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STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Agriculture and Forestry
State of Louisiana
Baton Rouge, Louisiana
December 23, 1998



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 and for the Year Ended June 30, 1988
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 23, 1988

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

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

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DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Contents, June 30, 1990

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November 23, 1988

Independent Auditor's Report
on the Financial Statements

HONORABLE BOB GDCM
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 and for the year ended June 30, 1988, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana Department of Agriculture and Forestry. Our responsibility is to express an opinion on these 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 *Governments Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Louisiana 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. Furthermore, the financial statements have been prepared in accordance with accounting procedures prescribed by the Office of the Governor, Division of Administration, which is a comprehensive basis of accounting other than generally accepted accounting principles, the purpose of which is to reflect compliance with the annual appropriation acts and other state laws and regulations.

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.

Legislative Auditor

HONORABLE BOB COOM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Audit Report, June 30, 1988

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, 1988, and the transactions of the General Appropriation Fund for the year then ended, on the basis of accounting described in note 1-D.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 1988, on our consideration of the Louisiana Department of Agriculture and Forestry's internal control over financial reporting and our tests of its 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 taken as a whole. 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 auditing procedures applied in the audit of the special purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

In accordance with Louisiana Revised Statute 24:515, 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

LJ-DLHREP-3

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

Balance Sheet (Legal Basis), June 30, 1998

	GENERAL APPROPRIATION FUND	NON-APPROPRIATED	
		SOIL AND WATER CONSERVATION DISTRICTS CLEARING	PARROLL CLEARING
ASSETS			
Cash (note 2)	\$1,647,100	\$8,211	\$892,808
Investments (note 3)	3,594,840		
Receivables - fees and self-generated revenue	608,800		
Due from others (note 4)	1,198,800		
Loans receivable (note 5)	4,337,740		
Inventory of materials and supplies (note 6)	348,478		
TOTAL ASSETS	\$11,542,158	\$8,211	\$892,808
LIABILITIES AND FUND EQUITY			
Liabilities:			
Payables (note 12)	\$1,812,000		\$892,808
Advances due to state treasury (note 14)	948,000		
Due to others (note 4)	1,218,304	\$8,211	
Total Liabilities	4,078,304	\$8,211	\$892,808
Fund Equity:			
Fund balances - reserved for:			
Inventory of materials and supplies	348,478		
Continuing operations (note 13)	5,741,528		
Debt service (note 15)	1,803,000		
Unassigned - undesignated (deficit) (note 17)	(1,261,680)		
Total Fund Equity	6,701,786	None	None
TOTAL LIABILITIES AND FUND EQUITY	\$11,542,158	\$8,211	\$892,808

The accompanying notes are an integral part of this statement.

FUNDS

<u>CITY OF</u>	<u>TOTAL</u>
<u>AGENCY</u>	<u>(MEMORANDUM</u>
<u>FUNDS)</u>	<u>DUPLIC)</u>

\$2,534	\$2,258,708
	1,094,048
41	608,400
	1,188,817
	4,287,188
	<u>769,479</u>
<u>\$2,575</u>	<u>3,527,352</u>

\$38	\$3,408,804
	648,800
<u>1,528</u>	<u>1,327,398</u>
<u>1,575</u>	<u>5,285,352</u>

	340,479
	5,747,880
	1,823,280
	<u>11,741,880</u>
<u>(8228)</u>	<u>10,919,052</u>

<u>\$2,575</u>	<u>\$10,980,911</u>
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**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	\$32,750,310
State General Fund by fees and self-generated revenues	7,087,143
State General Fund by interagency transfers	425,981
Federal funds	6,658,258
Auxiliary funds	1,044,804
Subtotal appropriated revenues	<u>48,971,596</u>
Non-Appropriated - licensing and regulatory funds	2,107,895
Total revenues	<u>\$51,079,491</u>

EXPENDITURES

Appropriated expenditures:	
Office of Management and Finance	13,638,330
Office of Marketing	1,985,287
Office of Agricultural and Environmental Sciences	11,580,727
Office of Animal Health Services	9,364,843
Office of Agro-Consumer Services	3,081,298
Office of Forestry	11,453,986
Office of Soil and Water Conservation	3,340,503
Auxiliary funds	1,827,263
Total expenditures	<u>56,284,734</u>

EXCESS OF EXPENDITURES OVER REVENUES (4,204,533)

OTHER APPROPRIATED FINANCING SOURCES (Uses) (note 10)

Transfers in (note 10)	5,495,000
Transfers out (note 10)	<u>(2,457,476)</u>

**EXCESS OF EXPENDITURES AND OTHER USES
OVER REVENUES AND OTHER SOURCES** (417,009)

FUND BALANCE AT BEGINNING OF YEAR 7,433,041

DECREASE IN RESERVE FOR INVENTORY (187,671)

ADJUSTMENTS (note 10) (70,000)

