

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

December 29, 1999



***Financial and Compliance Audit Division***

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

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### **LEGISLATIVE AUDITOR**

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

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**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, 1999  
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 29, 1999

**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, 1999  
With Supplemental Information Schedules**

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DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
Contents, June 30, 1999

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

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

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

November 19, 1999

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 and for the year ended June 30, 1999, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 ODOM  
COMMISSIONER OF AGRICULTURE  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
*Audit Report, June 30, 1999*

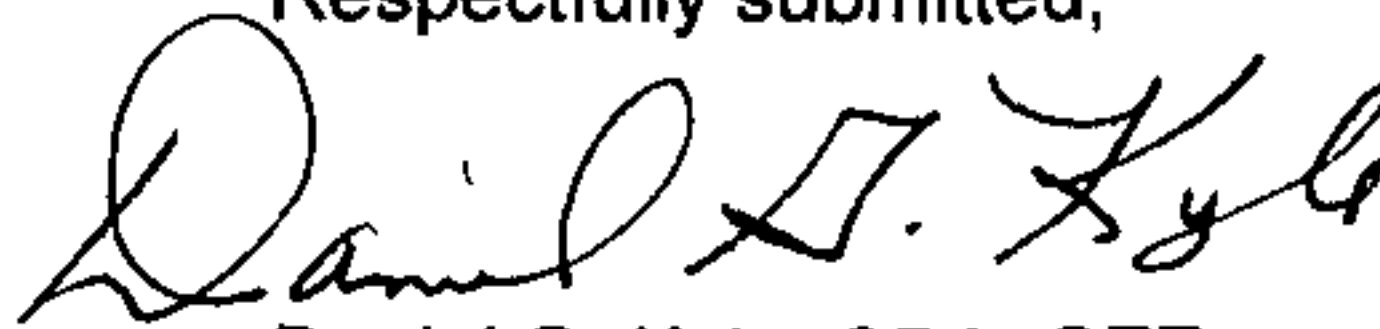
In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Louisiana Department of Agriculture and Forestry at June 30, 1999, and the transactions of the General Appropriation Fund and Non-Appropriated Trust Funds 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 19, 1999, 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.

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

LJD:DLH:PEP:dl

[AG&FOR]

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

**Balance Sheet (Legal Basis), June 30, 1999**

	<u>GENERAL APPROPRIATION FUND</u>	<u>NON- LICENSING AND REGULATORY BOARD TRUST FUNDS</u>
<b>ASSETS</b>		
Cash (note 2)	\$3,596,766	\$1,422,563
Receivables - fees and self-generated revenue (note 3)	500,408	557,863
Due from others (note 4)	915,203	
Loans receivable (note 5)	4,503,680	
Inventory of materials and supplies (note 6)	1,183,886	
<b>TOTAL ASSETS</b>	<u>\$10,699,943</u>	<u>\$1,980,426</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities:</b>		
Payables (note 12)	\$3,957,668	\$73,790
Advances due to state treasury (note 15)	848,092	
Major state revenues and income not available due to state treasury		
Due to others (note 4)	880,670	
<b>Total Liabilities</b>	<u>5,686,430</u>	<u>73,790</u>
<b>Fund Equity:</b>		
<b>Fund balances - reserved for:</b>		
Inventory of materials and supplies	1,183,886	
Continuing operations (note 16)	5,573,619	
Debt service (note 17)		1,906,636
Unreserved - undesignated (deficit) (note 18)	(1,743,992)	
<b>Total Fund Equity</b>	<u>5,013,513</u>	<u>1,906,636</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$10,699,943</u>	<u>\$1,980,426</u>

The accompanying notes are an integral part of this statement.



APPROPRIATED FUNDS				
AGENCY FUNDS				
SOIL AND WATER CONSERVATION DISTRICTS CLEARING FUND	PAYROLL CLEARING FUND	OTHER AGENCY FUNDS	MAJOR STATE REVENUES AND INCOME NOT AVAILABLE	TOTAL (MEMORANDUM ONLY)
\$6,830	\$668,218	\$2,499		\$5,696,876
			\$470,931	1,529,202
				915,203
				4,503,680
				1,183,886
<u>\$6,830</u>	<u>\$668,218</u>	<u>\$2,499</u>	<u>\$470,931</u>	<u>\$13,828,847</u>
	\$668,218			\$4,699,676
				848,092
			\$470,931	470,931
<u>\$6,830</u>		<u>\$2,499</u>		<u>889,999</u>
<u>6,830</u>	<u>668,218</u>	<u>2,499</u>	<u>470,931</u>	<u>6,908,698</u>
				1,183,886
				5,573,619
				1,906,636
				(1,743,992)
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>6,920,149</u>
<u>\$6,830</u>	<u>\$668,218</u>	<u>\$2,499</u>	<u>\$470,931</u>	<u>\$13,828,847</u>

**DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND AND  
NON-APPROPRIATED TRUST FUNDS**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance (Legal Basis)  
For the Year Ended June 30, 1999**

