

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Agriculture and Forestry
State of Louisiana
Baton Rouge, Louisiana

December 24, 1997



Financial and Compliance Audit Division

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

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

**Special Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1997, and for the Years
Ended June 30, 1997 and 1998
With Supplemental Information Schedules**

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.

December 24, 1997

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of June 30, 1997, and for the Years
Ended June 30, 1997 and 1998
With Supplemental Information Schedules

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DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Contents, June 30, 1997

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December 22, 1997

**Independent Auditor's Report
on the Financial Statements**

HONORABLE BOB ODOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Louisiana Department of Agriculture and Forestry, a department within Louisiana state government, as of June 30, 1997, and for the years ended June 30, 1997 and 1996, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of management of the Louisiana Department of Agriculture and Forestry. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

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

As described in note 1-C to the financial statements, the accompanying special purpose financial statements present only the funds of the Louisiana Department of Agriculture and Forestry. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activities of the department that is part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These procedures differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

HONORABLE BOB ODOR
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Audit Report, June 30, 1997

As discussed in note 1-B, certain boards and commissions that have been placed within the Louisiana Department of Agriculture and Forestry by the Executive Reorganization Act continue to maintain their own accounting records and are not included in the accompanying financial statements. Transactions of these boards and commissions are reported separately.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Louisiana Department of Agriculture and Forestry at June 30, 1997, and the transactions of the General Appropriation Fund for the years ended June 30, 1997 and 1996, on the basis of accounting described in note 1-D.

The Legislative Auditor's Investigative Audit Division is performing additional work concerning the purchase of dozer tractors and computers by the Department of Agriculture and Forestry as addressed in the findings in Exhibit A, titled "Inadequate Controls Over Movable Property" and "Noncompliance With the Louisiana Procurement Code." That work is ongoing and if any report is issued, such will become public record.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 1997, on our consideration of the Louisiana Department of Agriculture and Forestry's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants.

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

In accordance with Louisiana Revised Statute 24:518, our report is intended for the information and use of the department and its management and should be used solely as intended by the foregoing statute. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,


Daniel G. Kyle, CPA, CFE
Legislative Auditor

LJG DLH:dl
10/1/97

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 ALL APPROPRIATED AND NON-APPROPRIATED FUNDS

Balance Sheet (Legal Basis), June 30, 1997

	GENERAL APPROPRIATION FUNDS	NON- MAJOR STATE REVENUES AND INCOME NOT AVAILABLE
ASSETS		
Cash (note 2)	\$4,877,893	
Investments (note 2)	1,803,793	
Receivables - fees and self-generated revenue	949,123	
Due from state treasury		\$244,419
Due from others (note 4)	497,274	44,175
Loans receivable (note 5)	4,299,748	
Inventory of materials and supplies (note 6)	508,158	
Collateral acquired through foreclosures (note 6)	59,264	
TOTAL ASSETS	172,957,800	328,594
LIABILITIES AND FUND EQUITY		
Liabilities:		
Payables (note 12)	\$3,149,815	
Advances due to state treasury (note 14)	1,498,899	
Due to others (note 4)	302,492	\$288,180
Total Liabilities	4,951,206	288,180
Fund Equity:		
Fund balances - reserved for:		
Inventory of materials and supplies	508,158	
Continuing operations (note 16)	2,569,640	
Debt service (note 16)	2,172,829	
(Unreserved) - undesignated (deficit) (note 17)	(1,199,475)	
Total Fund Equity	4,041,152	89,410
TOTAL LIABILITIES AND FUND EQUITY	172,957,800	328,594

The accompanying notes are an integral part of this statement.

AGRICULTURAL FUNDS			
SOIL AND WATER CONSERVATION DISTRICTS			
DETRICKS CLEARING	FRYKELL CLEARING	OTHER AGENCY FUNDS	TOTAL (BIBICORANUM ONLY)
\$37,313	\$375,488	\$2,808	\$3,345,171
			1,029,350
			948,123
			344,418
			501,388
			4,088,148
			588,158
			88,321
<u>\$37,313</u>	<u>\$375,488</u>	<u>\$2,808</u>	<u>\$13,288,471</u>
	\$375,488		\$1,728,478
			1,488,082
<u>\$37,313</u>		<u>\$2,808</u>	<u>408,882</u>
<u>\$37,313</u>	<u>\$375,488</u>	<u>\$2,808</u>	<u>6,888,428</u>
			588,158
			6,888,048
			3,173,828
			(1,188,671)
<u>None</u>	<u>None</u>	<u>None</u>	<u>1,488,082</u>
<u>\$37,313</u>	<u>\$375,488</u>	<u>\$2,808</u>	<u>\$13,288,471</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Year Ended June 30, 1997

REVENUES

Appropriated by legislature:

State General Fund	530,058,957
State General Fund by fees and self-generated revenues	9,452,499
State General Fund by interagency transfers	408,387
Federal funds	5,981,937
Auxiliary funds	2,180,987
Total revenues	<u>548,082,767</u>

EXPENDITURES

Appropriated expenditures:

Office of Management and Finance	12,477,527
Office of Marketing	1,966,789
Office of Agro-Consumer Services	2,701,184
Office of Animal Health Services	9,214,089
Office of Agricultural and Environmental Sciences	6,569,682
Office of Forestry	11,521,125
Office of Soil and Water Conservation	2,032,134
Auxiliary funds	4,238,736
Total expenditures	<u>57,753,267</u>

EXCESS OF EXPENDITURES OVER REVENUES (2,670,499)

OTHER APPROPRIATED FINANCING SOURCES (Uses) (note 20)

Transfers in	2,622,412
Transfers out	<u>(2,814,548)</u>

EXCESS OF EXPENDITURES AND OTHER USES
OVER REVENUES AND OTHER SOURCES (2,494,671)

FUND BALANCE AT BEGINNING OF YEAR 9,804,679

DECREASE IN RESERVE FOR INVENTORY 113,686

ADJUSTMENTS (note 18) (789)

FUND BALANCE AT END OF YEAR 87,433,081

The accompanying notes are an integral part of this statement.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current Year Appropriation -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 1997

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislature:			
State General Fund	\$30,857,383	\$30,898,592	(\$41)
State General Fund by fees and self-generated revenues	9,263,631	9,199,315	64,316
State General Fund by interagency transfers	417,189	417,185	4
Federal funds	6,813,178	6,808,799	4,379
Auxiliary funds	9,438,345	2,767,987	6,670,358
Other fund sources:			
Fees Commission	120,809		120,809
Fertilizer Commission	1,000,000		1,000,000
Louisiana Agricultural Finance Authority	154,344		154,344
Pesticide Fund	1,589,847	1,208,000	381,847
Forest Protection	650,000	392,412	257,588
Structural Pest Control Commission	540,000	548,000	(8,000)
Total appropriated revenues	<u>59,489,337</u>	<u>50,959,387</u>	<u>8,529,950</u>
EXPENDITURES			
Appropriated for:			
Office of Management and Finance	13,529,804	12,449,463	1,080,341
Office of Marketing	2,073,257	1,996,267	76,990
Office of Agro-Consumer Services	3,486,871	2,991,200	495,671
Office of Animal Health Services	8,680,693	8,080,837	599,856
Office of Agricultural and Environmental Sciences	8,782,508	8,928,803	(146,295)
Office of Forestry	12,395,293	11,481,897	913,396
Office of Soil and Water Conservation	2,185,352	2,035,524	149,828
Auxiliary	8,438,345	2,095,338	6,343,007
Total appropriated expenditures	<u>59,285,323</u>	<u>48,542,324</u>	<u>10,742,999</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR			
	<u>NONE</u>	<u>\$2,417,063</u>	<u>\$2,417,063</u>

The accompanying notes are an integral part of this statement.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Year Ended June 30, 1998

REVENUES

Appropriated by legislature:	
State General Fund	231,031,534
State General Fund by fees and self-generated revenues	6,606,784
State General Fund by interagency transfers	307,842
Federal funds	6,172,720
Auxiliary funds	1,042,359
Other fund sources:	
Pesticide Fund	600,000
Structural Pest Control Commission	634,810
Agricultural Commission Self-Insurance Fund	82,537
Total revenues	<u>\$1,288,886</u>

EXPENDITURES

Appropriated expenditures:	
Personal services	27,509,595
Travel	344,000
Operating services	6,470,021
Supplies	2,683,055
Professional services	388,171
Other charges (note 15)	5,088,898
Capital outlay	2,157,815
Interagency transfers	212,039
Debt service	626,700
Auxiliary funds	1,447,402
Total expenditures	<u>48,719,608</u>

EXCESS OF REVENUES OVER EXPENDITURES 1,243,851

OTHER APPROPRIATED FINANCING SOURCES (Uses) (note 20)

Transfers in	660,700
Transfers out	<u>(2,089,364)</u>

**EXCESS OF EXPENDITURES AND OTHER USES
OVER REVENUES AND OTHER SOURCES** (38,763)

FUND BALANCE AT BEGINNING OF YEAR 10,441,034

DECREASE IN RESERVE FOR INVENTORY (30,400)

ADJUSTMENTS (note 18) (487,267)

FUND BALANCE AT END OF YEAR \$9,624,575

The accompanying notes are an integral part of this statement.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current Year Appropriation -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 1995