FUND BALANCE AT END OF YEAR \$6,785,761

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, 1998**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislation:			
State General Fund	\$32,911,667	\$32,793,370	(\$118,297)
State General Fund by fees and self-generated revenues	5,321,626	5,199,395	(\$122,231)
State General Fund by interagency transfers	587,195	425,991	(\$161,204)
Federal funds	7,613,178	8,702,927	\$1,089,749
Auxiliary funds	8,719,458	1,844,994	(\$6,874,464)
Other fund sources:			
Agricultural Commodities			
Self Insurance Program Fund	180,000		(\$180,000)
Soil Steward Education Fund	3,480,000	4,700,000	\$1,220,000
Feed Commission Fund	120,808		(\$120,808)
Fertilizer Commission Fund	1,080,000		(\$1,080,000)
Louisiana Agricultural Finance Authority	154,344		(\$154,344)
Pesticide Fund	1,041,391	1,185,000	\$143,609
Forest Protection Fund	980,000		(\$980,000)
Structural Pest Control Commission Fund	540,000	540,000	
Total appropriated revenues	<u>\$58,120,953</u>	<u>\$57,369,237</u>	<u>(\$751,716)</u>
EXPENDITURES			
Appropriated for:			
Office of Management and Finance	15,049,742	13,687,328	1,362,414
Office of Marketing	2,037,141	1,980,849	56,292
Office of Agricultural and Environmental Sciences	13,873,874	11,849,892	2,023,982
Office of Animal Health Services	9,979,273	9,388,158	591,115
Office of Agro-Consumer Services	4,388,898	3,042,478	1,346,420
Office of Forestry	12,813,867	11,423,428	1,390,439
Office of Soil and Water Conservation	2,418,258	2,347,526	70,732
Auxiliary	8,719,458	2,293,427	\$6,426,031
Total appropriated expenditures	<u>\$68,120,953</u>	<u>\$58,192,413</u>	<u>\$10,928,540</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR			
	<u>NONE</u>	<u>\$1,586,874</u>	<u>\$1,586,874</u>

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 and for the Year Ended June 30, 1999

INTRODUCTION

The Louisiana Department of Agriculture and Forestry is a department within Louisiana state government. The department was created in accordance with Title 33, Chapter 14 of the Louisiana Revised Statutes of 1995, 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 Agro-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 761 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 governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, 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 financial 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 (R.S.) 3:254. The purchase, construction, and maintenance of the Department of Agriculture and Forestry Headquarters Building Complex, the Agricultural Chemistry Laboratory, the Old Forestry Building, the warehouse, the seed dried buildings, and the Department of Agriculture and Forestry Hazzard Office and Woodworth Hanger 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	3,555.3
Louisiana Soybean and Grain Research and Promotion Board	3,551.32
Louisiana Rice Promotion Board	3,551.83
Louisiana Rice Research Board	3,551.73
Louisiana Catfish Promotion and Research Board	3,558.3

**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 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. The activities of the Boll Weevil Eradication Commission Program are accounted for within this office.
6. The Office of Forestry provides for the protection, management, preservation, and replantment 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 estuarine 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 loans and loan guarantee programs to individuals ages 10 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 70% of any loan made by a bank, financial institution, or federal department to any person eligible for direct loan. 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 \$3,000, and the repayment period must not exceed five years.

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

Notes to the Financial Statements (Continued)

2. 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. During the year, the State Market Commission assumed the obligations of the Louisiana Alligator Market Development Authority and the authority ceased to exist as an auxiliary appropriation fund.
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 elevators and cotton buyers licensing. The commission has acknowledged exposure in the area of warehousing and has established this fund as a means to cover its exposure. There was no activity in the fund during the fiscal year.

NON-APPROPRIATED FUNDS

Income Not Available

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, and total \$5,939 for the year ended June 30, 1998.

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.

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

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:

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

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

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 600-109.

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.

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 lapsing appropriations and are recorded in the General Appropriation Fund. The auxiliary funds are authorized and controlled through the annual auxiliary appropriation act.

1. The budget process for general appropriations and auxiliary appropriations is an annual appropriation made for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-D, except that funds carried forward from the prior year and loan payments received are recognized as revenues on Statement C, 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. In addition, salaries and related benefits are recognized when paid on Statement C. 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) that are not included on Statement B. The revenues and expenditures shown on Statement B are reconciled with the respective amounts shown on Statement C as follows:

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

Statement B revenues	\$50,919,991
Add:	
Prior-year federal funds carryover	82,874
Prior-year self-generated funds carryover	1,790,271
Transfers in	6,408,690
Loan payments received	389,601
Less:	
Federal payroll receivable (net)	(9,400)
Licensing and regulatory funds	<u>(2,197,899)</u>
Statement C revenues	<u>\$57,383,487</u>
Statement B expenditures	\$56,284,124
Add - loans paid out	693,584
Less - payroll payable (net)	<u>(267,775)</u>
Statement C expenditures	<u>\$56,709,933</u>

- The department is prohibited by statute from over-expending the categories established in the general appropriation act.
- 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 3.
- The auxiliary appropriation funds are allowed to retain year-end balances to finance future expenditures as provided by Act 16, Section 15 of 1997. The non-appropriated funds are not subject to budgetary control.

