u>
Less allowance for doubtful accounts		<u>                    </u>
Net minimum lease payments receivable		<u>4,132,915</u>
Less estimated residual value of leased property		<u>                    </u>
Less unearned income		<u>(4,104,383)</u>
Net investment in direct financing lease		<u>\$ <u>28,532</u></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 equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2003 were \$NONE for office space, \$NONE for equipment, and \$NONE for land.

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of June 30, 2003:

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Year ending June 30, 2003:

2004	\$ <u>347,526</u>
2005	<u>472,526</u>
2006	<u>472,526</u>
2007	<u>472,526</u>
2008	<u>472,526</u>
2009-2013	<u>1,895,285</u>
2014-2018	<u>                    </u>
Total	\$ <u><u>4,132,915</u></u>

**4. LESSOR – OPERATING LEASE**

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 measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of June 30, 2003:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
a. Office space	\$ <u>7,851,270</u>	\$ <u>(2,657,558)</u>	\$ <u>5,193,712</u>

The following is a schedule by years of minimum future rentals on non-cancelable operating lease(s) as of June 30, 2003:

Year Ended June 30,	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	<u>Total</u>
2004	\$ <u>1,133,760</u>	\$ <u>                    </u>	\$ <u>                    </u>	\$ <u>                    </u>	\$ <u>1,133,760</u>

Contingent rentals received from operating leases received for your fiscal year was \$NONE for office space, \$NONE for equipment, and \$NONE for land.

**K. LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2003:

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	Balance June 30, 2002	Year ended June 30, 2003		Balance June 30, 2003	Amounts due within one year
		Additions	Reductions		
<b>Bonds and notes payable:</b>					
Notes payable	\$ 25,721,597	\$ 5,000,000	\$ 7,269,911	\$ 23,451,686	\$ 7,654,627
Reimbursement contracts payable				-	
Bonds payable	1,755,000	3,755,000	2,030,500	3,479,500	275,500
Total notes and bonds	<u>27,476,597</u>	<u>8,755,000</u>	<u>9,300,411</u>	<u>26,931,186</u>	<u>7,930,127</u>
<b>Other liabilities:</b>					
Contracts payable				-	
Compensated absences payable				-	
Capital lease obligations	506,110	53,733	250,553	309,290	302,621
Liabilities payable from restricted assets				-	
Claims and litigation				-	
Other long-term liabilities				-	
Total other liabilities	<u>506,110</u>	<u>53,733</u>	<u>250,553</u>	<u>309,290</u>	<u>302,621</u>
Total long-term liabilities	<u>27,982,707</u>	<u>8,808,733</u>	<u>9,550,964</u>	<u>27,240,476</u>	<u>8,232,748</u>

A detailed summary, by issues, of all debt outstanding at June 30, 2003, including outstanding interest of \$648,234 is shown on Schedule 4.

**Conduit Debt Obligations**

In August 1995, the GASB issued Interpretation No. 2 (Disclosure of Conduit Debt Obligations). Governmental entities may enter into arrangements whereby a nongovernmental entity is able to finance the acquisition of facilities by issuing conduit debt obligations, which the GASB describes as follows:

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity.

The GASB concluded that conduit debt does not create a liability and, therefore, does not have to be presented on the governmental entity's financial statements.

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.

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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 January 15, 2003, trustees received interim payments, including interest, totaling \$144,292,093 and \$144,015,262 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 \$279,254,355 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1995; November 30, 1995; April 24, 1996; May 15, 1997; November 8, 1999; and January 15, 2003. This amount represents principal of \$103,946,826 and interest of \$35,818,767 for LAFA I bondholders and principal of \$101,856,212 and interest of \$37,632,550 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. These bonds were defeased on September 1, 2002.

Debt issued by the authority for which the authority and the government have no responsibility for repayment is not recorded in the accompanying financial statements 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	\$6,427,084	\$69,585
	8.25%	1986A I	various	150,000,000	103,946,826	46,053,174
	8.80%	1986A II	various	150,000,000	101,856,212	48,143,788
Louisiana Pacific Corporation:						
		1999A	various	5,610,000	5,610,000	-
		1999B	various	3,080,000	3,080,000	-
Balance at June 30, 2002				<u>\$315,186,669</u>	<u>\$220,920,122</u>	<u>\$94,266,547</u>

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**L. LITIGATION**

1. The authority is not involved in litigation seeking damages. The authority is involved in litigation against LAFA seeking relief other than damages.
2. Claims and litigation costs of \$370,388 were incurred in the current year and are reflected in the accompanying financial statement.

**M. RELATED PARTY TRANSACTIONS**

The authority has no related party transactions at June 30, 2003.

**N. ACCOUNTING CHANGES**

The authority made no accounting changes during the fiscal year ended June 20, 2003.