	GENERAL APPROPRIATION FUND	NON-APPROPRIATED LICENSING AND REGULATORY BOARD TRUST FUNDS	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$33,010,397		\$33,010,397
State General Fund by fees and self-generated revenues	6,276,254		6,276,254
State General Fund by interagency transfers	435,346		435,346
Federal funds	6,553,689		6,553,689
Auxiliary funds	2,409,585		2,409,585
Non-appropriated revenues		\$5,676,784	5,676,784
Total revenues	<u>48,685,271</u>	<u>5,676,784</u>	<u>54,362,055</u>
<b>EXPENDITURES</b>			
Appropriated expenditures:			
Office of Management and Finance	14,428,605		14,428,605
Office of Marketing	2,155,720		2,155,720
Office of Agricultural and Environmental Sciences	15,844,886		15,844,886
Office of Animal Health Services	9,293,069		9,293,069
Office of Agro-Consumer Services	4,017,614		4,017,614
Office of Forestry	15,051,450		15,051,450
Office of Soil and Water Conservation	2,390,579		2,390,579
Auxiliary funds	2,586,561		2,586,561
Total expenditures	<u>65,768,484</u>	NONE	<u>65,768,484</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(17,083,213)	5,676,784	(11,406,429)
<b>OTHER FINANCING SOURCES (Uses) (note 20)</b>			
Transfers in (note 20)	18,119,514		18,119,514
Transfers out (note 20)	<u>(1,773,425)</u>	<u>(5,593,487)</u>	<u>(7,366,912)</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(737,124)	83,297	(653,827)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	6,769,761	NONE	6,769,761
<b>INCREASE IN RESERVE FOR INVENTORY</b>	843,407	NONE	843,407
<b>ADJUSTMENTS (note 19)</b>	<u>(1,862,531)</u>	<u>1,823,339</u>	<u>(39,192)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$5,013,513</u>	<u>\$1,906,636</u>	<u>\$6,920,149</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  
Unexpended Appropriation - Budget  
Comparison of Current-Year Appropriation -  
Budget (Legal Basis) and Actual  
For the Year Ended June 30, 1999**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$33,010,397	\$33,010,397	
State General Fund by fees and self-generated revenues	6,577,746	7,926,647	\$1,348,901
State General Fund by interagency transfers	620,695	435,346	(185,349)
Federal funds	7,447,083	6,613,707	(833,376)
Auxiliary funds	8,960,456	2,802,130	(6,158,326)
Other fund sources:			
Agricultural Commodities Self-Insurance Program Fund	150,000		(150,000)
Boll Weevil Eradication Fund	18,000,000	16,906,112	(1,093,888)
Feed Commission Fund	120,609	120,609	
Fertilizer Commission Fund	1,000,000		(1,000,000)
Forest Protection Fund	1,576,238	1,566,614	(9,624)
Forestry Productivity Fund	3,407,703	2,129,185	(1,278,518)
Louisiana Agricultural Finance Authority	154,344	41,474	(112,870)
Pesticide Fund	2,441,391	2,441,391	
Petroleum and Petroleum Products Fund	800,000	648,872	(151,128)
Structural Pest Control Commission Fund	540,000	540,000	
Total appropriated revenues	<u>84,806,662</u>	<u>75,182,484</u>	<u>(9,624,178)</u>
<b>EXPENDITURES</b>			
Appropriated for:			
Office of Management and Finance	14,377,486	14,354,425	23,061
Office of Marketing	2,238,827	2,230,126	8,701
Office of Agricultural and Environmental Sciences	25,562,606	23,700,870	1,861,736
Office of Animal Health Services	10,054,269	9,277,554	776,715
Office of Agro-Consumer Services	4,625,236	3,978,355	646,881
Office of Forestry	16,555,923	14,972,115	1,583,808
Office of Soil and Water Conservation	2,431,859	2,385,829	46,030
Auxiliary	8,960,456	3,164,849	5,795,607
Total appropriated expenditures	<u>84,806,662</u>	<u>74,064,123</u>	<u>10,742,539</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>			
	<u>NONE</u>	<u>\$1,118,361</u>	<u>\$1,118,361</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 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 Agricultural and Environmental Sciences, the Office of Animal Health Services, the Office of Agro-Consumer Services, 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 777 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 fund 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 (R.S.) 3:264. The following are included in the authority's separate financial statements:

- Land at various sites throughout the state
- Buildings:
  - Former Forestry Building
  - Agricultural Chemistry Laboratory
  - Warehouse
  - Boll Weevil offices located in Jonesville, Oak Grove, and Winnsboro
  - Hanger in Woodworth
- Construction in progress:
  - New district offices for the Department of Agriculture and Forestry in Hammond, Monroe, Shreveport-Minden, and Woodworth
  - Railroad spurs in Laccasine and Lake Charles
  - Warehouse renovation in St. Martinville

The authority maintains the Headquarters Building Complex for the department. Per diem and travel paid to authority 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:

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

	<u>Louisiana Revised Statute</u>
Louisiana Crawfish Promotion and Research Board	3:556.3
Louisiana Soybean and Grain Research and Promotion Board	3:551.32
Louisiana Rice Promotion Board	3:551.63
Louisiana Rice Research Board	3:551.73
Louisiana Catfish Promotion and Research Board	3:558.3

**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.



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

3. 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; increases production of rice and nursery stock; protects Louisiana from the introduction and spread of injurious insect pests and plant diseases; samples pesticides, feeds, and fertilizer and agricultural minerals to assure that they meet all requirements of laws and regulations; regulates the treatment and storage or disposal of pesticide wastes; trains and certifies pesticide applicators; and performs other related functions. The activities of the Boll Weevil Eradication Commission Program are accounted for within this office.
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.
5. 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.
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 Soil Conservation Service.

**Auxiliary Appropriation Funds**

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 general appropriation act. The measurement focus is not on income

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

determination but on the reduction of state General Fund subsidization. The auxiliary appropriation funds are as follows:

1. The Farm Youth Loan Program is administered by the State Market Commission to provide 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 75% 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.
2. The Loan Program of the 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 Reservoir and Recreation Program 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 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 Commission Self-Insurance Program 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 its exposure. There was no activity in the fund during the fiscal year.
6. The Louisiana Alligator Market Development Authority provides financial assistance for the acquisition, improvement, and operation of wholesale alligator hide tanning, and meat

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

processing, packaging, warehousing, distribution, and marketing facilities in Louisiana. The State Market Commission administers the fund.