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.

R.S. 49:327(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 time 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

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

such funds in direct United States Treasury obligations that mature not more than 25 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 seeds 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 Columbia, 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, 1992, the department has stewardship responsibility for \$24,235,260 in governmental movable property, valued at historical cost at the time of acquisition. This movable property is not reflected within the accompanying special purpose financial statements.

A summary of changes in movable property follows:

Balance July 1, 1992	Additions	Deletions	Balance June 30, 1993
<u>\$22,158,835</u>	<u>\$2,663,530</u>	<u>\$781,108</u>	<u>\$24,235,260</u>

The department has complied with the movable property statutes of the State of Louisiana.

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

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 P.L.S. 38-82 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 \$694,737 of June 30, 1995.

K. COMPENSATED ABSENCES

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 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.

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

I. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) 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:	
Petty cash on hand	\$4,000
Demand deposits	6,010
Interest-bearing demand deposits	133,308
Cash on deposit with the state treasury	<u>2,104,078</u>
Total	<u>\$2,247,396</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 \$438,191 at June 30, 1998. These deposits are secured from risk by \$300,000 of federal deposit insurance (GAAP Risk Category 1) and \$138,191 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAAP 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:

Money of transit	\$1,236,735
Operating account	274,518
Payroll clearing	<u>582,828</u>
Total	<u>\$2,104,078</u>

The department also maintains a permanent Travel and Petty Cash Imprest Fund in the amount of \$43,400, 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.

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

3. INVESTMENTS

At June 30, 1998, the department has investments in mutual fund investments (Automated Government Money Trust), totaling \$3,384,840 consisting of United States Treasury obligations maturing in one year or less. The trustee uses the amortized cost method, which approximates market value, to value its securities. The investments are not classified as to category of credit risk because this is not required by GASB Codification Section 190.165.

4. DUE FROM/TO OTHERS

The following is a summary of amounts due from/to others at June 30, 1998:

	<u>General Appropriation Fund</u>
Due from others:	
Federal government	\$911,858
Louisiana Agricultural Finance Authority	255,355
Other agencies - interagency transfer	<u>31,412</u>
Total	<u>\$1,198,625</u>

	<u>General Appropriation Fund</u>	<u>Non-Appropriated</u>	
		<u>Soil and Water Conservation District Clearing</u>	<u>Agency Funds</u>
Due to others:			
Cotton Promotion Board			\$100
Crawfish Promotion Board			100
Federal State Inspectors Service			2,000
Rice Promotion Board			100
Rice Research Board			100
Soybean Promotion Board			100
State General Fund	\$1,245,364		
Soil and Water Conservation Districts		<u>\$8,311</u>	
Total	<u>\$1,245,364</u>	<u>\$8,311</u>	<u>\$2,610</u>

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

Notes to the Financial Statements (Continued)

5. LOANS RECEIVABLE

The department is responsible for certain loan programs that are established by state law. All loan balances on Statement A are reported at gross, since the department has made no provision for reporting uncollectible amounts. Loans are written off when the department determines there to be uncollectible. A summary of loan activity for the year ended June 30, 1995, follows:

	<u>Joint Livestock Loan and Farm Youth Fund</u>	<u>Market Commission Loan Fund</u>	<u>Alligator Market Development Fund</u>	<u>Total</u>
Balance at June 30, 1994	\$207,160	\$2,801,888	\$7,800,800	\$8,809,848
Principal collections	(80,334)	(113,883)		(194,217)
Loan balances written off Reestablishment receivable previously written off	(2,000)			(2,000)
Loan transfers	5,465	1,000,000	(7,800,800)	5,465
Amounts disbursed or approved for loans	<u>28,800</u>	<u>800,000</u>		<u>828,800</u>
Balance at June 30, 1995	<u>\$158,631</u>	<u>\$2,887,905</u>	<u>\$0.00</u>	<u>\$4,046,536</u>

**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 \$48,840; (2) postage meter inventory valued at \$15,440; and (3) tree seed inventory, which is valued at \$278,180 at June 30, 1995, for a total of \$342,470, as reported on Statement A.

7. PENSION PLANS

Substantially all employees of the department are members of the Louisiana State Employees Retirement System, a multiple-employer, defined benefit pension plan. Certain other 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 year 1995 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-0095.

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

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

The department provides certain continuing health care and life insurance benefits for its retired employees and their beneficiaries. 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 year ended June 30, 1995, the costs of retiree benefits for the 633 retirees totaled \$1,614,342.