**O. IN-KIND CONTRIBUTIONS**

The authority has no in-kind contributions for the fiscal year ended June 20, 2003.

**P. DEFEASED ISSUES**

The authority has no defeased issues at June 30, 2003.

**Q. 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, 2003 by funding source, is as follows:

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<u>Funding Source</u>	<u>Balance June 30, 2003</u>
State General Fund	\$ 159,656
Self-generated revenue	NONE
Statutorily dedicated revenue	NONE
General obligation bonds	NONE
Federal funds	NONE
Interagency transfers	NONE
Other funds/combination	NONE

NOTE: Amounts in excess of contract limits **cannot** be used to reduce the outstanding contract balance at June 30, 2003. For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute your ending balances by funding source, you should begin with your balances at June 30, 2002. These amounts will be increased by amounts for new contracts and amendments and decreased for payments as well as for liquidations.

**R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)**

The authority does not have any government-mandated nonexchange transactions (grants) during fiscal year 2002-2003.

**S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS**

The authority does not have violations of finance-related legal or contractual provisions at June 30, 2003.

**T. SHORT-TERM DEBT**

The authority has not issued any short-term debt.

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**U. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at June 30, 2003, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
various	\$	\$	\$	\$ 14,000	\$ 14,000
					0
Gross receivables	\$ 0	\$ 0	\$ 0	\$ 14,000	\$ 14,000
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	\$ 0	\$ 0	\$ 0	\$ 14,000	\$ 14,000
Amounts not scheduled for collection during the subsequent year	\$	\$	\$ NONE	\$ NONE	\$ 0

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at June 30, 2003, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
various	\$	\$	\$	\$ 230,049	\$ 230,049

**W. SUBSEQUENT EVENTS**

The authority has no subsequent events.

**X. SEGMENT INFORMATION**

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For the purposes of this disclosure, a segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or

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other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. This requirement for separate accounting applies if imposed by an external party, such as accounting and reporting requirements set forth in bond indentures. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial statements in the notes, including the elements in A through C below (GASB 34, paragraph 122, as modified by GASB 37, paragraph 17.)

Type of goods or services provided by the segment                      **FINANCING ACTIVITIES.**

**A. Condensed balance sheet:**

- (1) Total assets – distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or BTA's should be reported separately.
- (2) Total liabilities – distinguishing between current and long-term amounts. Amounts payable to other funds or BTA's should be reported separately.
- (3) Total net assets – distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

**Condensed Balance sheet:**

Current assets	\$ 706,713
Due from other funds	<u>24,146,725</u>
Capital assets	<u>34,162,958</u>
Other assets	<u>4,450,835</u>
Current liabilities	<u>(9,550,000)</u>
Due to other funds	<u>(600,221)</u>
Long-term liabilities	<u>(22,790,417)</u>
Restricted net assets	<u>(220,840)</u>
Unrestricted net assets	<u>68,415</u>
Invested in capital assets, net of related debt	<u>(30,374,168)</u>

**B. Condensed statement of revenues, expenses, and changes in net assets:**

- (1) Operating revenues (by major source).
- (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
- (3) Operating income (loss).
- (4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
- (5) Capital contributions and additions to permanent and term endowments.
- (6) Special and extraordinary items.

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- (7) Transfers
- (8) Change in net assets.
- (9) Beginning net assets.
- (10) Ending net assets.

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets:**

Operating revenues	\$ <u>3,619,803</u>
Operating expenses	<u>4,262,775</u>
Depreciation and amortization	<u>1,391,619</u>
Operating income (loss)	<u>(2,034,591)</u>
Nonoperating revenues (expenses)	<u>(9,596)</u>
Capital contributions/additions to permanent and term endowments	<u>1,594,634</u>
Special and extraordinary items	<u>                    </u>
Transfers in	<u>                    </u>
Transfers out	<u>                    </u>
Change in net assets	<u>(449,553)</u>
Beginning net assets	<u>30,976,146</u>
Ending net assets	<u>30,526,593</u>

- C. Condensed statement of cash flows:
- (1) Net cash provided (used) by:
    - (a) Operating activities
    - (b) Noncapital financing activities
    - (c) Capital and related financing activities
    - (d) Investing activities
  - (2) Beginning cash and cash equivalent balances
  - (3) Ending cash and cash equivalent balances

**Condensed Statement of Cash Flows:**

Net cash provided (used) by operating activities	\$ <u>(652,642)</u>
Net cash provided (used) by noncapital financing activities	<u>(31,112)</u>
Net cash provided (used) by capital and related financing activities	<u>1,057,976</u>
Net cash provided (used) by investing activities	<u>                    </u>
Beginning cash and cash equivalent balances	<u>253,287</u>
Ending cash and cash equivalent balances	<u>627,509</u>