**NON-APPROPRIATED FUNDS**

**Licensing and Regulatory Board Trust Funds**

The department collects pesticide funds, fertilizer funds, and feed commission funds that are used to guarantee revenue bonds. The funds are transferred to the Louisiana Agricultural Finance Authority as needed to pay bonded debt and construction expenditures. Excess amounts are remitted to the state treasury for deposit to statutorily dedicated funds and then drawn by the department as appropriated.

**Soil and Water Conservation Districts  
Clearing Agency 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 Agency Fund**

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

**Other 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.

**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 expenditure and, therefore, are not included on Statement B but are detailed on Schedule 3.

The non-appropriated funds, major state revenues and income not available, and the agency 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 receipts, 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 G60.111.

**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.

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

**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 general appropriation act.

- 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-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 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:

Statement B revenues	\$48,685,271
Add:	
Prior-year federal funds carryover	76,476
Prior-year self-generated funds carryover	1,650,394
Transfers in - statutory dedicated funds	18,119,514
Loan payments received	392,545
Loan proceeds from Louisiana Agricultural Finance Authority	8,000,000
Less:	
Transfers out - statutory dedicated funds	(1,725,257)
Federal payroll receivable (net)	(16,459)
	<u>                    </u>
Statement C revenues	<u><u>\$75,182,484</u></u>

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

Statement B expenditures	\$65,768,484
Add:	
Payment of loan to Louisiana Agricultural Finance Authority	8,000,000
Loans paid out	659,250
Less - payroll payable (net)	<u>(363,611)</u>
Statement C expenditures	<u><u>\$74,064,123</u></u>

2. The department is prohibited by statute from over-expending the categories established in the general appropriation act.
3. 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.
4. The auxiliary appropriation funds are allowed to retain year-end balances to finance future expenditures as provided by Act 19, Section 15 of 1998. The non-appropriated funds are not subject to budgetary control.

**F. CASH**

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 Interim Emergency Board.

**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 forests. 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.



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

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 only on its movable properties and does not account for land, buildings, and improvements used by the department. At June 30, 1999, the department has stewardship responsibility for \$31,968,744 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected within the accompanying special purpose financial statements.

A summary of changes in movable property follows:

Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
<u>\$24,235,260</u>	<u>\$11,238,979</u>	<u>\$3,505,495</u>	<u>\$31,968,744</u>

The department has 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. The department has no encumbrances at June 30, 1999.

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

**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 State 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.

**L. TOTAL COLUMN ON STATEMENTS**

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither are such data comparable to a consolidation.

**2. CASH**

Cash is composed of the following:

Under control of the department:	
Petty cash on hand	\$6,400
Demand deposits	7,331
Interest-bearing demand deposits	1,466,254
Cash on deposit with the state treasury	<u>4,216,891</u>
 Total	 <u><u>\$5,696,876</u></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. The department has deposits (collected bank balances) of \$2,123,210 at June 30, 1999. These

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

deposits are secured from risk by \$345,150 of federal deposit insurance (GASB Risk Category 1) and \$1,778,060 of pledged securities held by the entity's agent in the entity's name (GASB Risk Category 1).

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:

Means of finance	\$3,081,221
Operating account	467,452
Payroll clearing	<u>668,218</u>
 Total	 <u><u>\$4,216,891</u></u>

The department also maintains a permanent Travel Imprest Fund for \$41,692, 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. RECEIVABLES**

The following is a summary of fees and self-generated receivables by fund at June 30, 1999:

Appropriated Fund - General Appropriation	\$500,408
Non-Appropriated Funds:	
Licensing and Regulatory Board Trust Fund	557,863
Major State Revenues and Income Not Available	<u>470,931</u>
 Total	 <u><u>\$1,529,202</u></u>

**4. DUE FROM/TO OTHERS**

The following is a summary of amounts due from/to others at June 30, 1999:

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

	<u>General Appropriation Fund</u>
Due from others:	
Federal government	\$465,608
State Treasury:	
Boll Weevil Eradication Fund	434,999
Forest Protection Fund	7,024
Other agencies - interagency transfers	<u>7,572</u>
 Total	 <u><u>\$915,203</u></u>

	<u>General Appropriation Fund</u>	<u>Non-Appropriated Soil and Water Conservation Districts Clearing Fund</u>		<u>Agency Funds</u>
Due to others:				
Catfish Promotion and Research Board				\$100
Crawfish Promotion and Research Board				100
Federal Grain Inspection Service				1,999
Rice Promotion Board				100
Rice Research Board				100
Soybean and Grain Research and Promotion Board				100
State Treasury:				
Forest Productivity Fund	\$832,503			
Louisiana Alligator Market Development Fund	48,167			
Soil and Water Conservation Districts		<u>\$6,830</u>		
 Total	 <u><u>\$880,670</u></u>	 <u><u>\$6,830</u></u>		 <u><u>\$2,499</u></u>

**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 them to be uncollectible. A summary of loan activity for the year ended June 30, 1999, follows:



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

	Farm Youth Loan Program	Loan Program of the Market Commission	Louisiana Alligator Market Development Fund	Total
Balances at June 30, 1998	\$236,641	\$2,991,104	\$1,000,000	\$4,227,745
Principal collections	(58,343)	(336,025)		(394,368)
Reestablish receivable previously written off	1,823			1,823
Amounts disbursed or approved for loans	21,250	638,000		659,250
Accrued interest		9,230		9,230
	<u>\$201,371</u>	<u>\$3,302,309</u>	<u>\$1,000,000</u>	<u>\$4,503,680</u>
Balances at June 30, 1999	<u>\$201,371</u>	<u>\$3,302,309</u>	<u>\$1,000,000</u>	<u>\$4,503,680</u>

**6. INVENTORY OF MATERIALS  
AND SUPPLIES**

The Department of Agriculture and Forestry maintains four categories of inventories: (1) inventories of materials and supplies, which are comprised of office supplies valued at \$30,209; (2) postage meter inventory valued at \$21,213; (3) tree seed inventory, which is valued at \$731,600; and (4) inventories of chemicals and trapping supplies for the Boll Weevil Eradication Program valued at \$400,864 at June 30, 1999, for a total of \$1,183,886, as reported on Statement A.