9. LOAN GUARANTEES

As provided by R.S. 3:4461-4467, the Louisiana State Market Commission is authorized to provide loan guarantees to facilitate the processing, storing, and marketing of agricultural products in Louisiana. At June 30, 1995, the Louisiana State Market Commission has a loan guarantee to Tannery Acadiane Reptiles and Alligators totaling \$225,000 on a loan of \$250,000 and a loan guarantee to Roggeville Tannery of Louisiana totaling \$2,350,000 on a loan of \$3,000,000. The principal balance of these loan guarantees is \$1,576,487 with an accrued interest balance of \$19,254.

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

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 12 lawsuits at June 30, 1995, handled by contract attorneys. The department's attorneys do not expect the suits to result in a liability to the department in excess of insurance coverage.

11. COMPENSATED ABSENCES

The liability for unused annual leave payable at June 30, 1995, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section G80.108, is estimated to be \$3,171,272. The leave payable is not recorded in the accompanying special purpose financial statements.

The liability for accrued compensatory leave at June 30, 1995, computed in accordance with GASB Codification Section G80.105, is estimated to be \$268,182. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

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

12. PAYABLES

The following is a summary of payables at June 30, 1999:

	Accounts Payable	Payroll Payable	Payroll Deductions Payable	Annual Employee Benefits Payable	Total
General appropriation	\$1,421,047	\$1,380,833			\$2,801,880
Payroll Clearing Fund			\$254,290	\$334,048	\$588,338
Other agency funds	\$0				\$0
Total	<u>\$1,421,047</u>	<u>\$1,380,833</u>	<u>\$254,290</u>	<u>\$334,048</u>	<u>\$3,390,218</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:

Fiscal Year	Office				Total
	Space	Equipment	Land	Other	
1999-2000	\$1,348,575	\$208,544	\$12,802	\$78,280	\$1,648,201
2000-2001	858,502	58,085	701		1,217,288
2001-2002	771,932	31,280	878		804,090
2002-2003	104,721		155		104,876
2003-2004	2,888		138		3,026
Transfer	290		2,693		2,983
Total	<u>\$2,884,808</u>	<u>\$267,809</u>	<u>\$16,858</u>	<u>\$78,280</u>	<u>\$3,247,755</u>

All lease agreements have non-appropriation escrowatory 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 1997-1998 amounted to \$1,313,810.

14. ADVANCES FROM STATE TREASURY

The department has received advances from the state treasury for imprest fund operations and working capital totaling \$40,092 and \$200,000, respectively. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

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

Notes to the Financial Statements (Continued)

15. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, at June 30, 1998, the department has reserves for continuing operations totaling \$5,747,028, which may be retained for future expenditures as follows:

Fund	Louisiana Law or Revised Statute	Restricted Balance
Emergency Food Assistance Program (Administrative Costs)	Act 18 of 1987	\$19,478
Junior Livestock Loan and Farm Youth Fund	Act 18 of 1987	415,687
Market Commission Loan Fund	Act 18 of 1987	4,733,088
Indian Creek Pastures and Recreation Fund	Act 18 of 1987	18,324
Mansury Fund	Act 18 of 1987	1,518,735
Total		<u><u>\$5,747,028</u></u>

These reserves relate to programs 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, 1998, in the Feed Commission Fund (R.S. 3:1827), the Fertilizer Fund (R.S. 3:1017), and the Pesticide Fund (R.S. 3:3210) in the amounts of \$400,888, \$400,888, and \$1,027,388, respectively, totaling \$1,829,356, 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 1988 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 1987 Bond issue for the Agricultural Chemistry Laboratory Project.

17. FUND DEFICIT

The General Appropriation Fund had a deficit of \$1,141,585 for the year ended June 30, 1998. 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 1999 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 Statement B, are detailed as follows:

Surplus reinitiated to General Fund	\$190
Expenditure adjustment	<u>(78,790)</u>
Total	<u>\$178,600</u>

**19. OTHER APPROPRIATED
FINANCING SOURCES (Uses)**

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

Other Appropriated Financing Sources and Uses

Transfers in:	
Pesticide Funds in State Treasury	\$1,186,800
Structural Pest Control Commission	540,800
Soil Weevil Eradication Fund	<u>4,732,600</u>
Total other appropriated financing sources	<u>\$6,460,200</u>
Transfers out to the Louisiana Agricultural Finance Authority:	
Building debt	\$2,346,204
Construction expenditures	151,744
Miscellaneous	<u>228</u>
Total other appropriated financing uses	<u>\$2,498,176</u>

20. NON-MONETARY FEDERAL PROGRAMS

The accompanying financial statements do not include food commodities distributed by the department under the Emergency Food Assistance Program (Food Commodities) and Food Distribution, Catalog of Federal Domestic Assistance Nos. 10.598 and 10.650, respectively. During the year ended June 30, 1998, the department recorded food distributions totaling \$25,080,241 for these programs.

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

21. 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.