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislators:			
State General Fund	\$21,822,736	\$21,821,224	(\$1,512)
State General Fund by fees and self-generated revenues	7,308,241	7,221,846	(86,395)
State General Fund by interagency transfers	417,186	302,042	(115,144)
Federal funds	6,828,045	6,418,876	(409,169)
Auxiliary funds	6,572,730	3,325,285	(3,247,445)
Other fund sources:			
Fuel Commission	126,828		(126,828)
Fertilizer Commission	1,028,020		(1,028,020)
Louisiana Agricultural Finance Authority	124,244	51,210	(73,034)
Pesticide Fund	1,721,762	848,115	(873,647)
Forest Protection	800,200	768,289	(31,911)
Structural Pest Control Commission	842,200	842,200	
Total appropriated revenues	\$28,712,263	\$27,328,246	(\$1,384,017)
EXPENDITURES			
Appropriated for:			
Office of Management and Finance	\$5,458,571	\$5,254,183	\$204,388
Office of Marketing	1,822,809	1,828,248	(\$5,439)
Office of Agro-Consumer Services	2,474,200	2,242,260	\$231,940
Office of Animal Health Services	9,452,128	8,868,825	583,303
Office of Agricultural and Environmental Sciences	6,528,219	6,271,728	256,491
Office of Forestry	11,776,827	12,021,702	(\$244,875)
Office of Soil and Water Conservation	2,174,701	2,657,987	(\$483,286)
Auxiliary	6,572,730	1,722,872	4,849,858
Total appropriated expenditures	\$28,712,263	\$27,128,283	\$1,583,980
UNEXPENDED APPROPRIATION - CURRENT YEAR			
	\$0.00	\$1,174,761	\$1,174,761

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements
As of June 30, 1997, and for the Years
Ended June 30, 1997 and 1996

INTRODUCTION

The Louisiana Department of Agriculture and Forestry is a department within Louisiana state government. The department was created in accordance with Title 36, Chapter 14 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is charged with all functions relating to promotion, protection, and advancement of agriculture and forestry, except research and educational functions expressly allocated by the constitution or by law to other state agencies within the State of Louisiana.

The Louisiana Department of Agriculture and Forestry consists of the Office of Management and Finance, the Office of Marketing, the Office of Age-Consumer Services, the Office of Animal Health Services, the Office of Agricultural and Environmental Sciences, the Office of Forestry, and the Office of Soil and Water Conservation. The offices of the department are funded by one general appropriation and six auxiliary appropriations. The department has approximately 700 full-time employees with work locations throughout the state. In addition to providing various state-funded agricultural and forestry related programs, the department also administers various agricultural related programs for the United States Department of Agriculture, the United States Department of Commerce, the United States Small Business Administration, the United States Environmental Protection Agency, and the United States Department of Health and Human Services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local government. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Concepts*, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The accompanying financial statements represent activity of a department of state government and, therefore, are a part of the legal and account group structure of the State of Louisiana and its general purpose financial statements.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

The Louisiana Agricultural Finance Authority is created within the Department of Agriculture and Forestry under Louisiana Revised Statute 3:294. The purchase, construction, and maintenance of the Department of Agriculture and Forestry Headquarters Building Complex, the Agricultural Chemistry Laboratory, the Old Forestry Building, and the Department of Agriculture and Forestry Hammond Office are included in the authority's financial statements. Per diem and travel (paid to board members) and operating expenses of the authority are included in the accompanying financial statements. The authority is subject to separate reporting and audit.

Certain boards and commissions that were included in the Reorganization Act under the Department of Agriculture and Forestry are not appropriated and are not included in the accompanying financial statements. These boards and commissions, subject to separate reporting and audit, are as follows:

	<u>Louisiana Revised Statute</u>
Louisiana Egg Commission	3-551.2
Louisiana Strawberry Marketing Board	3-473
Louisiana Sweet Potato Advertising and Development Commission	3-453
Dairy Industry Promotion Board	3-557.4

The department collects and remits fees for certain boards and commissions less the actual cost of administering the collections up to a specified percentage established by statute. These boards and commissions are reported in an agency fund within the department's financial statements; however, the actual operations of these boards and commissions are subject to separate reporting and audit as follows:

	<u>Louisiana Revised Statute</u>
Louisiana Crawfish Promotion and Research Board	3-556.3
Louisiana Soybean and Grain Research and Promotion Board	3-551.33
Louisiana Rice Promotion Board	3-551.63
Louisiana Rice Research Board	3-551.73
Louisiana Catfish Promotion and Research Board	3-556.3

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

C. FUND ACCOUNTING

The department uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

Generally, noncurrent assets, general fixed assets, and long-term liabilities are reflected only in the State of Louisiana's general purpose financial statements. However, noncurrent assets are included in the department's financial statements for the Louisiana Alligator Market Development Authority and the Farm Youth Loan Program and other programs of the State Market Commission.

The funds presented in the special purpose financial statements are described as follows:

APPROPRIATED FUNDS

General Appropriation Fund

The General Appropriation Fund is a single legislative appropriation comprised of seven separate budget units as follows:

1. The Office of Management and Finance provides accounting, budget preparation and control, procurement, contract management, management and program analysis, data processing, and personnel management.
2. The Office of Marketing provides programs for the development and growth of markets for Louisiana agricultural products.
3. The Office of Agro-Consumer Services performs the functions of the state relating to the inspection of poultry and dairy products, the regulation of weights and measures, the classification of perishable commodities, the licensing and inspection of statewide bonded warehouses, and such other functions that ensure quality agricultural products for the consumer.
4. The Office of Animal Health Services is responsible for the inspection and grading of meat, the control and eradication of infectious diseases that infect the livestock and poultry industries of the state, and the control of livestock theft in Louisiana.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

5. The Office of Agricultural and Environmental Sciences performs technical services and laboratory functions for the farmers of the state and performs functions designed to improve seed certification; increase production of rice and nursery stock; protect Louisiana from the introduction and spread of injurious insect pests and plant diseases; sample pesticides, feeds, and fertilizer and agricultural minerals to assure that they meet all requirements of laws and regulations; regulate the treatment and storage or disposal of pesticide wastes; train and certify pesticide applicators; and performs other related functions.
6. The Office of Forestry provides for the protection, management, preservation, and replenishment of forest lands of the State of Louisiana.
7. The Office of Soil and Water Conservation provides assistance in the organization of Soil and Water Conservation Districts, assistance in the management of small watersheds, management assistance to coastal wetlands owners, preventative flood control and sediment damage measures, and an estuaries and groundwater pollution protection plan for the state. In addition, the office is responsible for providing direct cooperation with the United States Department of Agriculture (USDA) Soil Conservation Service.

Included within the General Appropriation Fund are the auxiliary appropriation funds. The auxiliary appropriation funds provide goods or services to the public or to other state agencies for a fee as authorized by the Louisiana Legislature through the auxiliary appropriation act. The measurement focus is not on income determination but on the reduction of state General Fund subsidization. The auxiliary appropriation funds are as follows:

1. The Agriculture Junior Livestock Loan and Farm Youth Fund is administered by the State Market Commission to provide youth loan and loan guarantee programs to individuals ages 15 to 20 who are members of any 4-H, Future Farmers of America, or other farm youth organization that is functioning within the state school system. The program provides for direct loans or for loan guarantees of up to 75 percent of any loan made by a bank, financial institution, or federal department to any person eligible for direct loans. The parent is required to co-sign the application making the parent equally responsible. The maximum amount of a direct loan or a loan guarantee is \$5,000, and the repayment period must not exceed five years.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
NOTE to the Financial Statements (Continued)

3. The State Market Commission administers loans and loan guarantee programs for constructing, purchasing, or improving any agricultural plant that processes or stores Louisiana farm products. The Agriculture Loan Program Market Commission Fund accounts for such loans or loan guarantees.
3. The Indian Creek Fund accounts for the activities of the Indian Creek Reservoir and Recreation Area. Monies derived from fees and services are restricted for recreation related expenditures.
4. The Nurseries Program Fund accounts for the activities relating to the harvesting, processing, storage, and sale of tree seeds and seedlings. The nursery program is committed to producing high quality genetically improved loblolly, slash, and other various species of pine trees.
5. The Agricultural Commodities Self-Insurance Program Fund is used to provide a means to self-insure the Agricultural Commodities Commission and the department for any loss that may be incurred relating to the operations of the commission. The commission is responsible for grain grading and inspections, grain warehousing, and grain dealers and cotton buyers licensing. The commission has acknowledged exposure in the area of warehousing and has established this fund as a means to cover this exposure. This fund was transferred to the state treasury at June 30, 1997.
5. The Louisiana Alligator Market Development Authority is authorized to provide financial assistance for the acquisition, improvement, and operation of wholesale alligator hide tanning, and meat processing, packaging, warehousing, distribution, and marketing facilities in Louisiana. The Louisiana Alligator Market Development Fund accounts for such assistance. The Authority may terminate provided that all of its obligations have been liquidated or the State Market Commission agrees to assume all of the obligations of the authority with respect to guarantees of loans; any notes or other certificates of indebtedness which are or may be outstanding; and any other pledge or encumbrance of any kind executed by the authority. The State Market Commission has not yet voted to assume the responsibilities and obligations of the authority.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

NON-APPROPRIATED FUNDS

Major State Revenues and Income Not Available

The department collects major state revenues that are remitted to the state treasury for deposit to statutorily dedicated funds. In addition, the department collects funds specifically identified by the Division of Administration, State Budget Office as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditures and, therefore, are not included on Statement B but are detailed on Schedule 1.

Soil and Water Conservation Districts Clearing Fund

The Soil and Water Conservation Districts Clearing Fund is used by the department to account for the net payroll and related payroll deductions for the individual soil and water conservation districts.

Payroll Clearing Fund

The Payroll Clearing Fund accounts for payroll deductions and accrued benefits.

Agency Funds

The department collects and distributes certain fees and assessments for various boards and organizations. These collections are not available to the department and are not shown on Statement B.