**7. PENSION PLANS**

Substantially all employees of the department are members of the Louisiana State Employees Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. Certain other employees of the department are members of the Louisiana Teachers Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. Required disclosures for the plans for fiscal year 1999 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

**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, 1999, the cost of retiree benefits for the 628 retirees totaled \$1,741,163.

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

**9. LOAN GUARANTEES**

As provided by R.S. 3:446.1-446.7, 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, 1999, the Louisiana State Market Commission has the following loan guarantees:

	<u>Loan Amount</u>	<u>Guaranteed Amount</u>
Liberty Rice Mill	\$3,000,000	\$2,400,000
Louisiana Pacific Corporation	3,080,000	3,080,000
Roggwiller Tannery of Louisiana, Incorporated	3,000,000	2,700,000
Tannery Acadiana Reptiles and Alligators	<u>250,000</u>	<u>225,000</u>
Total	<u>\$9,330,000</u>	<u>\$8,405,000</u>

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

**10. JUDGMENTS, CLAIMS, AND  
SIMILAR CONTINGENCIES**

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, 1999, 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, 1999, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$3,398,247. The leave payable is not recorded in the accompanying special purpose financial statements.

The liability for accrued compensatory leave at June 30, 1999, computed in accordance with GASB Codification Section C60.105, is estimated to be \$391,460. Accumulated compensatory leave is not recorded in the accompanying special purpose financial statements.



Bank	Outstanding Balance June 30, 1999	
	Principal	Interest
Bank of Commerce and Trust Company	\$1,398,000	
The Bank of New York	3,080,000	
Central Bank	227,768	\$1,272
MidSouth National Bank	96,428	10,235
	<u>\$4,802,196</u>	<u>\$11,507</u>

**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:

	<u>Accounts Payable</u>	<u>Payroll Payable</u>	<u>Payroll Deductions Payable</u>	<u>Accrued Employees Benefits Payable</u>	<u>Total</u>
General appropriation	\$2,064,480	\$1,966,978			\$4,031,458
Payroll Clearing Fund			\$296,662	\$371,556	668,218
Total	<u>\$2,064,480</u>	<u>\$1,966,978</u>	<u>\$296,662</u>	<u>\$371,556</u>	<u>\$4,699,676</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:

<u>Fiscal Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	<u>Total</u>
1999-2000	\$178,896	\$209,470	\$21,188	\$309,125	\$718,679
2000-2001	106,922	98,285	185		205,392
2001-2002	104,522	50,270	177		154,969
2002-2003	2,495		175		2,670
2003-2004			175		175
Thereafter			1,875		1,875
Total	<u>\$392,835</u>	<u>\$358,025</u>	<u>\$23,775</u>	<u>\$309,125</u>	<u>\$1,083,760</u>

All lease agreements have non-appropriation exculpatory 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 1998-1999 amounted to \$1,497,162.

**14. INSTALLMENT PURCHASES**

Beginning with this fiscal year, the department entered into various installment purchase agreements with the Division of Administration under the Louisiana Equipment Acquisition Fund Program for the purchase of equipment. The following is a summary of installment purchases of the department for the year ended June 30, 1999:

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

Balance at June 30, 1998	NONE
Installment purchases	\$1,105,824
Installment payments	<u>(272,716)</u>
Total	<u>\$833,108</u>

The following is a summary of future minimum installment payments as of June 30, 1999:

<u>Fiscal Year</u>	
1999-2000	\$392,364
2000-2001	392,364
2001-2002	<u>87,920</u>
Net minimum installment payments	872,648
Less - amount representing interest	<u>(39,540)</u>
Total	<u>\$833,108</u>

The department entered into three master installment purchase agreements with GE Capital Public Finance, Inc., for the purchase of equipment. The following is a summary of installment purchases of the department for the year ended June 30, 1999:

Balance at June 30, 1998	NONE
Installment purchases	\$3,297,511
Installment payments	<u>(605,815)</u>
Total	<u>\$2,691,696</u>

The following is a summary of future minimum installment payments as of June 30, 1999:

<u>Fiscal Year</u>	
1999-2000	\$640,865
2000-2001	640,865
2001-2002	640,865
2002-2003	640,865
2003-2004	<u>397,204</u>
Net minimum installment payments	2,960,664
Less - amount representing interest	<u>(268,968)</u>
Total	<u>\$2,691,696</u>

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

**15. ADVANCES FROM STATE TREASURY**

The department has received advances from the state treasury for imprest fund operations and working capital totaling \$48,092 and \$800,000, respectively. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

**16. RESERVED FOR CONTINUING OPERATIONS**

As shown on Statement A, at June 30, 1999, the department has reserves for continuing operations totaling \$5,573,619, which may be retained for future expenditures as follows:

<u>Fund</u>	<u>Louisiana Law or Revised Statute</u>	<u>Restricted Balance</u>
Federal funds	R.S. 39:82(C)	\$79,545
Farm Youth Loan Program	Act 19 of 1998	430,463
Indian Creek Reservoir and Recreation Program	Act 19 of 1998	8,361
Louisiana Alligator Market Development Authority Loan Program of the Market Commission	Act 19 of 1998	1,000,000
Nurseries Program	Act 19 of 1998	2,685,805
		<u>1,369,445</u>
Total		<u>\$5,573,619</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.