LAFA issued \$5 million in revenue bonds for the purpose of acquiring, constructing, renovating, and equipping an office building (5625 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 28, 1988, the department took possession of the facilities under the terms of the agreement. The term of the lease agreement is from August 28, 1988, to October 1, 2003, or such earlier time as the bonds have been paid in 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 also pays an additional monthly rental to cover maintenance and operation of the office building 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, LAFA 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 \$5,100,000 with an interest rate of 6.1%. 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 Chattel Mortgage (dated 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 1990 indenture and LAFA has approved said conversion pursuant to a resolution of LAFA on March 20, 1992, as noted above. The department and LAFA 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, 1990, and expiring October 30, 2002. On April 14, 1994, LAFA adopted a resolution authorizing a Second Supplemental Trust Indenture, which reduced interest rates from 6.5% to 5%. 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

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

Notes to the Financial Statements (Continued)

days before July 30, 1992. At June 30, 1998, the outstanding balance of the bonds is \$1,440,000 with interest of \$191,608.

On April 30, 1990, the Board of Supervisors of Louisiana State University and Agriculture and Mechanical College (University), the Louisiana Department of Agriculture and Forestry (Department), and LAFA 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, LAFA 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 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 compounded rate of 8.5% on January 15 and July 15 of each year beginning January 15, 1993. At June 30, 1998, the outstanding balance of the bonds is \$208,000 with interest of \$61,808. On July 1, 1992, LAFA and the Department entered into a Release 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, 1992	\$5,100,000	\$1,080,000
Agriculture Chemistry Building - LSU	July 1, 1992	3,100,000	1,136,000
Total		<u>\$8,200,000</u>	<u>\$2,216,000</u>

<u>Redeemed</u> <u>1998</u>	<u>Outstanding</u> <u>June 30, 1998</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Outstanding</u> <u>June 30, 1998</u>
\$500,000	\$1,440,000	1998-2007	5.00%	\$131,500
1,500,000	280,000	1000-2002	8.50%	\$1,830
<u>\$2,000,000</u>	<u>\$1,640,000</u>			<u>\$133,330</u>

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

Notes to the Financial Statements (Continued)

The annual requirements for the financial agreements outstanding at June 30, 1998, including interest of \$163,339, are as follows:

Fiscal Year	Agriculture Building - Florida Revolvent	Agriculture Chemistry Building - LSU in Baton Rouge	Total
	1999	\$622,808	
2000	\$34,808	13,808	\$48,616
2001	175,808	13,808	\$189,616
2002		\$75,808	\$75,808
Total	<u>\$1,021,008</u>	<u>\$231,858</u>	<u>\$1,252,866</u>

22. 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 18 of 1967. Accounting records are maintained by the department to identify activity in the ancillary funds. At June 30, 1998, the accounts of the ancillary funds reflect the balances shown on Schedule 5.

23. LEASE OF CATFISH PROCESSING PLANT

The Louisiana Department of Agriculture and Forestry, through the State Market Commission, became a loan guarantor as allowed by P.S. 3:448.3(F)(9) for Louisiana Catfish, Incorporated, on April 22, 1997. Louisiana Catfish, Incorporated, a catfish processing plant, was placed under a receiver by a state judge on September 14, 1999. The receiver placed the company in federal bankruptcy on September 17, 1999.

To protect itself as a loan guarantor, the State Market Commission purchased the catfish plant on December 18, 1999, for \$1,650,000 by an act of sale with an assumption of mortgage owed to Concordia Bank and Trust of \$1,550,515. On February 4, 2001, the State Market Commission entered into a lease-purchase agreement with Cargill, Incorporated, for 10 years. On December 15, 2003, 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 18, 1998, 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

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

Commission \$253,580 and assumed the balance of the mortgage with Concordia Bank and Trust. The owners of Wiscari Minnow Hatchery, Incorporated, personally guaranteed the assumed mortgage, and the State Market Commission is guarantor for the mortgage balance. Monthly rental payments on the assumed mortgage are \$8,800 paid directly to Concordia Bank and Trust. The remaining debt to the commission of \$1,628,519 was written off on June 30, 1997. The balance of the mortgage at June 30, 1999, is \$403,000.

24. BOLL WEEVIL ERADICATION COMMISSION PROGRAM

R.S. 3:1501-1517 creates and authorizes the Boll Weevil Eradication Commission to suppress or eradicate the boll weevil and to cooperate with state and federal agencies in the administration of cost-sharing programs for the suppression or eradication of the boll weevil. All assessments, fees, penalties, and other funds received by the commission shall fund any and all other costs related to the eradication of boll weevils. The revenues and expenditures of the commission as of June 30, 1999, are included in the General Appropriation of the Office of Agricultural and Environmental Sciences and are detailed on Schedule 6.