The non-appropriated funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the department. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy. These legal requirements differ from generally accepted accounting principles as follows:

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the department and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

Revenues

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues, interagency transfers, statutory dedications, other fund sources, and non-appropriated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year. Federal funds are recognized as revenue in the period in which they become susceptible to accrual or when the related expenditure is incurred, in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section 260.108.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recognized as expenditures when paid. Furthermore, any expenditures of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

Other Financing Sources (Uses)

Other appropriated financing sources are recognized under the modified accrual basis of accounting, to the extent that they are both measurable and available. Other financing uses are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. BUDGET PRACTICES

The appropriations made for the general operations of the department are annual lump-sum appropriations and are recorded in the General Appropriation Fund. The auxiliary funds are authorized and controlled through the annual auxiliary appropriation bill.

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

1. The budget process for general appropriations and auxiliary appropriations is an annual appropriation valid for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-C, except that funds carried forward from the prior year and loan payments received are recognized as revenues on Statement C and Statement E, while federal receivables attributable to the payroll accrual at fiscal year-end and licensing and regulatory funds are not recognized as revenues on Statement C and Statement E. In addition, salaries and related benefits are recognized when paid on Statement C and Statement E. The transfers and loan payments/receipts are non-revenue and non-expenditure transactions of the auxiliary appropriations (Farm Youth Loan Program and other programs in the State Market Commission and the Louisiana Alligator Market Development Authority) that are not included on Statement D and Statement I. The revenues and expenditures shown on Statement B and Statement D are reconciled with the respective amounts shown on Statement C and Statement E as follows:

	Fiscal Year - <u>1997</u>
Statement B revenues	\$48,559,027
Add:	
Prior-year federal funds carryover	52,348
Prior-year self-generated funds carryover	891,787
Transfers in	2,409,415
Loan payments received	814,377
Less:	
Federal payroll receivable (net)	(7,648)
Transfers out	(9,888)
Licensing and regulatory funds	<u>(1,027,821)</u>
Statement C revenues	<u>\$50,956,587</u>
Statement B expenditures	\$50,952,027
Less:	
Payroll payable (net)	(168,578)
Loans made	(268,700)
Bad debt expense	<u>(1,801,845)</u>
Statement C expenditures	<u>\$48,542,904</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

	Fiscal Year - <u>1995</u>
Statement D revenues	\$51,259,900
Add:	
Prior-year federal funds carryover	249,370
Prior-year self-generated funds carryover	80,140
Prior-year auxiliary carryover	660,663
Transfers in	666,730
Loan payments received	637,366
Less:	
Federal payroll receivable (net)	(3,118)
Transfers out	(64,510)
Licensing and regulatory funds	<u>(2,475,368)</u>
Statement E revenues	<u>\$51,305,414</u>
Statement D expenditures	\$49,916,056
Add - loans paid out	283,470
Less - payroll payable (net)	<u>(63,052)</u>
Statement E expenditures	<u>\$50,136,474</u>

- The department is prohibited by statute from ever expending the categories established in the general and auxiliary appropriation acts. The auxiliary appropriation act restricts the total expenditures of the auxiliary fund without restricting individual line-item expenditures.
- Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as shown on Schedule 4.
- The auxiliary appropriation funds are allowed to retain year-end balances to finance future expenditures as provided by Act 17, Section 15(A) of 1988 and Act 1217 of 1995. The non-appropriated funds are not subject to budgetary control.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

F. CASH AND INVESTMENTS

Cash includes cash on hand, demand deposits, and cash in state treasury. Under state law, the Louisiana Department of Agriculture and Forestry may deposit funds with a fiscal agent bank approved by the State Cash Management Review Board.

Louisiana Revised Statute (R.S.) 48:327(C) provides the department with the authority to make investments. Under this statute, the department is authorized to invest in time certificates of deposit in state banks organized under the laws of Louisiana, or national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, or in share accounts and share certificates of federally or state chartered credit unions. However, if funds are determined to be available for investment for a period of time less than 30 days, the department is authorized to invest such funds in direct United States Treasury obligations that mature not more than 30 days after the date of purchase. The department invested in mutual funds (Automated Government Money Trust), which is not an authorized investment.

G. INVENTORIES

Inventories of materials and supplies are valued at cost, which approximates market, and are recorded as expenditures at the time individual inventory items are purchased. The department uses a perpetual inventory system and values its inventory using the first-in, first-out (FIFO) valuation method.

Inventories of tree seed are valued at the lower of cost or market and are recorded as expenditures at the time seed are purchased. Only one type of tree seed is purchased, Virginia Pine. All other tree seeds are harvested by department employees from state-owned forest. The Columbia Nursery in Coltonia, Louisiana, has refrigerated services where all the seeds are stored. A three to five year supply of seeds is kept on hand at all times to avoid running out of seeds during the years when there are no seeds gathered. The department conducts an inventory count of the seeds annually. Inventory levels are adjusted and reported to management in the spring when seeds are removed for planting and in the fall when the seeds are harvested and stored.

Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

H. FIXED ASSETS

The Louisiana Department of Agriculture and Forestry maintains records on only its movable properties and does not account for land, buildings, and improvements used by the department. At June 30, 1987, the department has stewardship responsibility for \$22,105,838 in governmental movable property, valued at historical cost at the time of

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

acquisitions. The movable property is not reflected within the accompanying special purpose financial statements.

A summary of changes in movable property follows:

Balance July 1, 1987	Additions	Deletions	Balance June 30, 1988	Additions	Deletions	Balance June 30, 1987
\$10,000,000	\$677,488	\$808,024	\$10,000,000	\$6,000,418	\$7,400,004	\$10,000,000

The department has not complied with the movable property statutes of the State of Louisiana.

I. LONG-TERM OBLIGATIONS

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

J. ENCUMBRANCES

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to assure compliance with the annual appropriation act. Encumbrances are not included in the accompanying financial statements because R.S. 39:82 and the annual appropriation act do not allow the department to charge encumbrances at year-end against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared. These encumbrances are included in the general purpose financial statements of the State of Louisiana and total \$188,900 at June 30, 1987.

K. COMPENSATED AGENCIES

Employees accrue and accumulate annual and sick leave at various rates, depending on their years of service, without limitation on the balance that can be accumulated. Upon separation of employment, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay but are not compensated for unused sick leave. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual and sick leave is not recorded in the accompanying financial statements.

Certain employees of the department are eligible to earn compensatory time, as defined by the Department of Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another; however, under federal regulations, certain employees are compensated for unused compensatory leave six months after the end of the quarter in which the leave was earned. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

L. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (reviewed) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position. Neither is such data comparable to a consolidation.

2. CASH

Cash is composed of the following:

Under control of the department	
Fiduciary cash on hand	\$3,860
Demand deposits	37,813
Interest-bearing demand deposits	312,071
Cash on deposit with the state treasury	<u>4,890,237</u>
Total	<u>\$5,243,971</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The department has deposit balances (collected bank balances) of \$476,485 at June 30, 1997. These deposits are secured from risk by \$238,829 of federal deposit insurance (OASDI Risk Category 1) and \$238,556 of pledged securities held by the custodial bank in the name of the fiscal agent bank (OASDI Risk Category 3).

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements. The following is a summary of cash in the state treasury:

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

Means of finance	\$3,433,793
FACCS operating	684,017
Payroll clearing	<u>575,480</u>
Total	<u>\$4,693,290</u>

The department also maintains a permanent Travel and Petty Cash Imprest Fund in the amount of \$46,042, as authorized by the Commissioner of Administration and advanced by the State Treasurer's Office, in accordance with Title 39 of the Louisiana Revised Statutes. The fund is permanently established and periodically replenished from appropriated funds.

3. INVESTMENTS

At June 30, 1987, the department has investments in mutual fund investments (Automated Government Money Trust), totaling \$1,623,763 consisting of United States Treasury obligations. The investments are not classified as to category of credit risk because this is not required by GASB Commission Section 55-105.

4. DUE FROM/Others

The following is a summary of amounts due from/others at June 30, 1987:

	General Appropriation Fund	Non- Appropriated - Major State Revenue and Income not Available
Due from others:		
Federal government	\$487,187	
Other agencies - interagency transfers	27	
Structural Pest Control Commission		\$40,961
Agricultural Commodities Commission		770
Self-Insurance Program		64
Miscellaneous		
Total	<u>\$487,214</u>	<u>\$44,795</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

	General Appropriation Fund	Non-Appropriated		Agency Funds
		Major State Revenue and Income Not Available	Soil and Water Conservation District Clearing	
Due to others:				
Crawfish Protection Board				\$100
Federal Grain Inspection Service				2,000
Soybean Promotion Board				100
Rice Promotion Board				100
Rice Research Board				100
Cattfish Promotion Board				
State General Fund	\$431			
Pesticide Fund	265,647			
License and Regulatory Board		\$285,647		
Forestry Protection Fund	6,485	2,948		
Soil and Water Conservation Districts			\$37,310	
Miscellaneous receipts	6,688			
Total	\$302,453	\$288,595	\$37,310	\$2,506

8. **LOANS RECEIVABLE/COLLATERAL
 ACQUIRED THROUGH FORECLOSURE**

The department is responsible for certain loan programs that are established by state law. All loan balances on Statement A are reported at cost, since the department has made no provision for reporting uncollectible amounts. Loans are written off when the department determines them to be uncollectible. A summary of loan activity for the years ended June 30, 1997 and 1998, follows:

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
NOTE 10 to the Financial Statements (Continued)**

	Joint Livestock Loan and Farm Youth Fund	Market Commission Loan Fund	Alligator Market Development Fund	Total
Balance at June 30, 1986	\$365,150	\$2,837,260	\$1,800,000	\$4,802,410
Principal collections	(54,824)	(354,715)		(409,539)
Loan balances written off		(5,100)		(5,100)
Receivables receivable previously written off	2,890			2,890
Amounts disbursed or approved for loans	711,500	760,000		1,471,500
Balance at June 30, 1987	\$584,115	\$2,462,360	\$1,800,000	\$4,796,475

	Joint Livestock Loan and Farm Youth Fund	Market Commission Loan Fund	Alligator Market Development Fund	Total
Balance at June 30, 1986	\$254,573	\$1,484,368	\$1,000,000	\$4,138,941
Principal collections	(71,780)	(288,012)		(359,792)
Loan balances written off	(21,278)	(484,362)		(505,640)
Receivables receivable previously written off	1,420			1,420
Amounts disbursed or approved for loans	40,790	250,000		290,790
Balance at June 30, 1987	\$202,145	\$1,961,984	\$1,000,000	\$4,064,129

The Market Commission Loan Fund loans are collateralized with property, buildings, or equipment. When a loan goes into default, the department takes appropriate action to take possession of the collateral. This collateral is accounted for in the collateral acquired through foreclosures account. The collateral is recorded at the remaining loan balance less dry tax liens and amounts to \$89,291 as reported on Statement A.