**17. RESERVES FOR DEBT SERVICE**

The department has reserves for debt service at June 30, 1999, in the Feed Commission Fund (R.S. 3:1907), the Fertilizer Fund (R.S. 3:1317), and the Pesticide Fund (R.S. 3:3210) for \$629,588, \$623,824, and \$653,224, respectively, totaling \$1,906,636, as shown on Statement A. In accordance with the Louisiana Constitution of 1974, Article 7, Section 9(A)(6), 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 1992 Bond Issue for the Agricultural Chemistry Laboratory Project. The Feed Commission revenues, the Fertilizer Fund revenues, and the pesticide registration fees and revenues are assigned to the Louisiana Agricultural Finance Authority 1998 Bond Issue to construct, furnish, and equip buildings in various Louisiana cities.

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

**18. FUND DEFICIT**

The General Appropriation Fund had a deficit of \$1,743,992 for the year ended June 30, 1999. 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 2000 funds.

**19. 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 remitted to General Fund	\$78
Revenue adjustment	(78)
Expenditure adjustment	(39,192)
Non-Appropriated - Licensing and Regulatory Board	
Trust Fund - beginning fund balance	<u>(1,823,531)</u>
 Total	 <u>\$1,862,531</u>

Before fiscal year June 30, 1998, the department's Non-Appropriated Trust Fund was reported in the Appropriated General Fund. The Division of Administration, Office of Statewide Accounting and Reporting, has determined that the activity for the Licensing and Regulatory Board should be reported in a Trust Fund. The beginning fund balance of \$1,823,339 for the trust fund has been moved from the General Appropriation Fund and is shown as adjustments to beginning fund balance on Statement B.

**20. OTHER FINANCING SOURCES (USES)**

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

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

Other Financing Sources and Uses

Transfers in:

Appropriated:

State Treasury:

Boll Weevil Eradication Fund	\$9,352,851
Feed Commission Fund	120,609
Forest Protection Fund	1,566,614
Forest Productivity Fund	3,407,703
Pesticide Fund	2,441,391
Petroleum and Petroleum Products Fund	648,872
Structural Pest Control Commission Fund	540,000
Louisiana Agricultural Finance Authority	41,474

Total other financing sources	<u>\$18,119,514</u>
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Transfers out:

Appropriated:

State Treasury:

Boll Weevil Eradication Fund	\$446,740
Forest Productivity Fund	1,278,518
Louisiana Alligator Market Development Fund	48,167

Non-Appropriated:

Louisiana Agricultural Finance Authority:

Building debt	1,718,541
Construction expenditure	333,855
Miscellaneous	1,883

State Treasury for Major State Revenues:

Feed Commission Fund	512,185
Fertilizer Fund	585,632
Pesticide Fund	2,441,391

Total other financing uses	<u>\$7,366,912</u>
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**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**21. NON-MONETARY FEDERAL PROGRAMS**

The accompanying financial statements do not include food commodities distributed by the department or surplus commodities on hand at June 30, 1999, under the Emergency Food Assistance Program (Food Commodities) and Food Distribution Program, Catalog of Federal Domestic Assistance Nos. 10.569 and 10.550, respectively. During the year ended June 30, 1999, the department recorded food distributions totaling \$23,689,384 for these programs. The value of surplus commodities on hand in several public warehouses and one department operated warehouse is \$6,532,080.

The accompanying financial statements also do not include chemicals received for the Boll Weevil Eradication Program from the federal government under the Plant and Animal Disease, Pest Control, and Animal Care Program, Catalog of Federal Domestic Assistance No. 10.025. During the year ended June 30, 1999, the department recorded chemicals used totaling \$158,409. As of June 30, 1999, the department has used all the chemicals received.

**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.

LAFA issued \$6 million in revenue bonds to acquire, construct, renovate, and equip an office building (5825 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-purchase agreement is from August 29, 1988, to October 30, 2002, 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 all 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, Fertilizer Fund, and the pesticide registration fees 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.

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Notes to the Financial Statements (Continued)

On March 20, 1992, 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 6.5%. 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 1988 indenture; LAFA had approved said conversion pursuant to a resolution of LAFA on March 20, 1992, as noted above. The department and LAFA 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, 2002. 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. On May 1, 1998, the interest rate was reduced from 6.5% to 5.0%. On December 1, 1998, the department paid the outstanding balance on the bonds.

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 to construct, equip, and maintain 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 (Agricultural Chemistry Laboratory Project), Series 1992, which are secured by pesticide registration fees collected by the Department. These bonds were issued to defray the cost for constructing and equipping the building described above. The bonds mature on March 1, 2002, and bear interest at the compound rate of 6.5% on January 15 and July 15 of each year beginning January 15, 1993. On July 1, 1992, LAFA and the Department entered into a Sublease Agreement to provide a source of payment for the bonds. On December 1, 1998, the department paid the outstanding balance on the bonds.

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

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

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

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 1998</u>
Agriculture Building - Florida Boulevard	May 7, 1992	\$5,100,000	\$1,440,000
Agriculture Chemistry Building - LSU	July 1, 1992	3,100,000	200,000
Agriculture Buldings - Various Cities	December 1, 1998	4,000,000	
<b>Total</b>		<b><u>\$12,200,000</u></b>	<b><u>\$1,640,000</u></b>

The annual requirements for the financial agreements outstanding at June 30, 1999, including interest of \$567,584, are as follows:

<u>Fiscal Year</u>	<u>Agriculture Buildings - Various Cities</u>
2000	\$820,400
2001	936,536
2002	936,133
2003	939,150
2004	935,365
<b>Total</b>	<b><u>\$4,567,584</u></b>

**23. 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 19 of 1998. Accounting records are maintained by the department to identify activity in the auxiliary funds. At June 30, 1999, the accounts of the auxiliary funds reflect the balances shown on Schedule 6.