25. SUBSEQUENT EVENTS

Boll Weevil Eradication Commission Program

Act 19 of the 1999 Regular Session appropriated the first installment of the state's participation in a five-year Boll Weevil Eradication Commission Program, subject to the Louisiana farmers' approval of the program. The farmers are required to contribute 50% of the costs of the program. Through a referendum in September 1999, the Louisiana farmers' voted for and approved the program, which levies \$15.00 per acre upon each acre of cotton in the state to be used as the farmers' 50% share. This levy will be in place each year for the five years of the program, and will be payable at the time the farmers make their Certification of Cotton Acreage at the federal Farm Service Agency.

The Louisiana Agricultural Finance Authority will be responsible for incurring any debt necessary to fund the state's share of the program. The state's 50% share of the program will be \$50,000,000, funded with an \$8,000,000 annual appropriation to the department to repay debt incurred by the Louisiana Agricultural Finance Authority.

In August 1999, the Joint Legislative Committee on the Budget approved a plan submitted by the Commissioner of Agriculture and Forestry for boll weevil eradication. To implement the plan, the department entered into a cooperative endorsement agreement with the Office of the Governor, the Division of Administration, LAFA, and the Louisiana Boll Weevil Eradication Commission.

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

Revenue Bonds

LAFW received approval to sell \$4,000,000 in revenue bonds on December 1, 1999. The proceeds of the bonds will be used for the purpose of providing funds to finance the acquisition, construction, and equipping of the Department of Agriculture office buildings and related facilities located in the cities of Shreveport-Bossier, Monroe, Jonesville, Hammond, Winnsboro, Oak Grove and Woodworth, Louisiana. The bonds are secured by a pledge of Department of Agriculture and Forestry revenues of feed fees, fertilizer fees, pesticide fees, and rentals by the authority.

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, 1999**

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

Schedule 1 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 2 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 3, are presented to describe the amendments to the amounts originally appropriated by the Louisiana Legislature by Act 18 of 1997.

SCHEDULE OF PER DIEM PAID COMMISSION MEMBERS

The per diem paid commission members is presented on Schedule 4, as required by House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

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

Schedule 5 presents the account balances of the various auxiliary funds at June 30, 1999.

**SCHEDULE OF BOLL WEEVIL ERADICATION
COMMISSION PROGRAM ACTIVITY**

Schedule 6 presents the activity of the commission as of June 30, 1999.

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, 1998

	SOIL AND WATER CONSERVATION DISTRICTS CLEARING	PAYROLL CLEARING
BALANCES AT BEGINNING OF YEAR	637,213	6575,460
ADDITIONS:		
Transfers from soil and water district	1,384,308	
Transfers from general appropriation		28,800,003
Total	<u>1,421,616</u>	<u>28,800,003</u>
DEDUCTIONS:		
Payroll, deductions, and employee benefits	<u>1,423,308</u>	<u>28,785,495</u>
BALANCES AT END OF YEAR	<u>638,213</u>	<u>6569,968</u>

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

Schedule of Changes in Balances
 For the Years Ended June 30, 1998

	CRUSTACEAN PROMOTION AND RESEARCH BOARD	SOYBEAN AND GRAIN RESEARCH AND PROMOTION BOARD	RICE PROMOTION BOARD	RICE INDUSTRY BOARD
BALANCE AT BEGINNING OF YEAR	\$100	\$100	\$100	\$100
ADDITIONS				
Assessments and fees	28,820	1,881,480	227,147	1,295,181
Total	28,920	1,881,580	227,247	1,295,281
DEDUCTIONS				
Reimbursements to boards	28,820	1,881,480	227,147	1,295,181
Refunds		4,895		
Collection fees	800	12,000	10,000	10,000
Reimbursements to federal government				
Personal services				
Taxes				
Operating services				
Supplies				
Professional services				
Capital outlay				
Other charges				
Total deductions	29,620	1,898,375	237,147	1,305,181
BALANCE AT END OF YEAR	\$100	\$100	\$100	\$100

DARTMOUTH PROMOTION AND RELEASE BOARD	FEDERAL BRAIN INSPECTION SERVICE	SPICERMAN RICE MILL, INC.	TOTAL
\$100	\$1,000	4,000	\$5,500
<u>\$1,700</u>	<u>2,000</u>	<u>\$1,000,000</u>	<u>\$1,118,000</u>
<u>\$1,800</u>	<u>4,000</u>	<u>1,000,000</u>	<u>\$1,011,000</u>
70,100			2,000,000
10,000	0		20,000
2,700			50,000
	2,000		2,000
		500,000	500,000
		1,700	1,700
		100,000	100,000
		144,000	144,000
		80,700	80,700
		2,000	2,000
		<u>838,000</u>	<u>838,000</u>
<u>\$1,700</u>	<u>2,000</u>	<u>1,000,000</u>	<u>\$1,118,000</u>
<u>\$100</u>	<u>\$2,000</u>	<u>\$100</u>	<u>\$2,100</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 APPROPRIATED FUNDS

Schedule of Adjustments to Original
 Approved Budgets
 For the Year Ended June 30, 1988