**6. INVENTORY OF MATERIALS
AND SUPPLIES**

The Department of Agriculture and Forestry maintains three categories of inventories: (1) inventories of materials and supplies, which are comprised of office supplies valued at \$58,242; (2) postage meter inventory valued at \$24,775; and (3) tree seed inventory, which is valued at \$427,133 at June 30, 1987, for a total of \$509,150, as reported on Statement A.

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

7. PENSION PLANS

Substantially all classified/unclassified state employees of the department are members of the Louisiana State Employees Retirement System, a multiple-employer, defined benefit pension plan. Certain unclassified employees of the department are members of the Louisiana Teachers Retirement System, a multiple-employer, defined benefit pension plan. Required disclosures for the plans for fiscal years 1997 and 1998 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94906, Baton Rouge, Louisiana 70804-0906.

**8. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the years ended June 30, 1997 and 1998, the costs of retiree benefits totaled \$1,618,863 and \$1,455,583, respectively.

9. LOAN GUARANTEES

As provided by R.S. 3:445.1-3:445.T, the Louisiana State Market Commission is authorized to provide loan guarantees to facilitate the processing, storing, and marketing of farm products in Louisiana. The Louisiana State Market Commission has a loan guarantee to Tannery Acadiane Reptiles and Alligators totaling \$225,000 on a loan of \$250,000 at June 30, 1997. The principal balance of the loan guaranteed to Tannery Acadiane Reptiles and Alligators is \$125,517 with an accrued interest balance of \$1,965.

As provided by R.S. 3:559.5(14), the Louisiana Alligator Market Development Authority is authorized to provide loan guarantees to acquire, construct, furnish, improve, or equip dry facility or to purchase land for wholesale alligator hide tanning, and meat processing, packaging, warehousing, distribution, and marketing facilities in Louisiana. The Louisiana Alligator Market Development Authority has a loan guarantee to Roggeville Tannery of Louisiana totaling \$2,250,000 on a loan of \$5,000,000 at June 30, 1997. The principal balance of the loan guarantee to Roggeville Tannery of Louisiana is \$1,780,000 with an accrued interest balance of \$32,300.

These loan guarantees are not included in the department's financial statements.

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

10. RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The department is involved in 14 lawsuits at June 30, 1997, handled by contract attorneys. Of the lawsuits being handled by contract attorneys, the attorneys have estimated a possible liability of \$1,057,000 relating to six of the lawsuits.

11. COMPENSATED ABSENCES

The liability for unused annual leave payable at June 30, 1997, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section 650.105, is estimated to be \$3,051,493. The leave payable is not recorded in the accompanying special purpose financial statements.

The liability for accrued compensatory leave at June 30, 1997, computed in accordance with GASB Codification Section 650.105, is estimated to be \$267,938. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

12. PAYABLES

The following is a summary of payables at June 30, 1997:

	Accounts Payable	Payroll Payable	Payroll Deductions Payable	Accrued Unearned Benefits Payable	Total
General appropriation	\$1,788,268	\$1,276,874			\$3,065,142
Payroll Ombuds Fund			102,431	509,077	611,508
Total	<u>\$1,788,268</u>	<u>\$1,276,874</u>	<u>\$102,431</u>	<u>\$509,077</u>	<u>\$3,676,650</u>

13. LEASE OBLIGATIONS

The department has several noncancelable operating leases for rental of land, equipment, and office space. The annual operating lease payments for the next five fiscal years are presented as follows:

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

Fiscal Year	Office				
	Space	Equipment	Lease	Other	Total
1987-88	\$111,928	\$188,542	\$2,588	\$48,042	\$350,500
1988-89	181	45,134	778		47,093
1989-1990	180	21,894	883		23,157
2000-01	180		850		150
2001-02	180		118		278
Transferin	200		1,628		1,828
Total	\$111,928	\$257,480	\$5,859	\$48,042	\$423,309

All lease agreements have non-appropriation expulpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Operating lease expenditures for fiscal year 1989-1990 and 1990-1991 amounted to \$341,298 and \$1,027,882, respectively.

14. ADVANCES FROM STATE TREASURY

The department has received advances from the state treasury for input fuel operations, seed for federal lands, and working capital totaling \$48,000, \$450,000 and \$1,000,000, respectively. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

15. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, at June 30, 1987, the department has reserves for continuing operations totaling \$5,028,540, which may be retained for future expenditures as follows:

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

Fund	Louisiana Law or Revised Statute	Restricted Balance
Emergency Food Assistance Program (Administrative Costs)	Act 17 of 1996	\$62,074
Junior Livestock Loan and Fairs Youth Fund	Act 17 of 1996	397,327
Market Commission Loan Fund	Act 17 of 1996	3,295,536
Indian Creek Reservoir and Recreation Fund	Act 17 of 1996	9,991
Nursery Fund	Act 17 of 1996	1,046,763
Louisiana Alligator Market Development Authority	Act 17 of 1996	1,890,000
General Appropriation - self-generated revenues	R.S. 36:62	<u>965,566</u>
Total		<u>\$5,660,540</u>

These reserves relate to programs that are not subject to an annual appropriation and the lapsing provisions of the annual appropriations act or to appropriations in which the legislature has authorized the department to retain the fund balance of the program for future operations of the program.

16. RESERVES FOR DEBT SERVICE

The department has reserves for debt service at June 30, 1997, in the Feed Commission Fund (R.S. 3:1607), the Fertilizer Fund (R.S. 3:1317), and the Pesticide Fund (R.S. 3:3210) in the amounts of \$373,152, \$757,160, and \$1,049,536, respectively, totaling \$2,179,848, as shown on Statement A. In accordance with the Louisiana Constitution of 1974, Article 7, Section 9(A)(3), all money received by a state agency shall be deposited immediately upon receipt in the state treasury, except that pledged in connection with the issuance of revenue bonds, other than any surplus. The Feed Commission Fund and the Fertilizer Fund revenues are assigned to the Louisiana Agricultural Finance Authority 1958 Bond Issue for the Department of Agriculture and Forestry office building project. The Pesticide Fund registration fees and revenues are assigned to the Louisiana Agricultural Finance Authority 1962 Bond Issue for the Ag Chemistry Laboratory Project.

17. FUND DEFICIT

The General Appropriation Fund had a deficit of \$1,190,471 for the year ended June 30, 1997. The deficit was the result of the recognition of accrued salaries and related benefits. The deficit will be resolved by paying for salaries and related benefits from fiscal year 1998 funds.

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

18. ADJUSTMENTS TO FUND BALANCE
 AT BEGINNING OF YEAR

Adjustments to the beginning fund balance of the General Appropriation Fund, as shown on Statements B and D, are detailed as follows:

	For the Year Ended	
	June 30, 1997	June 30, 1996
Surplus credited to General Fund		(\$445)
Expenditure adjustment	(\$2,812)	(112,915)
Tax liens or collateral acquired by State Market Commission		(200,748)
Receivable from State Fire Marshal		(107,184)
Receivable from Louisiana Agricultural Finance Authority	2,043	
Surplus credited to federal government		28
Total	<u>(\$769)</u>	<u>(\$487,262)</u>

19. OTHER CHARGES

In accordance with the instructions of the Division of Administration, State Budget Office, certain expenditures of the department are designated as other charges. The other charges expenditures as of June 30, 1996, totaling \$5,034,990, are detailed on Schedule E.

The State Budget Office has designated these funds in this manner to maintain control of certain expenditures for specific programs and pass-through funds to subrecipients. Under generally accepted accounting principles, these expenditures would have been recognized within their proper expenditure categories and objects.

20. OTHER APPROPRIATED
 FINANCING SOURCES (USES)

As shown on Statement B and Statement D, the department had other appropriated financing sources (uses). These amounts represent transfers in and out as follows:

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

	1997 General Appropriation	1998 General Appropriation
Other Appropriated Financing Sources and Uses		
Transfers in:		
Pesticide Fund	\$1,389,000	\$548,155
Louisiana Agricultural Finance Authority		55,270
Structural Pest Control Commission	549,080	
Forest Protection Fund	762,492	768,389
Total other appropriated financing sources	\$2,622,452	\$898,730
Transfers out:		
Louisiana Agricultural Finance Authority:		
Building and	\$811,235	\$1,527,185
Construction expenditure	1,368,932	658,262
Miscellaneous	2,977	3,407
Agricultural Commodity Self-Insureance		
Fund transferred to state treasury	628,915	
Structural Pest Control Commission		84,519
Miscellaneous	8,888	
Total other appropriated financing uses	\$2,814,947	\$2,360,364

21. NON-MONETARY FEDERAL PROGRAMS

The accompanying financial statements do not include food commodities distributed by the department under the Emergency Food Assistance Program (Food Commodity) and Food Distribution, Catalog of Federal Domestic Assistance Nos. 16.599 and 16.593, respectively. During the years ended June 30, 1997 and 1998, the department recorded food distributions totaling \$47,426,589 and \$58,350,982, respectively, for these programs.