<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 1999</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Interest Outstanding June 30, 1999</u>
	\$1,440,000		1999-2002	5.00%	
	200,000		1999-2002	6.50%	
<u>\$4,000,000</u>		<u>\$4,000,000</u>	2000-2004	4.51%	<u>\$567,584</u>
<u>\$4,000,000</u>	<u>\$1,640,000</u>	<u>\$4,000,000</u>			<u>\$567,584</u>



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

**24. 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(F)(6) for Louisiana Catfish, Incorporated, on April 22, 1987. Louisiana Catfish, Incorporated, a catfish processing plant, was placed 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 \$1,650,000 by an act of sale with an assumption of mortgage owed to Concordia Bank and Trust of \$1,350,916. On February 4, 1991, the State Market Commission entered into a lease-purchase agreement with Cargill, Incorporated, for 10 years. On December 15, 1993, Cargill, Incorporated, canceled its lease of the catfish plant. On this 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, 1996, Southern Farm Fish Processors, Incorporated, canceled its lease of the catfish plant.

On February 10, 1997, the State Market Commission and Wisner Minnow Hatchery, Incorporated, entered into a seven-year lease agreement with an option to purchase the catfish plant. The owners of Wisner Minnow Hatchery, Incorporated, paid the State Market Commission \$353,560 and assumed the balance of the mortgage with Concordia Bank and Trust. The owners of Wisner 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 \$8,882 paid directly to Concordia Bank and Trust. The remaining debt to the commission of \$1,828,575 was written off on June 30, 1997. The balance of the mortgage at June 30, 1999, is \$415,320.

**25. BOLL WEEVIL ERADICATION COMMISSION PROGRAM**

R.S. 3:1601-1617 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.

Act 19 of the 1998 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 1998, the Louisiana farmers voted for and approved the program. A levy of \$10-\$35 per acre of cotton will 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.

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

The Louisiana Agricultural Finance Authority (LAFA) is 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 LAFA.

In August 1998, 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 endeavor agreement with the Office of the Governor, the Division of Administration, LAFA, and the Louisiana Boll Weevil Eradication Commission.

The revenues, expenditures, and other financing sources (uses) of the Boll Weevil Eradication Fund as of June 30, 1999, are detailed on Schedule 7.

**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 Year 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 NON-APPROPRIATED REVENUES -  
MAJOR STATE REVENUES AND INCOME NOT AVAILABLE**

Schedule 3 reflects major state revenues and income not available collected by the department during the year that were not available to the department for expenditure.

**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 19 of 1998.

**SCHEDULE OF PER DIEM PAID COMMISSION MEMBERS**

The per diem paid commission members is presented on Schedule 5, 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 6 presents the account balances of the various auxiliary funds at June 30, 1999.

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BOLL WEEVIL ERADICATION FUND**

Schedule 7 presents the activity of the Boll Weevil Eradication Fund as of June 30, 1999. In accordance with Louisiana Revised Statute 3:1615(A)(2), this fund has been established in the State Treasury and its resources have been dedicated for the eradication of boll weevils. The Department of Agriculture, Office of Agriculture and Environmental Sciences may withdraw funds from the Boll Weevil Eradication Fund as expenditures are incurred for the Boll Weevil Eradication Program and only to the extent appropriated. Consequently, Statement B in the accompanying financial statements includes only the appropriated activity of the fund, whereas Schedule 7 presents both the appropriated and non-appropriated activity of the fund. Revenues, expenditures, and other financing sources (uses) are recognized on the same basis of accounting as described in note 1-D.

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, 1999

	SOIL AND WATER CONSERVATION DISTRICTS CLEARING FUND	PAYROLL CLEARING FUND
<b>BALANCES AT BEGINNING OF YEAR</b>	\$8,311	\$592,828
<b>ADDITIONS</b>		
Transfers from soil and water districts	1,427,610	
Transfers from general appropriation		41,574,434
Total	<u>1,435,921</u>	<u>42,167,262</u>
<b>DEDUCTIONS</b>		
Payroll, deductions, and employee benefits	<u>1,429,091</u>	<u>41,499,044</u>
<b>BALANCES AT END OF YEAR</b>	<u><u>\$6,830</u></u>	<u><u>\$668,218</u></u>

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

**Schedule of Changes in Balances  
For the Year Ended June 30, 1999**

	CRAWFISH PROMOTION AND RESEARCH BOARD	SOYBEAN AND GRAIN RESEARCH AND PROMOTION BOARD	RICE PROMOTION BOARD
<b>BALANCES AT BEGINNING OF YEAR</b>	\$100	\$100	\$100
<b>ADDITIONS</b>			
Assessments and fees	65,316	885,389	740,892
Total	<u>65,416</u>	<u>885,489</u>	<u>740,992</u>
<b>DEDUCTIONS</b>			
Remittances to boards	63,357	871,064	728,892
Refunds		2,325	
Collection fees	1,959	12,000	12,000
Remittances to federal government			
Total deductions	<u>65,316</u>	<u>885,389</u>	<u>740,892</u>
<b>BALANCES AT END OF YEAR</b>	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>

