
STATE OF LOUISIANA



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

AUDIT REPORT
ISSUED SEPTEMBER 15, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

REPRESENTATIVE EDWIN R. MURRAY, CHAIRMAN
SENATOR J. "TOM" SCHEDLER, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR JOE MCPHERSON
SENATOR WILLIE L. MOUNT
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE CEDRIC RICHMOND
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

ALBERT J. ROBINSON, CPA

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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twelve copies of this public document were produced at an approximate cost of \$35.16. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 9272 or Report ID No. 04803071 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

TABLE OF CONTENTS

	Page
Independent Auditor's Report on the Financial Statements.....	3
Management's Discussion and Analysis	5
Statement	
Basic Financial Statements:	
Statement of Net Assets	A..... 9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B..... 11
Statement of Cash Flows.....	C..... 13
Notes to the Financial Statements	15
Schedule	
Other Supplemental Financial Information - Annual Fiscal Report to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, as of and for the Year Ended June 30, 2004	1
Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A







STEVE J. THERIOT, CPA
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
www.lia.state.la.us

August 26, 2004

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying basic financial statements of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004. These financial statements are the responsibility of management of the Louisiana Agricultural Finance Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2004, on our consideration of the Louisiana Agricultural Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

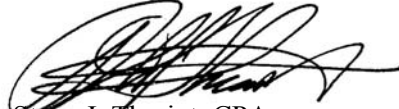
Management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BB:STD:THC:dI

LAF04



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

The management's discussion and analysis of the Louisiana Agricultural Finance Authority's financial performance presents a narrative overview and analysis of the authority's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this information in conjunction with the authority's basic financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The authority's assets exceeded its liabilities at the close of fiscal year 2004 by \$28,912,628 which represents a 5.3% decrease from last fiscal year. The net assets decreased by \$1,613,965.
- The authority's operating revenue increased \$2,171,520 (or 59.9%) and the net results from activities decreased by \$1,194,924 (or 265.8%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Assets

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current and other assets	\$70,616,593	\$29,304,273
Capital assets	42,275,259	34,162,958
Total assets	<u>112,891,852</u>	<u>63,467,231</u>
Other liabilities	15,521,766	10,150,221
Long-term debt outstanding	68,457,458	22,790,417
Total liabilities	<u>83,979,224</u>	<u>32,940,638</u>
Net assets:		
Invested in capital assets, net of debt	31,054,807	30,374,168
Restricted	511,408	220,840
Unrestricted (deficit)	<u>(2,653,587)</u>	<u>(68,415)</u>
Total net assets	<u><u>\$28,912,628</u></u>	<u><u>\$30,526,593</u></u>

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

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

	<u>For the Year Ended</u>	
	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Operating revenues	\$5,791,323	\$3,619,803
Operating expenses	(7,437,232)	(5,654,394)
Operating income (loss)	<u>(1,645,909)</u>	<u>(2,034,591)</u>
Nonoperating revenues (expenses)	1,433	(9,596)
Loss before contributions and transfers	<u>(1,644,476)</u>	<u>(2,044,187)</u>
Capital contributions	NONE	1,594,634
Net increase (decrease) in net assets	<u><u>(\$1,644,476)</u></u>	<u><u>(\$449,553)</u></u>

The authority's total revenues increased by \$789,433 (or 21.8%). The total cost of all programs and services increased by \$1,773,243 (or 31.3%).

CAPITAL ASSETS

At the end of 2004, the authority had \$42,275,259 invested in a broad range of capital assets, including land, buildings, equipment, and construction-in-progress. This amount represents a net increase (including additions and deductions) of \$8,112,301 (or 23.7%) over the last year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2004</u>	<u>2003</u>
Land	\$6,512	\$6,513
Buildings and improvements	27,994	20,480
Equipment	2,220	2,647
Construction-in-progress	5,549	2,068
Infrastructure	<u> </u>	<u>2,455</u>
Total	<u>\$42,275</u>	<u>\$34,163</u>

This year's additions included the completion of the Baton Rouge Food Warehouse and its related driveway and parking area.

DEBT ADMINISTRATION

The authority has \$74,115 (in thousands) of revenue bonds and notes outstanding at June 30, 2004, compared to \$26,931 (in thousands) last year, an increase of 175.2%. The authority does not have general obligation bonds, and the revenue bonds were private placement bonds that do not require rating.