**22. FINANCIAL AGREEMENTS WITH LOUISIANA
AGRICULTURAL FINANCE AUTHORITY**

The department has a lease-purchase agreement with the Louisiana Agricultural Finance Authority (LAFA). LAFA was organized to provide affordable interest rates for investment in agricultural products, commodities, and services by providing capital and credit at interest rates within the financial means of persons and businesses engaged in agriculture and agricultural exports. LAFA is a component unit of the State of Louisiana and is audited separately from the department.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

LAFB issued \$6 million in revenue bonds for the purpose of acquiring, constructing, renovating, and equipping an office building (5025 Florida Boulevard in Baton Rouge) and related facilities for use by the Department of Agriculture and Forestry in connection with the promotion and assistance of agriculture and forestry within this state. On August 29, 1988, the department took possession of the facilities under the terms of the agreement. The term of the lease agreement is from August 29, 1988, to October 1, 2003, or such earlier time as the bonds have been paid or provision for their payment has been made in accordance with the agreement. In addition to the base rental payments to cover debt service on the bonds and related bond expenses, the department agreed to pay additional taxes, assessments, and insurance premiums. The department has assumed all costs of maintaining and operating the facility during the term of the agreement. The rental payments are to be made from monies appropriated to the department from the Feed Commission Fund and the Fertilizer Fund for that purpose. In accordance with the lease-purchase agreement, rental payments are due ten business days before any interest payment date for the bonds or any other date that any payment of interest, premium, if any, or principal is required to be made in respect of the bond issue pursuant to the indenture.

On March 20, 1990, LAFB approved the conversion of variable interest rate bonds to a fixed rate and accepted a commitment from previous bondholders to purchase the fixed rate bonds and assign them to the new trustee. The amount of conversion was \$5,150,000 with an interest rate of 6.5 percent. The bonds are secured by "Department Documents" - Assignment of Feed and Fertilizer Revenues dated August 1, 1988; Assignments of Leases and Rents dated August 1, 1988; Collateral Pledge Agreement dated August 1, 1988, and a Collateral Mortgage and Collateral Deed Mortgage dated as of August 1, 1988.

On May 7, 1992, the department elected to exercise its option to convert the interest rate on the bonds to a fixed rate pursuant to Section 201 of the 1988 indenture and LAFB has approved said conversion pursuant to a resolution of LAFB on March 20, 1992, as noted above. The department and LAFB have entered into a First Supplemental Lease Agreement to properly record the resignation of the original trustee and appointment of successor trustee and transfer of trust estate. The agreement also acknowledged the conversion to a fixed rate on the bonds and changed the interest payment dates to April 30 and October 30 of each year, commencing October 30, 1992, and expiring October 30, 2000. The lease payments are to be made at least three business days before January 30, April 30, July 30, and October 30 of each year, commencing at least three business days before July 30, 1992. At June 30, 1997, the outstanding balance of the bonds is \$1,950,000 with interest of \$298,350.

On April 20, 1995, the Board of Supervisors of Louisiana State University and Agriculture and Mechanical College (University), the Louisiana Department of Agriculture and Forestry (Department), and the Louisiana Agricultural Finance Authority (LAFB) entered into a cooperative agreement for the purpose of constructing, equipping, and maintaining a building on the Agriculture Center campus of the University to house the feed, fertilizer, and pesticide testing laboratories, administrative offices, and related support facilities for the benefit of the University, the Department, and the public of the State of Louisiana. On July 1, 1992, LAFB issued \$3,100,000 in Agriculture Revenue Bonds (Ag Chemistry Laboratory Project), Series 1992, which are secured by pesticide fees collected by the Department. These bonds were

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

issued to defray the cost for constructing and equipping the building described previously. The bonds mature on March 1, 2002, and bear interest at the compound rate of 6.5 percent on January 15 and July 15 of each year beginning January 15, 1999. At June 30, 1997, the outstanding balance of the bonds is \$1,768,000 with interest of \$289,850. On July 1, 1999, LAFA and the Department entered into a Sublease Agreement to provide a source of payment for the bonds.

The following is a schedule of principal and interest payments on the financial agreements with LAFA.

Issue	Date of Issue	Original Issue	Outstanding July 1, 1997
Agriculture Building - Florida Boulevard	May 7, 1999	\$5,150,000	\$5,660,000
Agriculture Chemistry Building - LSU	July 1, 1997	<u>3,100,000</u>	<u>2,320,000</u>
Total		<u>\$8,250,000</u>	<u>\$8,220,000</u>

The annual requirements for the financial agreements outstanding at June 30, 1997, including interest of \$289,850, are as follows:

Fiscal Year	Agriculture Building - Florida Boulevard	Agriculture Chemistry Building - LSU in Baton Rouge	Total
1998	\$847,600	\$419,375	\$1,086,475
1999	840,600	424,250	1,067,850
2000	847,850	422,800	1,070,850
2001	310,500	425,350	744,550
Subsequent years		<u>420,875</u>	<u>420,875</u>
Total	<u>\$2,796,550</u>	<u>\$2,111,650</u>	<u>\$4,370,200</u>

<u>Redeemed 1995</u>	<u>Redeemed 1997</u>	<u>Outstanding June 30, 1997</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Interest Outstanding June 30, 1997</u>
5055,000	8885,000	\$1,900,000	1997-2002	6.50%	\$290,000
<u>275,000</u>	<u>280,000</u>	<u>1,750,000</u>	1997-2002	6.50%	<u>350,000</u>
<u>\$1,730,000</u>	<u>\$1,575,000</u>	<u>\$3,715,000</u>			<u>\$640,000</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

25. ANCILLARY APPROPRIATIONS

included in the General Appropriation Fund in the accompanying financial statements are ancillary appropriations, which are generally made to fund minor enterprise activities, made to the department in accordance with Act 17 of 1995 and Act 1217 of 1996. Accounting records are maintained by the department to identify activity in the auxiliary funds. At June 30, 1997 and 1998, the accounts of the auxiliary funds reflect the balances shown on Schedule T.

26. LEASE OF CATFISH PROCESSING PLANT

The Louisiana Department of Agriculture and Forestry, through the State Market Commission, became a loan guarantor as allowed by R.S. 3:446.3(2)(b) for Louisiana Catfish, Incorporated, on April 22, 1987. Louisiana Catfish, Incorporated, is a catfish processing plant, which failed under a receiver by a state judge on September 14, 1990. The receiver placed the company in federal bankruptcy on September 17, 1990.

To protect itself as a loan guarantor, the State Market Commission purchased the catfish plant on December 18, 1990, for \$1,668,000 by an act of sale with an assumption of mortgage owed to Concordia Bank and Trust of \$1,250,916. On February 4, 1991, the State Market Commission entered into a lease-purchase agreement with Cargill, Incorporated, for 10 years. On December 15, 1990, Cargill, Incorporated, canceled its lease of the catfish plant. On the same date, Southern Farm Fish Processors, Incorporated, an Arkansas corporation, entered into a lease on the catfish plant that resulted in no break in the plant's operations. On September 10, 1990, Southern Farm Fish Processors, Incorporated, canceled its lease of the catfish plant.

On February 10, 1997, the State Market Commission and Warner Minnow Hatchery, Incorporated, entered into a seven-year lease agreement with an option to purchase the catfish plant. The owners of Warner Minnow Hatchery, Incorporated, paid the State Market Commission \$355,568 and assumed the balance of the mortgage with Concordia Bank and Trust. The owners of Warner Minnow Hatchery, Incorporated, personally endorsed the assumed mortgage, and the State Market Commission is guarantor for the mortgage balance. Monthly rental payments on the assumed mortgage are \$8,852 paid directly to Concordia Bank and Trust. The balance of the mortgage at June 30, 1997, is \$509,014. The remaining debt to the commission of \$1,829,575 was written off on June 30, 1997.

27. ASSET PURCHASE AGREEMENT

The Market Commission paid \$1,087,000 in loan guarantees (\$327,000 to Acadia State Bank and \$760,000 to Evangeline Bank & Trust) on July 10, 1993, and acquired through foreclosure a vegetable processing plant. On August 31, 1992, the Market Commission entered into an asset purchase agreement with the Northland Acquisition Corporation for the sale of the plant for \$650,000. The Market Commission received \$20,000 and accepted a \$629,000 promissory note, at zero percent interest, for the balance of the \$650,000 sale price.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

On July 1, 1993, the commission subordinated its first mortgage rights on the collateral mortgage offered as security for the promissory note to Rapides Bank & Trust Company at which time Northland Acquisition Corporation obtained additional funding from the bank. On November 17, 1995, Rapides Bank & Trust Company placed Northland Acquisition Corporation in default on the outstanding bank loan balance of \$322,594.

On March 21, 1997, Northland Acquisition Corporation gave the State Market Commission certain movable property in lieu of payment of the balance due on the promissory note. The State Market Commission sold the movable property to Value Frozen Foods, Inc. of Monte Alto, Texas, for \$735,000. On June 30, 1997, the State Market Commission wrote off the \$494,362 balance owed from Northland Acquisition Corporation.