	<u>AGRICULTURE</u>		
	<u>GENERAL APPROPRIATION</u>	<u>JUNIOR LIFE STOCK LEASING FARM YOUTH PROGRAM</u>	<u>LEASING PROGRAM OF THE MARKET COMMISSION</u>
Original approved budget	\$8,761,000	\$22,000	\$1,601,000
Increases in:			
Premises adjustment	24,100		
Purchase of vehicles	60,000		
Additional federal funds for the (soft) cheese (soft) cheese program	1,100,000		
Revised funds for the Market Price (loan) Project	70,000		
Total Budget Amounts	<u>\$10,015,100</u>	<u>\$22,000</u>	<u>\$1,601,000</u>

<u>APPROXIMATE 2009</u>				
<u>INDIAN CREEK RECREATION AND RECREATION AREA</u>	<u>MANAGEMENT PROGRAM</u>	<u>AGRICULTURAL COMMISSION SELF- INSURANCE PROGRAM</u>	<u>LOUISIANA POLLINATOR MARKET DEVELOPMENT ALLOTMENT</u>	<u>TOTAL</u>
1011004	\$1,651,792	\$100,000	\$1,000,000	\$27,473,094
				261,830
				188,888
				5,188,800
				188,830
<u>1111004</u>	<u>\$1,651,792</u>	<u>\$100,000</u>	<u>\$1,000,000</u>	<u>\$28,100,832</u>

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Schedule of Per Diem Field Commission Members
For the Year Ended June 30, 1998

	<u>NUMBER</u>	<u>AMOUNT</u>
LOUISIANA ADVISORY COMMISSION ON PESTICIDES		
Virgil J. Bourque, Jr.	1	\$40
Grady Coburn	1	40
Robert "Shap" Crigler	1	40
Doug Duty	2	80
Max Edwards	2	80
Billy Guthrie	2	80
Sarah O'Brien	1	40
Gary Ross	1	40
Matthew Yates	1	40
Total		<u>\$480</u>
LOUISIANA AGRICULTURAL COMMODITIES COMMISSION		
Floyd Carter	4	\$100
James Hoppo	2	80
Joe Jackson	3	120
Jerry Johnson	3	120
Rodney Kendrick	4	160
Tom LeBeau	4	160
Walter Morales	1	40
Leslie Rodriguez	3	120
Royby Vincent	4	160
Total		<u>\$1,120</u>
HORTICULTURE COMMISSION OF LOUISIANA		
Mark A. Bengtson	1	<u>\$40</u>
LOUISIANA AGRICULTURAL FINANCE AUTHORITY		
Fred Bosting	2	\$80
Yael Oleser	1	40
Michael Hensgens	2	80
J. Wade O'Neil, III	1	40
Total		<u>\$240</u>

(Continued)

DEPARTMENT OF AGRICULTURE AND FORESTRY
 STATE OF LOUISIANA
 Schedule of Per Diem Paid Commission Members, 1998

	<u>NUMBER</u>	<u>AMOUNT</u>
STATE MARKET COMMISSION		
Firmus Bondezon	1	\$40
Stasie Dupont	1	40
Franklin Fields	3	120
W. G. Mahiel	3	120
Monte Moncrief	2	80
Don Valentine	2	80
Total		<u>\$480</u>
STATE SOIL AND WATER CONSERVATION COMMITTEE		
A. Lee Allen	7	\$245
Pedro Angelle	11	365
Ronald Fletcher	1	35
Harry R. Henderson	2	70
Jerry Holmes	7	245
Richard Notarville	9	315
Terry J. Smith	8	280
Thad Spurlink	11	365
Thomas Ybrano (Ph.D.)	2	70
John Woodard	2	70
Total		<u>\$2,100</u>
LOUISIANA COMMISSION OF WEIGHTS AND MEASURES		
William Brown	1	\$40
Joseph Moreaux	4	160
J.C. Sneed	4	160
Morris Weinstein	2	80
Total		<u>\$440</u>

(Concluded)

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
ANCILLARY APPROPRIATION FUNDS

Schedule of Ancillary Account Balances
For the Year Ended June 30, 1998

	AGRICULTURE JUNIOR LIVESTOCK LOAN AND FARM YOUTH FUND	AGRICULTURE LOAN PROGRAM MARKET COMMISSION FUND	WOLAM OPERATION FUND	FLORISSANT PROGRAM FUND
Cash and cash equivalents	\$178,000	\$1,008,040	\$18,765	\$1,107,005
Receivables			7,808	8,000
Other receivables	228,841	5,081,104		
Inventory of materials and supplies				278,888
Accounts payable	3		10,210	18,888
Advances due to state treasury		800,000		
Reserved for continuing operations	478,888	4,700,888	18,004	1,118,700
Reserved for inventory of materials and supplies				278,188
Retirements	20,000	35,800	280,000	1,448,000
Expenditures	2,000	140,740	280,000	1,387,888