<u>RICE RESEARCH BOARD</u>	<u>CATFISH PROMOTION AND RESEARCH BOARD</u>	<u>FEDERAL GRAIN INSPECTION SERVICE</u>	<u>TOTAL</u>
\$100	\$100	\$2,075	\$2,575
<u>1,233,231</u>	<u>106,503</u>	<u>3,915</u>	<u>3,035,246</u>
<u>1,233,331</u>	<u>106,603</u>	<u>5,990</u>	<u>3,037,821</u>
1,221,231	81,299		2,965,843
	22,009		24,334
12,000	3,195		41,154
		3,991	3,991
<u>1,233,231</u>	<u>106,503</u>	<u>3,991</u>	<u>3,035,322</u>
<u>\$100</u>	<u>\$100</u>	<u>\$1,999</u>	<u>\$2,499</u>



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, 1999

<u>NON-APPROPRIATED REVENUE FUND SOURCE</u>	<u>CASH RECEIPTS THROUGH JUNE 30, 1999</u>	<u>ACCOUNTS RECEIVABLE JUNE 30, 1999</u>	<u>TOTAL REVENUES</u>
Income not available	\$5,132	\$334	\$5,466
Major state revenues:			
Licenses, permits, and fees	6,562,454	438,235	7,000,689
Interest income:			
Agricultural Finance Authority	1,973		1,973
Boll Weevil Eradication	199,340		199,340
Feed Commission	13,829		13,829
Fertilizer Commission	14,552		14,552
Forestry Protection Fund	789,130	1,245	790,375
Miscellaneous	7,838,077	31,117	7,869,194
Subtotal - major state revenues	<u>15,419,355</u>	<u>470,597</u>	<u>15,889,952</u>
 Total non-appropriated revenues	 <u>\$15,424,487</u>	 <u>\$470,931</u>	 <u>\$15,895,418</u>

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

**Schedule of Adjustments to Original  
Approved Budgets  
For the Year Ended June 30, 1999**

	<u>GENERAL APPROPRIATION</u>	<u>FARM YOUTH LOAN PROGRAM</u>	<u>AUXILIARY LOAN PROGRAM OF THE MARKET COMMISSION</u>
Original approved budget	\$62,288,661	\$620,000	\$5,001,000
Increases for:			
Preamble adjustment	(11,662)		
Purchase of vehicles	894,707		
Additional statutory dedicated funds for the Boll Weevil Eradication Program	12,600,000		
Replacement of computer for Food Distribution Program	74,500		
 Total Budget Amounts	 <u>\$75,846,206</u>	 <u>\$620,000</u>	 <u>\$5,001,000</u>

APPROPRIATIONS

INDIAN CREEK RESERVOIR AND RECREATION AREA	NURSERIES PROGRAM	AGRICULTURAL COMMODITIES COMMISSION SELF- INSURANCE PROGRAM	LOUISIANA ALLIGATOR MARKET DEVELOPMENT FUND	TOTAL
\$313,664	\$1,875,792	\$150,000	\$1,000,000	\$71,249,117
				(11,662) 894,707
				12,600,000 74,500
<u>\$313,664</u>	<u>\$1,875,792</u>	<u>\$150,000</u>	<u>\$1,000,000</u>	<u>\$84,806,662</u>

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

**Schedule of Per Diem Paid Commission Members  
For the Year Ended June 30, 1999**

	<u>NUMBER</u>	<u>AMOUNT</u>
<b>LOUISIANA ADVISORY COMMISSION ON PESTICIDES</b>		
Virgil J. Bourque, Jr.	3	\$120
Grady Coburn	1	40
Robert "Shep" Crigler	1	40
Doug Duty	2	80
Max Edwards	3	120
Billy Guthrie	2	80
Zoren O'Brien	3	120
Michael Pierce	1	40
Carey N. Pope (Ph.D.)	1	40
Gary Ross	2	80
Matthew Yates	1	40
		<hr/>
Total		<u>\$800</u>
 <b>LOUISIANA AGRICULTURAL COMMODITIES COMMISSION</b>		
Floyd Carter	2	\$80
James Hoppe	2	80
Joe Jackson	1	40
Rodney Kendrick	1	40
Tom LeJeune	2	80
Leslie Rodriguez	2	80
Royby Vincent	1	40
		<hr/>
Total		<u>\$440</u>
 <b>DAIRY STABILIZATION BOARD</b>		
Holley Buford	1	\$30
Vincent A. Cannata	1	30
Dennis Cogan	2	60
Gerry Lane	2	60
George McKenzie	2	60
Hillar Moore	2	60
Vernon Toups	1	30
		<hr/>
Total		<u>\$330</u>

(Continued)

**DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
Schedule of Per Diem Paid Commission Members, 1999**

	<u>NUMBER</u>	<u>AMOUNT</u>
<b>LOUISIANA AGRICULTURAL FINANCE AUTHORITY</b>		
Fred Bolding	3	\$120
Ted Glaser	4	160
Michael Hensgens	3	120
J. Wade O'Neil, III	2	80
		<hr/>
Total		<u>\$480</u>
 <b>STATE MARKET COMMISSION</b>		
Susan Dupont	2	\$80
Elvadius Fields	2	80
W. G. McNeil	2	80
Monte Moncrief	1	40
Dan Volentine	2	80
		<hr/>
Total		<u>\$360</u>
 <b>STATE SOIL AND WATER CONSERVATION COMMITTEE</b>		
A. Lee Allee	6	\$210
Pedro Angelle	8	280
Garland Colvin	1	35
Randell Fletcher	2	70
George Guillory	1	35
Harry R. Henderson	2	70
Jerry Holmes	8	280
Richard Netteville	6	210
Terry J. Smith	5	175
Thad Spurlock	8	280
Thomas Vitrano (Ph.D.)	1	35
		<hr/>
Total		<u>\$1,680</u>
 <b>LOUISIANA COMMISSION OF WEIGHTS AND MEASURES</b>		
Joseph Moreaux	2	\$80
J.C. Sharp	2	80
Morris Weinstein	2	80
		<hr/>
Total		<u>\$240</u>