26. DEFERRED COMPENSATION PLAN

Certain employees of the Department of Agriculture and Forestry participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Years Ended June 30, 1997 and 1996**

**SCHEDULE OF NON-APPROPRIATED REVENUES - MAJOR
STATE REVENUES AND INCOME NOT AVAILABLE**

Schedule 1 reflects major state revenues and income not available collected by the department during the year that were not available to the department for expenditures.

**SCHEDULE OF CHANGES IN BALANCES - NON-APPROPRIATED -
SOIL AND WATER CONSERVATION DISTRICTS CLEARING
AND PAYROLL CLEARING FUNDS**

Schedule 2 presents the changes in balances resulting from the activities of the Non-Appropriated - Soil and Water Conservation Districts Clearing and Payroll Clearing Funds that are under the control of the department.

**SCHEDULE OF CHANGES IN BALANCES -
OTHER AGENCY FUNDS**

Schedule 3 presents the changes in balances resulting from the activities of other agency funds that are under the control of the department.

**SCHEDULE OF ADJUSTMENTS TO ORIGINAL
APPROVED BUDGETS - APPROPRIATED FUNDS**

Adjustments to the original approved budgets, as shown on Schedule 4, are presented to describe the amendments to the amounts originally appropriated by the Louisiana Legislature by Act 17 of 1996 and Act 63 of 1995.

SCHEDULE OF PER DIEM PAID COMMISSION MEMBERS

The per diem paid commission members is presented on Schedule 5, as approved by House Concurrent Resolution No. 54 of the 1975 Session of the Louisiana Legislature.

**SCHEDULE OF OTHER CHARGES EXPENDITURES -
APPROPRIATED FUNDS**

In accordance with instructions of the Division of Administration, State Budget Office, certain expenditures of the department are budgeted as other charges. Schedule 6 provides the details of this category of expenditures for 1996.

**SCHEDULE OF AUXILIARY ACCOUNT BALANCES -
ANCILLARY APPROPRIATION FUNDS**

Schedule 7 presents the account balances of the various auxiliary funds at June 30, 1997 and 1998.

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
MAJOR STATE REVENUES AND
INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues
For the Year Ended June 30, 1997

NON-APPROPRIATED REVENUE FUND SOURCE	GASH RECEIPTS THROUGH	(DUE FROM (DUE TO) OTHERS AT	TOTAL
	JUNE 30, 1997	JUNE 30, 1997	
Income not available - miscellaneous	\$47,738	NONE	\$47,738
Major state revenues:			
Structural Pest Control Commission	478,380	\$43,351	521,731
Pesticide Fund	1,565,647	(285,647)	1,280,000
Agriculture Commodities Self-Insurance	75,884	770	76,654
Agriculture Finance Authority - interest income	1,895		1,895
Alligator Market Development - interest income	7,000		7,000
Bull Weevil	17,262		17,262
Feed Commission - interest income	1,898		1,898
Forest Protection Fund	785,802	(2,945)	782,857
Fertilizer Commission - interest income	958		958
Miscellaneous	5,447	84	5,531
Subtotal - major state revenues	2,927,008	(244,218)	2,682,790
Total non-appropriated revenues	\$3,064,507	(244,418)	\$2,758,889

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 NON-APPROPRIATED - SOIL AND WATER
 CONSERVATION DISTRICTS' CLEARING
 AND PAYROLL CLEARING FUNDS

Schedule of Changes in Balances
 For the Years Ended June 30, 1987 and 1988

	FOR THE YEAR ENDED JUNE 30, 1987		FOR THE YEAR ENDED JUNE 30, 1988	
	SOIL AND WATER CONSERVATION DISTRICTS' CLEARING	PAYROLL CLEARING	SOIL AND WATER CONSERVATION DISTRICTS' CLEARING	PAYROLL CLEARING
BALANCES AT BEGINNING OF YEAR	\$1,401	\$240,540	\$14,712	\$238,847
ADDITIONS				
Transfers from soil and water districts	1,040,000		1,078,895	
Transfers from general appropriation		11,098,078		11,041,048
Total	1,040,000	11,098,078	1,078,895	11,041,048
DEDUCTIONS				
Payroll, deductions, and employee benefits	1,008,204	11,098,178	1,044,262	11,060,245
BALANCES AT END OF YEAR	\$31,197	\$242,440	\$14,345	\$238,650

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 NON-APPROPRIATED - OTHER AGENCY FUNDS

Schedule of Changes in Balances
 For the Years Ended June 30, 1987 and 1988

	FOR THE YEAR ENDED			
	COYBAN PROMOTION AND RESEARCH BOARDS	AND GRASS RESEARCH AND PROMOTION BOARD	RICE PROMOTION BOARD	RICE RESEARCH BOARDS
BALANCES AT BEGINNING OF YEAR	1000	900	1100	1100
ADDITIONS				
Assessments and fees	62,807	1,889,281	778,278	788,028
Total	62,807	1,889,281	778,278	778,028
DEDUCTIONS				
Reimbursements to boards	61,263	1,880,000	768,808	768,000
Refunds		10,000		
Collection fees	1,000	10,000	13,000	10,000
Reimbursements to federal government				
Transfers to private bank accounts				
Transfers	10,777	1,000,000	714,000	729,000
BALANCES AT END OF YEAR	1000	900	1100	1100

(Continued)

JUNE 30, 1957

CATION PROMOTION AND RESEARCH BOARD	FEDERAL GRAIN INSPECTION SERVICE	SOUTHERN COMBINE COMMITTEE SUMMIT	ASSOCIATION OF SOUTHERN FIELD, FERTILIZER AND PEST CONTROL OFFICIALS	BEST OF LOUISIANA	AMERICAN ASSOCIATION OF SEED CONTROL OFFICERS	TOTAL
500	\$2,000	500	\$1,000	\$71,400	\$10,000	\$75,900
25,000	5,110	NONE	NONE	NONE	NONE	30,110
25,000	2,104	500	1,000	11,400	10,000	50,004
11,000						11,000
23,000						23,000
2,000						2,000
	5,110					5,110
		500	1,000	11,400	10,000	22,900
25,400	5,110	500	1,000	11,400	10,000	63,410
5,000	\$2,000	NONE	NONE	NONE	NONE	\$7,000

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 NON-APPROPRIATED - OTHER AGENCY FUNDS
 Schedule of Changes in Balances, 1997

	FOR THE YEAR ENDED:			
	EXTENSION AND GRAN PROMOTION AND RESEARCH BOARD	RESEARCH AND PROMOTION BOARD	FOOD PROMOTION BOARD	FOOD RESEARCH BOARD
BALANCES AT BEGINNING OF YEAR	\$500	\$86,400	\$100	\$100
ADDITIONS				
Assessments and fees	\$2,817	\$88,200	718,404	114,100
Registration fees				
Total additions	\$2,817	\$88,200	718,404	114,100
Total				
DEDUCTIONS				
Reimburse to awards	\$2,200	\$76,888	787,408	104,100
Refunds		\$4,488		
Collection fees	1,844	12,800	12,800	11,000
Reimburse to federal government				
Conference fees				
Other benefits				
Transfer to other-DEPT accounts				
Total deductions	\$4,044	\$94,176	790,208	115,100
BALANCES AT END OF YEAR	\$500	\$50,000	\$100	\$100

(Continued)

JUNE 30, 2008

CATFISH PROMOTION AND RESEARCH BOARD	FEDERAL GRAIN INSPECTION SERVICE	ASSOCIATION OF OFFICIAL SEED CERTIFYING AGENCIES	SOUTHERN COMRADELY FORESTRY SUMMIT	NATIONAL ASSOCIATION OF STATE FORESTRY	ASSOCIATION OF SOUTHERN PORK, FEEDLIVER AND PEST CONTROL OUTLETS
800	\$1,911	881	881	\$1,941	\$2,262
100,480	1,728				3,000
100,480	1,728	NONE	NONE	NONE	3,000
80,000					
10,000					
3,500	1,881				10,000
		711		1,941	
100,480	1,881	711	NONE	1,941	10,000
8000	\$2,700	NONE	880	NONE	\$1,000

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 NON-APPROPRIATED - OTHER AGENCY FUNDS
 Schedule of Changes in Balances, 1997

	FOR THE YEAR ENDED		TOTAL
	JUNE 30, 1998		
	BEST OF LOUISIANA	AMERICAN ASSOCIATION OF STATE CONTROL (AASFCO)	
BALANCE AT BEGINNING OF YEAR	<u>\$1,621</u>	<u>9226</u>	<u>\$10,847</u>
ADDITIONS			
Assessments and fees			1,991,898
Registration fees	3,880	271,787	34,067
Interest	46		46
Total additions	<u>3,966</u>	<u>271,787</u>	<u>2,026,811</u>
Total	<u>7527</u>	<u>11,711</u>	<u>2,714,042</u>
DEDUCTIONS			
Revolutions in bonds			2,020,804
Refunds			111,287
Collection fees			28,718
Reimburse to federal government			1,587
Confidence fees	84	120	20,801
Modifications			157
Transfer to private bank accounts			2,887
Total deductions	<u>84</u>	<u>120</u>	<u>2,176,400</u>
BALANCE AT END OF YEAR	<u>\$1,663</u>	<u>\$10,591</u>	<u>\$10,810</u>

(Continued)

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 APPROPRIATED FUNDS

Schedule of Adjustments to Original
 Approved Budgets
 For the Years Ended June 30, 1997 and 1998

	FOR THE YEARS ENDED:		
	AMOUNT		
	GENERAL APPROPRIATION	JUNIOR LANDSTOCK LOAN AND FARM YOUTH PROGRAM	LOAN PROGRAM OF THE MARKET COMMISSION
Original approved budget	\$4,800,000	\$40,000	\$1,000,000
Increases for:			
Continuation of existing programs	4,287,280		
Implementation of new business program	50,000		
Total Budget Amounts	\$9,087,280	\$40,000	\$1,000,000