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

CONTACTING THE LOUISIANA AGRICULTURAL FINANCE AUTHORITY'S FINANCIAL MANAGEMENT

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





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

Statement of Net Assets, June 30, 2004

ASSETS

Current assets:

Cash (note 2)	\$146,695
Receivables (note 3)	1,800
Due from primary government (note 9)	19,962,951
Revenue lease receivable (note 5-C)	979,992
Unamortized debt issue costs	48,689
Total current assets	<u>21,140,127</u>

Noncurrent assets:

Cash - restricted (note 2)	42,093,703
Receivables - restricted (note 3)	22,000
Revenue lease receivable (note 5-C)	6,877,221
Unamortized debt issue costs	482,642
Property, plant, and equipment (net of depreciation) (note 4)	42,275,259
Other noncurrent assets	900
Total noncurrent assets	<u>91,751,725</u>

TOTAL ASSETS

112,891,852

LIABILITIES

Current liabilities:

Accounts payable	79,549
Due to primary government (note 9)	1,002,771
Accounts payable from restricted assets	401,509
Other liabilities	815
Deferred revenues	966,771
Bonds payable (note 6)	840,563
Notes payable (note 6)	11,712,774
Accrued interest on bonds payable	99,633
Accrued interest on notes payable	287,226
Other liabilities - obligations under capital leases (note 6)	130,155
Total current liabilities	<u>15,521,766</u>

(Continued)

The accompanying notes are an integral part of this statement.



LOUISIANA AGRICULTURAL FINANCE AUTHORITY
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND
Statement of Net Assets, June 30, 2004

LIABILITIES (CONT.)

Noncurrent liabilities:

Deferred revenues	\$6,826,749
Bonds payable (note 6)	51,383,937
Notes payable (note 6)	10,178,190
Other liabilities - obligations under capital leases (note 6)	68,582
Total noncurrent liabilities	<u>68,457,458</u>

TOTAL LIABILITIES

83,979,224

NET ASSETS

Invested in capital assets, net of related debt (note 7)	31,054,807
Restricted for other programs (note 7)	511,408
Unrestricted	<u>(2,653,587)</u>

TOTAL NET ASSETS

\$28,912,628

(Concluded)

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



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

**Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Year Ended June 30, 2004**

Operating revenues:	
Rental income pledged as security for revenue bonds	\$1,860,714
Intergovernmental (note 11)	3,580,780
Use of money and property	314,071
Other	35,758
Total operating revenues	<u>5,791,323</u>
Operating expenses:	
Administrative services	1,018,566
Contractual services	1,772,997
Operating services	1,005,563
Supplies	927,044
Professional services	260,557
Amortization of bond issuance costs (note 6)	21,448
Interest expense	1,079,325
Depreciation expense	1,351,732
Total operating expenses	<u>7,437,232</u>
Operating loss	(1,645,909)
Nonoperating revenues - gain on disposal of equipment	<u>1,433</u>
Change in net assets	(1,644,476)
TOTAL NET ASSETS AT BEGINNING OF YEAR, AS RESTATED (note 8)	<u>30,557,104</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$28,912,628</u></u>

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





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

**Statement of Cash Flows
For the Year Ended June 30, 2004**

Cash flows from operating activities:		
Cash received from customers	\$6,566,770	
Cash payments to suppliers for goods and services	<u>(6,392,486)</u>	
Net cash provided by operating activities		\$174,284
Cash flows from noncapital financing activities:		
Payment of amounts due	(43,588)	
Primary government repayment of amounts due	4,038,938	
Repayment of notes payable	<u>(11,560,723)</u>	
Proceeds from issuance of notes payable	<u>10,000,000</u>	
Net cash provided by noncapital financing activities		2,434,627
Cash flows from capital and related financing activities:		
Principal paid on bonds	(275,500)	
Proceeds from issuance of bonds	49,020,500	
Unamortized debt issuance costs	(494,055)	
Acquisition/construction of capital assets	<u>(9,344,121)</u>	
Loss on disposal of equipment	<u>97,154</u>	
Net cash provided (used) by capital and related financing activities		<u>39,003,978</u>
Net increase in cash and cash equivalents		41,612,889
Cash and cash equivalents at beginning of year		<u>627,509</u>
Cash and cash equivalents at end of year		<u><u>\$42,240,398</u></u>

(Continued)

The accompanying notes are an integral part of this statement.



LOUISIANA AGRICULTURAL FINANCE AUTHORITY
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND
Statement of Cash Flows, 2004

Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss		(\$1,645,909)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	\$1,373,180	
Changes in assets and liabilities:		
(Increase) in receivables	(9,800)	
Decrease in due from primary government	468,276	
Decrease in inventories	91	
Increase in accounts payable	984	
Increase in due to primary government	38,206	
(Decrease) in deferred revenue	(63,694)	
Increase in interest payable	12,950	
Total adjustments	<u>1,820,193</u>	<u>1,820,193</u>
Net cash provided by operating activities		<u><u>\$174,284</u></u>
Schedule of Noncash Investing, Capital and Financing Activities:		
Borrowing under capital lease	\$221,080	
Asset trade-ins	148,996	
Disposal of fixed assets	567,335	

(Concluded)

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



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

As of and for the Year Ended June 30, 2004

INTRODUCTION

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The authority is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints eight of the nine authority members and is able to impose his will on the authority. The



accompanying financial statements present only the activity of the Louisiana Agricultural Finance Authority. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

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

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

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

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

E. BUDGET PRACTICES

The Louisiana Agricultural Finance Authority does not have a budget.