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

**Schedule of Bill Wenzel Expenditures
Commission Program Activity
For the Year Ended June 30, 1988**

REVENUE	
Statutory dedicated	8004,897
Federal funds	608,810
State General Fund	4,708,800
Total revenue	<u>13,122,507</u>
EXPENDITURES	
Salaries	38,718
Related benefits	176
Travel	48,874
Operating services	72,099
Supplies	2,308,321
Professional services	5,875
Other charges	1,769,848
Capital outlay	1,502,635
Total expenditures	<u>5,752,346</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>7,370,161</u>

**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.



EMILIO G. KYJE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-0007

1600 NORTH OLEBURN SQUARE
FORT OFFICE, BOSS HUNT
TELEPHONE: (225) 339-5800
FACSIMILE: (225) 339-5770

November 23, 1998

**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 and for the year ended June 30, 1998, and have issued our report thereon dated November 23, 1998. 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that, although not material to the financial statements, is required to be reported under Government Auditing Standards.

Improper Investment in Mutual Funds

For the second consecutive year, the Louisiana Department of Agriculture and Forestry invested in a mutual fund in violation of state law. 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 F.L.S. 6:150(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 28 days after the date of purchase. At June 30, 1998, the department had approximately \$3.4 million invested in the Automated Government Money Trust, which is not authorized under R.S. 49:327(C).

EXHIBIT A

LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

November 23, 1968

Page 2

The Department of Agriculture and Forestry should invest its monies in accordance with state law. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

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 following matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming 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 seventh consecutive audit, the Department of Agriculture and Forestry did not have an effective internal audit function to examine, evaluate, and report on its internal controls and to evaluate its compliance with policies and procedures of the control system.

The department has an audit division as well as a section that monitors Food Distribution, a federal program. However, the audit division directs a majority of its audit efforts to various boards, commissions, and programs associated with the department, and most of its duties are regulatory in nature. The audit division does not perform an internal audit function, which would include a review of the department's accounting system and its policies and procedures. The audit division does not assess audit risk or the risk of fraud existing in the department's accounting system. Therefore, the reviews performed by this division do not address the internal controls of the department.

The department has land, buildings, equipment, and 761 full-time employees located throughout the state. Considering the size of the department's assets totaling \$12,350,911 and revenues totaling \$50,918,591, for the year ended June 30, 1968, 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

LEGISLATIVE AUDITOR

HONORABLE BOB ODUM
COMMISSIONER OF AGRICULTURE
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Compliance and Internal Control Report

November 23, 1998

Page 3

and transactions of the department. Management concurred in part with the finding and recommendation. Management stated that the department has insufficient funds and personnel to create an internal audit section. However, the department has outlined a plan of corrective action (see Appendix A, page 2).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of the department and its management. 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

LJL-DLH/PE/P:8

11/23/98

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Scott Odom
Commissioner

Louisiana Department of Agriculture & Forestry
Office of Management & Finance
Post Office Box 3487
Baton Rouge, Louisiana
70821-3487



September 1, 1999

Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94287
Baton Rouge, LA 70804-0307

Dear Dr. Kyle:

re: Improper Investment in Mutual Funds

The Louisiana Department of Agriculture and Forestry concurs in part with this finding. The Department was trying to maximize the return on the taxpayers dollar by investing in a mutual fund, Automated Government Money Trust. It should be noted that all other governmental entities, except state departments, are allowed to invest in these funds.

Commissioner Odom agrees the statute should be amended to allow state departments to invest in mutual funds as all other governmental entities do, and will work with your office and the State Treasurer during the 1999 legislative session to support a bill amending LSA R.S. 49:327(C). Due to this year's legislative session being a fiscal-only session, the Department opted to introduce the bill in the 1999 session to amend this statute.

Very truly yours,


Skip Frazier
Assistant Commissioner

SR:aw



BOB COOPER
COMMISSIONER

Louisiana Department of Agriculture & Forestry
Office of Management & Finance
Post Office Box 3461
Baton Rouge, Louisiana
70821-3461



SKIP FRENCH
ASSISTANT COMMISSIONER

June 30, 1999

Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94337
Baton Rouge, LA 70804-8337

Dear Dr. Kyle:

re: Ineffective Internal Audit Function

The Louisiana Department of Agriculture and Forestry concurs in part with the above referenced finding, and is aware that this finding has been mentioned in seven audits. It should be noted here that the department has responded each time that we have insufficient funds and personnel to create an internal audit section. However, in lieu of such action, we have implemented what we believe are adequate internal controls to safeguard the department's assets and to ensure compliance with policies and procedures.

We also remind you that the department supported a bill during the 1995 Regular Session of the Legislature which would have provided positions and funding for this function. Even after we assisted in getting the bill reported favorably out of the Senate Finance Committee, it was ultimately killed by the author.

Even without the receipt of adequate funding and positions from the Legislature, the Department will attempt to find within its appropriated funding, the means to support an internal auditor position during Fiscal Year 1998-1999.

Very truly yours,

Skip French
Assistant Commissioner

SFC:aw