(Continued)

JUNE 30, 1987

APPROPRIATIONS

FEDERAL CHIEF RESEARCH AND REGULATION AREA	CLASSIFIED PROGRAMS	AGRICULTURAL	LOUISIANA	TOTAL
		COMMISSION OPERATION SELF- HELP PROGRAM	ALLIANCE MARKET DEVELOPMENT AGENCY	
0113004	01001001	0100000	0100000	\$4,291,004
				6,281,000
				601,000
<u>0413004</u>	<u>01001001</u>	<u>0100000</u>	<u>0100000</u>	<u>\$4,892,004</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 APPROPRIATED FUNDS
 Schedule of Adjustments to Original
 Approved Budgets, 1987

	FOR THE YEAR ENDED		
	JANUARY		
	GENERAL APPROPRIATION	JUNIOR LIVESTOCK LEARNERS FARM YOUTH PROGRAM	LOAN PROGRAM OF THE MARKET COMMISSION
Original approved budget	\$6,591,843	\$20,000	\$1,071,000
Increase in carry forward funds for purchase of new livestock fiscal year 1984-85	228,250		
Decreases for:			
Reduced program funding as required by Act 196 of 1986	(80,443)		
Section 19 reductions	(28,200)		
Total budget amounts	\$6,711,450	\$20,000	\$1,071,000

(Continued)

JUNE 30, 1999

APPROPRIATIONS

INCOME CHECK RECOVERY AND REIMBURSEMENT AREA	MARKETING PROGRAMS	AGRICULTURAL COMMONS COMMISSION		TOTAL
		SELF- INSURANCE PROGRAMS	ALLIGATOR MARKET ENHANCEMENT ACTIVITY	
100,000	\$1,500,000	750,000	6,000,000	\$8,000,000
				100,000
				(80,000) (20,000)
<u>100,000</u>	<u>\$1,500,000</u>	<u>750,000</u>	<u>6,000,000</u>	<u>\$8,000,000</u>

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**
**Schedule of Per Diem Paid Commission Members
For the Years Ended June 30, 1997 and 1998**

	FOR THE YEAR ENDING			
	APRIL 30, 1997		APRIL 30, 1998	
	MEMBERS	AMOUNT	MEMBERS	AMOUNT
CARRY REGULATION BOARD				
Haley Buford	1	\$30		
Mary Copley	1	30		
Demetri Cogan	2	60		
H. H. Gaudin	1	30	1	30
Gerry Lott	2	60	1	30
George Melancon	1	30	1	30
Peter Moore	2	60	1	30
Vernon Toups	1	30	1	30
Total		360		\$150
ISORTVILLE FISH COMMISSION OF LOUISIANA				
Mark A. Bergeron	2	\$60	2	60
Roger D. Meyer			1	30
Total		\$60		\$90
LOUISIANA ADVISORY COMMISSION ON PER DIEMS				
Vogel J. Brinson, Jr.	1	\$100	2	100
Grady Calton	2	100	1	50
Ruben "Shug" Colgan	1	40		
Doug Dohy	1	30	2	60
Max J. Gaudin	1	40	1	40
Billy Goffine	2	60		
Harlow Melancon			1	40
David O'Brien	2	60	2	60
Cary W. Pope (Ph.D.)	1	30	1	30
Frank Roston			1	40
Early Ross	1	100	2	60
Roy Walker	1	40		
Matthew Yarb	1	100	2	60
Total		\$620		\$600
LOUISIANA AGRICULTURAL COMMODITIES COMMISSION				
J. B. Broussard			2	60
Floyd Carter	1	\$120	2	60
Tom Glass	1	40	1	40
James Hagan	2	120		
Joe Johnson	2	100	2	60
Johnny Macklin	2	120	2	60
Tom Melancon	1	30		
Spencer Mynatt	1	40	1	40
Leslie Rodriguez	1	30		
Flora Vivian	2	60		
Mario Wharton			1	40
Total		\$600		\$480

(Continued)

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Schedule of Per Diem Paid Commission Members, 1997

	FOR THE YEAR ENDED			
	JUNE 30, 1997		JUNE 30, 1996	
	NUMBER	AMOUNT	NUMBER	AMOUNT
LOUISIANA AGRICULTURAL FINANCE AUTHORITY				
Paul Boring	1	240		
Tom Glasser	2	80		
Michael Penagors	2	80		
J. Wade O'Neil, II	2	80	1	240
Shirley Rosen			1	40
Total		480		280
LOUISIANA COMMISSION OF WEIGHTS AND MEASURES				
Ray Amador	2	80	2	160
William Brown	1	40		
David Celler	2	80		
Louis Emery			1	40
G. L. McNeil	1	40	2	160
Joseph Monahan	1	40	2	160
John O'Neil	2	80	2	160
W.C. Shary	2	80		
Mark Winkler	1	40	2	160
Total		640		680
STATE MARKET COMMISSION				
Jason Adams, Jr.	1	40	1	40
Patricia Bordelon	1	40		
Susan Cooper	2	80	1	40
Elizabeth Fields	2	80	1	40
W. G. Howell	2	80		
Marie Mancini	1	40		
Spurl Talbot	2	80	1	40
Orin Wayard	2	80		
Don Williams	1	40		
Total		680		340
STATE SOIL AND WATER CONSERVATION COMMISSION				
A. Lee Allen	10	200	10	200
Paulo Angelo	10	200	10	200
George Bailey	1	20		
Nancy B. Henderson	2	40	2	40
Jerry Holmes	2	40	1	20
Walter Johnson			2	40
Roberta Williams	2	40	2	40
Terry J. Smith	5	100	5	100
Steve Spurlink	2	40	2	40
Roberta Thompson	2	40	2	40
Thomas Vitale, Ph.D.	1	20	1	20
Total		820		820

(Continued)

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
APPROPRIATED FUNDS**

**Schedule of Other Charges Expenditures
For the Year Ended June 30, 1995**

Management and Finance:	
Aid to needy families	\$434,212
Information Search, Incorporated, Workforce	41,151
U.S. Department of Agriculture - Southwest	
Regional Office - Commodity	3,704
Audit fee	107,858
Marketing:	
Future Farmers of America Cooperative Agreement	11,240
Southern University Agreement	12,759
Product Promotion	5,710
Trade	25,800
Tables	28,282
Booth Space	45,888
Chicken Breeders	1,858
Southern United States Trade Association Rent	10,843
Soil and Water Project	44,250
Egg Incentive	68,805
Audit fee	13,800
Animal Health:	
Alligator Promotion	48,324
LNU Diagnostic Laboratory	608,080
Livestock fees	1,185
Veterinarians	108,489
U.S. Department of Agriculture - Fruit and Vegetable	10,031
Federal Cooperative Agreements:	
Meat and Poultry Inspection	67,780
Poultry and Egg Grading Program	128,487
Forestry:	
Forestry Federal Excess Property	104,986
Volunteer Fire Departments	73,450
Stewardship Program	124,716
Urban and Community Forestry Assistance	241,183
Cooperative Forest Health Program	20,693
Urban Forestry Assistance/Natural	
Resource Conservation Education	2,000
Small Business Administration	183,933
Seed Orchard	215,025
Department of Environmental Quality	
Soil Management Practices	30,000
Soil and Water Districts Operating Funds	1,455,596
Soil and Water Contract Funds	385,670
Soil and Water Miscellaneous Funds	13,424
Pesticide Program:	
Health and Hospitals	25,000
Formosan Termites	30,000
Pesticide Certification (J. 65)	13,388

(Continued)

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 APPROPRIATED FUNDS
 Schedule of Other Charges Expenditures, 1996

Pesticide Program (Cont.)	
Seed Field Inspection	\$4,265
Fish (Veterinary School)	41,268
Miscellaneous other charges	127,330
Personal services	227,505
Related benefits	30,591
Travel	(1,918)
Operating services	7,568
Supplies	12,880
Professional services	90
	<hr/>
Total	\$5,094,890

(Continued)

**DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
ANCILLARY APPROPRIATION FUNDS**

**Schedule of Ancillary Account Balances
For the Years Ended June 30, 1997 and 1996**

	AGRICULTURE JUNIOR LIVESTOCK LOAN AND FARM YOUTH FUND	AGRICULTURE LOAN PROGRAM COMMISSION FUND	MELAN CREEK FUND
For the Year Ended June 30, 1997			
Cash and cash equivalents	\$160,457	\$1,375,561	\$7,756
Receivables			5,267
Inventory of materials and supplies			
Loans receivable	287,458	2,804,080	
Collateral acquired through foreclosure		88,281	
Accounts payable			3,244
Due to state treasury			
Advances due to state treasury		1,508,080	
Reserved for continuing operations	287,327	2,268,638	8,981
Reserved for inventory of materials and supplies			
Revenues	17,328	58,884	208,858
Expenditures	20,203	2,444,075	258,529
For the Year Ended June 30, 1996			
Cash and cash equivalents	48,158	1,818,513	18,898
Receivables			
Inventory of materials and supplies			
Loans receivable	354,114	2,404,360	
Collateral acquired through foreclosure		89,331	
Capital lease receivable		2,787,138	
Accounts payable	68	372	8,264
Advances due to state treasury		1,708,080	
Reserved for continuing operations	438,204	3,869,027	8,882
Reserved for inventory of materials and supplies			
Revenues	14,525	123,488	371,540
Expenditures	68	122,288	371,888

MURPHY'S PROGRAM FUND	AGRICULTURAL COMMODITIES SELF- INSURANCE PROGRAM FUND	LOUISIANA ALLOCATION MARKET DEVELOPMENT AUTHORITY FUND
\$1,182,800	\$191,808	
24,473	3,880	
427,133		\$1,080,000
176,823	755,734	
1,048,153		1,000,000
427,133		
1,735,050	81,981	
1,807,081	2,242	
862,070	525,132	
18,738	880	
337,735		1,000,000
20,518		
880,804	525,218	1,000,000
337,718		
1,582,738	87,837	
1,130,158		

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws, regulations, contracts, and grants and on internal controls over financial reporting 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 weaknesses 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 70804-9997

MEMORANDUM DATED 12/22/97
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December 22, 1997

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Special Purpose Financial Statements**

HONORABLE BOB COOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose financial statements of the Louisiana Department of Agriculture and Forestry, as of June 30, 1997, and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated December 22, 1997. We conducted our audit in accordance with generally accepted auditing standards 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 Department of Agriculture and Forestry's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that, although not material to the financial statements, are required to be reported under *Government Auditing Standards*.