(Concluded)



DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
ANCILLARY APPROPRIATION FUNDS

Schedule of Auxiliary Account Balances  
For the Year Ended June 30, 1999

	FARM YOUTH LOAN PROGRAM	LOAN PROGRAM OF THE MARKET COMMISSION	INDIAN CREEK RESERVOIR AND RECREATION AREA	NURSERIES PROGRAM	LOUISIANA ALLIGATOR MARKET DEVELOPMENT AUTHORITY
Cash and cash equivalents	\$228,942	\$177,467	\$10,454	\$1,393,717	
Receivables	150	6,029	11,806		
Loans receivable	201,371	3,302,309			\$1,000,000
Inventory of materials and supplies				731,600	
Accounts payable			13,899	24,272	
Advances due to state treasury		800,000			
Reserved for continuing operations	430,463	2,685,805	8,361	1,369,445	1,000,000
Reserved for inventory of materials and supplies				731,600	
Revenues	14,930	105,353	309,781	1,979,521	
Expenditures	365	539,643	317,774	1,728,779	

**DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
BOLL WEEVIL ERADICATION FUND**

**Schedule of Revenues, Expenditures,  
and Changes in Fund Balance  
For the Year Ended June 30, 1999**

**REVENUES**

Fees and self-generated revenues (farmer assessments)	\$2,284,791
Federal funds	204,088
Interest income	441,013
Total revenue	<u>2,929,892</u>

**EXPENDITURES**

Salaries	149,627
Related benefits	1,648
Travel	21,392
Operating services	148,158
Supplies	1,915,482
Professional services	3,134
Other charges:	
Miscellaneous charges	300,000
Salaries	1,434,729
Related benefits	202,338
Operating services	3,915
Professional services	820,739
Capital outlay	3,888,709
Major repair	4,400
Debt service - payment of loan from Louisiana Agricultural Finance Authority	8,000,000
Administrative indirect costs	215,928
Total expenditures	<u>17,110,199</u>

**EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES** (14,180,307)

**OTHER FINANCING SOURCES**

Transfers in:	
Loan proceeds from Louisiana Agricultural Finance Authority	8,000,000
State General Fund appropriation	8,000,000
Total other financing sources	<u>16,000,000</u>

**EXCESS OF REVENUES AND OTHER SOURCES  
OVER EXPENDITURES** 1,819,693

**FUND BALANCE AT BEGINNING OF YEAR** 652,264

**ADJUSTMENT** 1,317,044

**FUND BALANCE AT END OF YEAR** \$3,789,001

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws, regulations, contracts, and grants and on internal control 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.



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

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

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

November 19, 1999

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

**HONORABLE BOB ODOM  
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, 1999, and have issued our report thereon dated November 19, 1999. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana 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.

**EXHIBIT A**

## LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

November 19, 1999

Page 2

### **Ineffective Internal Audit Function**

For the eighth consecutive year, the Department of Agriculture and Forestry did not have an effective internal audit function to examine, evaluate, and report on its internal control 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 internal control of the department.

The department has land, buildings, and equipment and 777 full-time employees located throughout the state. Considering the size of the department's assets totaling \$13,828,847 and revenues totaling \$54,362,055, for the year ended June 30, 1999, 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 internal control 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 1).

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.



**LEGISLATIVE AUDITOR**

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

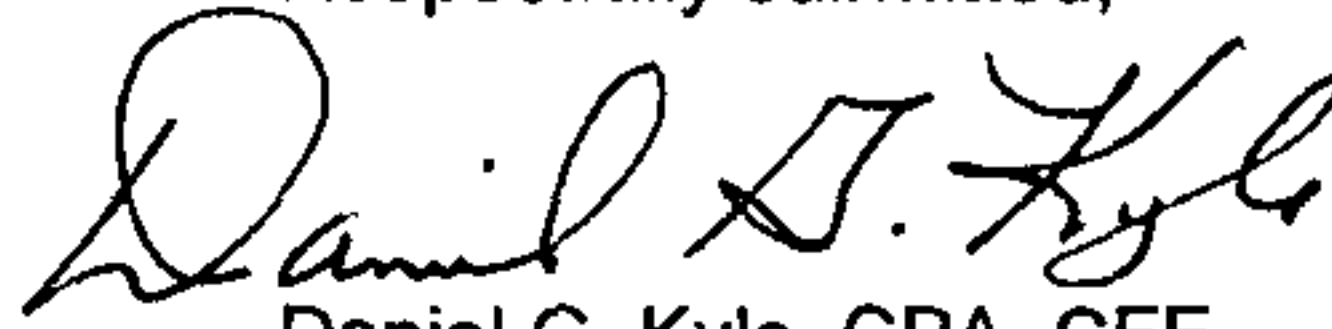
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November 19, 1999

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and "K".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

LJD:DLH:PEP:dl

[AG&FOR]

**EXHIBIT A**

## Appendix A

### Management's Corrective Action Plan and Response to the Finding and Recommendation



BOB ODOM  
COMMISSIONER

Louisiana Department of Agriculture & Forestry  
Office of Management & Finance  
Post Office Box 3481  
Baton Rouge, Louisiana  
70821-3481



SKIP RHORER  
ASSISTANT COMMISSIONER

June 3, 1999

Dr. Daniel G. Kyle  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

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 eight 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.

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 1999-2000.

Very truly yours,

Skip Rhorer  
Assistant Commissioner

SR:sw