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**Y. DUE TO/DUE FROM AND TRANSFERS**

1. List by fund type the amounts **due from other funds** detailed by individual fund at your fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
	Licensing & Regulatory Boards Funds Acct	\$ 580,440
St General Fd	Formosan Termite Program	3,000
Statutory Dedicated	Boll Weevil Eradication Fund	23,482,100
	Department of Agriculture & Forestry	53,091
Statutory Dedicated	LDAF - para-mutual funds	320,409
	Office of Group Benefits	31,094
		<u>24,470,134</u>

2. List by fund type the amounts **due to other funds** detailed by individual fund at fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
	Department of Agriculture & Forestry	\$ 600,221

3. List by fund type all **transfers from other funds** for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
		\$
	Total transfers from other funds	\$ <u>NONE</u>

4. List by fund type all **transfers to other funds** for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
		\$ <u>NONE</u>

STATE OF LOUISIANA  
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
 Notes to the Financial Statement  
 As of and for the year ended June 30, 2003

**Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Liabilities payable from restricted assets at June 30, 2003, reflected at \$391,600 in the current liabilities section on Statement A, consist of accounts payable.

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

The following adjustments were made to restate beginning net assets for June 30, 2003.

Fund balance July 1, 2002, <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, July 1, 2002, <u>As restated</u>
30,959,610	\$ 16,536	\$ 30,976,146

Each adjustment must be explained in detail on a separate sheet.

(NOTE: Net Assets at July 1, 2002, previously reported, must correspond to Net Assets at June 30, 2002, per the information received from OSRAP.)

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

1 Due From Boll Weevil	\$1,424	
Beginning Net Assets		(\$1,424)

Boll Weevil Eradication Program owes LAFA for the first interest payment

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

2 Property, Plant, & Equipment - Equipment	\$14,197	
Accumulated Depreciation - Equipment	22,041	
Beginning Net Assets		(\$36,238)

The Office of the Legislative Auditor miscalculated assets valued a less than \$5,000 and the related accumulated depreciation

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

3 Beginning Net Assets	977	
Property, Plant, & Equipment - Buildings		(600)
Property, Plant, & Equipment - Construction in Progress		(377)
to remove from capitalization		

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

4 Property, Plant, & Equipment - Buildings	1,073	
Property, Plant, & Equipment - Equipment	500	
Beginning Net Assets		(1,573)

to capitalize the FY 02 expenses that should have been capitalized

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

5 Beginning Net Assets	20,006	
Accumulated Depreciation - Land Improvements		(6,796)
Accumulated Depreciation - Buildings		(13,210)

Should have been depreciated in prior year

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

6 Due From Forestry (Pine Grove)	10,385	
Beginning Net Assets	353	
Property, Plant, & Equipment - Construction in Progress		(10,738)
to remove from capitalization		

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
As of and for the year ended June 30, 2003**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

7 Beginning Net Assets	1,361	
Due to federal government		(1,361)

all interest earned on the federal money received for the construction of the Poultry Diagnostic Lab MUST be returned to the federal government

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2003**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/02	Redeemed (Issued)	Principal Outstanding 06/30/03	Interest Rates	Interest Outstanding 06/30/03
Agriculture Buildings - Various Cities	12/01/98	\$4,000,000	\$1,755,000	(\$1,755,000)	NONE	4.51%	NONE
Buildings Project Series 2002	10/02/03	9,000,000		3,479,500	3,479,500	variable	648,234
Total		<u>\$13,000,000</u>	<u>\$1,755,000</u>	<u>\$1,724,500</u>	<u>\$3,479,500</u>		<u>\$648,234</u>

\*Send copies of new amortization schedules

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY**

**SCHEDULE OF BONDS PAYABLE AMORTIZATION  
For The Year Ended June 30, 2003**

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2004	\$ 275,500.00	\$ 72,026.00
2005	<u>400,500.00</u>	<u>72,026.00</u>
2006	<u>400,500.00</u>	<u>72,026.00</u>
2007	<u>400,500.00</u>	<u>72,026.00</u>
2008	<u>400,500.00</u>	<u>72,026.00</u>
2009-2013	<u>1,602,000.00</u>	<u>288,104.00</u>
2014-2018	<u>                    </u>	<u>                    </u>
2019-2023	<u>                    </u>	<u>                    </u>
2024-2028	<u>                    </u>	<u>                    </u>
Total	<u>\$ 3,479,500.00</u>	<u>\$ 648,234.00</u>

**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

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TELEPHONE: (225) 339-3800  
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August 21, 2003

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Basic 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, 2003, and have issued our report thereon dated August 21, 2003. 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 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.

LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

August 21, 2003

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 specified 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 "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

BB:STD:THC:dl

[LAFA03]