Inadequate Controls Over Movable Property

The Louisiana Department of Agriculture and Forestry did not maintain adequate internal controls over movable property as prescribed by the Commissioner of Administration and Louisiana law. During our audit, we noted that fifty-one 1990 and 1991 model dozer tractors, valued at \$1,612,830, were traded in for 1995 and 1996 model dozer tractors valued at \$2,814,905, without Louisiana Property Assistance Agency (LPA) approval. The invoices supporting the payments, and paid by the department, showed the dozer tractors being upgraded instead of being traded in. The department changed the master inventory listing to reflect the serial numbers of the new dozer tractors leaving all other data unchanged. Furthermore, we noted that the department failed to physically tag the new dozer tractors with new tag numbers in a timely manner. The inventory records, except for serial numbers, did not correctly identify the property. Consequently, the department did not comply with the state's movable property laws and regulations.

LEGISLATIVE AGENCIES

**HONORABLE BOB COOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

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Our review was prompted by a letter report from LPAA to the State Inspector General detailing the results of its investigation. The LPAA report concluded that the department failed to obtain LPAA approval for the trade-ins and failed to place property tags on the new units as required. As a result, the old equipment was not made available to other state agencies through LPAA before being traded.

Louisiana Administrative Code 34 VI, 501 A, states that no property of any agency shall be sold to any person or legal entity without the written permission of the Commissioner of Administration through an approved State Property Transaction Form SP-11. In addition, Louisiana Administrative Code 34 VI, 307 A, and Louisiana Revised Statute 38:324(B) require that acquisitions be tagged and information be forwarded to LPAA in a timely manner.

The Louisiana Department of Agriculture and Forestry should strengthen its internal controls to ensure compliance with the state's movable property laws and regulations. In a letter dated November 13, 1997, Mr. Skip Rhyer, Acting Assistant Commissioner, stated that the department concurred in part with the finding. He stated, "The Department acted in the proper fashion using the Louisiana Agricultural Finance Authority and was not aware that Louisiana Property Assistance Agency approval was needed." He further stated that the required documentation was forwarded to LPAA, and the department has obtained approval of the SP-11s and will place property tags on the new tractors.

Noncompliance With the Louisiana Procurement Code

For the second consecutive audit, the Department of Agriculture and Forestry purchased goods and services totaling \$1,471,991 and \$699,816, respectively, for fiscal years 1997 and 1996 without complying with the Louisiana Procurement Code. Louisiana Revised Statute (R.S.) 38:1681-1756, commonly referred to as the Louisiana Procurement Code, provides the framework for purchasing by state agencies. R.S. 38:1501 charges the Commissioner of Administration with the authority and responsibility to promulgate regulations, consistent with the Louisiana Procurement Code, governing the procurement, management, and control of goods and services procured by the state. The regulations promulgated by the Commissioner are contained in Title 34, Part 5 of the Louisiana Procurement Code and specify various rules regarding when a purchase must be advertised and purchased from the lowest responsible bidder.

The department acquired computer equipment and software, dozer tractors, and other goods and services for which bids were not obtained. These goods and services were obtained through the Louisiana Agricultural Finance Authority (LAFPA), which is exempt

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from the requirements of the Procurement Code. Subsequently, the department reimbursed LAFA for the cost of the goods and services purchased on its behalf. Since the department was the ultimate purchaser of the goods and services, the department should have purchased the goods and services in compliance with the Louisiana Procurement Code. Because the department failed to follow the provisions of the Procurement Code, there is increased risk that the goods and services were not obtained at the best possible price.

The Department of Agriculture and Forestry should obtain the necessary bids for all its purchases. Mr. Skip Rhoads, Acting Assistant Commissioner, stated that the department does not concur with this audit finding for the following reasons:

"For the third consecutive year, the auditor fails to recognize or acknowledge the statutory authority of the Louisiana Agricultural Finance Authority (LAFA), an authority within the Department of Agriculture and Forestry, expressly authorized to acquire, construct, renovate, equip and maintain the offices and related facilities of the Department of Agriculture and Forestry (R.S. 3:285 (14) (D); 3:1907.B (2) (3); 3:1317 (2) (b) (c); 3:3210 (C) (2) (3) (4). The Department notes that this audit finding is essentially a restatement of the audit finding of the FY-86 and FY-85 audit report and, accordingly, the Department adopts by reference its prior response.

"Further responding, the Department wishes to note that the audit finding is correct in advising that LAFA is exempt from the requirements of the Procurement Code, R.S. 3:268 (14), R.S. 3:234.

"Second the auditor seems to be saying that while LAFA is in compliance in making the acquisition of the described items, the Department is not, as the Department ends up with title to the items. In short, the auditor seems to complain that LAFA, a State agency, is making acquisitions on behalf of the Department, another State agency. If that is the nature of the auditor's concern, it should be noted that R.S. 38:1701 et seq. and more particularly, R.S. 38:1703 and 1704 also seem to expressly authorize the described activity, if such activity needs further authorization.

"The Department has concluded that the procurement procedures are in compliance with the law and that no modification of procedure is required. However, after reviewing procedures and conferring with the auditor, the Department has determined an available method that will permit LAFA to function as intended and authorized by law, that will also satisfy the auditor. Rental agreements have been amended and rental revenue is being generated by

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LAFSA, and this money is being used to pay maintenance and equipment costs for the Department of Agriculture and Forestry."

Additional Comments: We recognize the statutory authority of LAFSA, contained within R.S. 3:265. However, we continue to assert that appropriated funds of the Department of Agriculture and Forestry should not be spent by LAFSA, a non-appropriated state entity, that is exempt from the requirements of the Louisiana Procurement Code. Since the department was the ultimate purchaser of the goods and services, the department should have purchased the goods and services in compliance with the Louisiana Procurement Code. While R.S. 39:1703 and 1704 do address cooperative purchasing among public procurement units, they do not allow for reimbursement of goods and services purchased by another unit whose procurement requirements are not as strict.

Improper Investment in Mutual Funds

The Louisiana Department of Agriculture and Forestry invested in a mutual fund in violation of state law. Louisiana Revised Statute (R.S.) 49:327(C) requires state departments to invest monies under their control in time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal office in the State of Louisiana, in savings accounts or in shares of savings and loan associations and savings banks as defined by R.S. 9:703(15) and (16), or in share accounts and share certificate accounts of federally or state chartered credit unions. State departments are also authorized to invest funds in direct United States Treasury obligations that mature not more than 29 days after the date of purchase. At June 30, 1997, the department had approximately \$1.8 million invested in the Automated Government/Money Trust, which is not authorized under R.S. 49:327(C).

The Department of Agriculture and Forestry should invest its monies in accordance with state law. In a written response dated September 25, 1997, Mr. Skip Rhoads, Acting Assistant Commissioner, stated the department concurred in part with this finding. The department was trying to maximize the return on the taxpayers' dollar and was not aware that state departments were unauthorized to invest in a mutual fund. The Commissioner will support a bill during the next legislative session to amend the statute to allow state departments to invest in mutual funds.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Department of Agriculture and Forestry's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the

LEGISLATIVE ASSISTANT

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COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
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following matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters arising to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Department of Agriculture and Forestry's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Ineffective Internal Audit Function

For the sixth consecutive audit, the Department of Agriculture and Forestry did not have an effective internal audit function to examine, evaluate, and report on its internal control structure and to evaluate its compliance with policies and procedures of the control system.

The department has an auditing section and a section that monitors Food Distribution, a federal program. However, the audit section directs a majority of its audit efforts to audits of various boards and commissions associated with the department such as the Soil and Water Conservation committees, the Fertilizer Commission, et cetera. The Food Distribution Section performs field reviews of the warehouses where the commodities are stored, reviews audit reports, and monitors the subrecipients who receive commodities. The reviews performed by the auditors did not address the internal controls of the department.

The department has land, buildings, equipment, and 507 full-time employees located throughout the state. Considering the size of the department, with assets totaling \$13,285,472, and revenue totaling \$45,559,602, for the year ended June 30, 1987, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that the department's policies and procedures are uniformly applied.

The Department of Agriculture and Forestry should establish an effective internal audit function to provide management with an independent evaluation of the internal controls and transactions of the department. In a letter dated September 2, 1987, Mr. Richard Allen, Assistant Commissioner, stated that the department concurred in part with the finding. He stated that the department has responded six times, including previous audits, that the department has insufficient funds and personnel to create an internal audit section. However, the department has implemented what it believed to be adequate internal controls to safeguard assets and to ensure compliance. The department supported proposed legislation that would have funded an internal audit function, but the legislation did not ultimately pass.