F. CASH

Cash represents petty cash, amounts in demand deposits, and amounts on deposit with the fiscal agent bank. Under state law, the authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the authority may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.



G. CAPITAL ASSETS

Property and equipment are valued at historical cost except for donated capital assets, which are recorded at their estimated value at the time of donation. Equipment includes all items valued at or above \$5,000. Depreciation of all exhaustible capital assets of the authority is charged as an expense against operations. Depreciation for financial reporting purposes is computed by the straight-line method based on the estimated useful lives as follows:

	Years
Buildings and improvements	40
Equipment	5 or 10

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

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

I. LONG-TERM OBLIGATIONS

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

J. NET ASSETS

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

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

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

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

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



K. ESTIMATES

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

2. CASH

For reporting purposes, cash represents petty cash, amounts in demand deposits, and amounts on deposit with the fiscal agent bank. As reflected on Statement A, the authority has cash totaling \$42,240,398 at June 30, 2004. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

The deposits at June 30, 2004, consist of the following:

	Petty Cash	Cash Demand Deposits	Cash with Fiscal Agent	Total
Deposits per Statement A	<u>\$200</u>	<u>\$1,037,412</u>	<u>\$41,202,786</u>	<u>\$42,240,398</u>

The following is a breakdown by banking institution, program or type, and amount of the deposit balances (bank balances) shown above:

<u>Banking Institution</u>	<u>Program Type</u>	<u>Amount</u>
Hibernia	Operating Account	\$1,411,382
Hibernia	Trustee Account	<u>41,202,786</u>
Total		<u>\$42,614,168</u>

These deposits are secured from risk by \$100,000 of federal deposit insurance and \$42,514,168 of pledged securities held by the authority's agent in the authority's name.

3. RECEIVABLES

At June 30, 2004, the authority has receivable balances totaling \$23,800 relating to rental income and a cooperative endeavor payment for construction of parking space. An allowance for doubtful accounts has not been established.

4. CAPITAL ASSETS

A summary of capital assets and related depreciation at June 30, 2004, follows:



NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance July 1, 2003	Adjustments	Restated Beginning Balance July 1, 2003	Additions	Deletions	Ending Balance June 30, 2004
Capital assets not being depreciated:						
Land	\$6,512,438		\$6,512,438			\$6,512,438
Construction-in-progress	2,068,071		2,068,071	\$9,245,557	(\$5,765,060)	5,548,568
Total capital assets not being depreciated	<u>8,580,509</u>	NONE	<u>8,580,509</u>	<u>9,245,557</u>	<u>(5,765,060)</u>	<u>12,061,006</u>
Capital assets being depreciated:						
Buildings	24,689,043		24,689,043	5,654,703		30,343,746
Land improvements	711,166	\$2,515,354	3,226,520	110,371		3,336,891
Infrastructure	2,518,200	(2,515,354)	2,846		(2,846)	
Equipment	5,985,229		5,985,229	596,590	(716,351)	5,865,468
Total capital assets being depreciated	<u>33,903,638</u>	NONE	<u>33,903,638</u>	<u>6,361,664</u>	<u>(719,197)</u>	<u>39,546,105</u>
Less accumulated depreciation for:						
Buildings	(4,873,088)		(4,873,088)	(621,572)		(5,494,660)
Land improvements	(46,799)	(62,955)	(109,754)	(82,297)		(192,051)
Equipment	(3,338,347)		(3,338,347)	(647,868)	341,074	(3,645,141)
Infrastructure	(62,955)	62,955				
Total accumulated depreciation	<u>(8,321,189)</u>	NONE	<u>(8,321,189)</u>	<u>(1,351,737)</u>	<u>341,074</u>	<u>(9,331,852)</u>
Total capital assets	<u>\$34,162,958</u>	NONE	<u>\$34,162,958</u>	<u>\$14,255,484</u>	<u>(\$6,143,183)</u>	<u>\$42,275,259</u>

Information relating to construction-in-progress follows:

<u>Project</u>	<u>Costs to Date</u>	<u>Estimated Completion Date</u>	<u>Estimated Cost to Complete</u>
Baton Rouge site	\$2,734	9/30/2004	
Baton Rouge fuel tank	78,812	09/30/2004	
Baton Rouge paint booth	176,527	09/30/2004	
Hammond fence	44,952	09/30/2004	
Haughton fence	4,420	12/31/2004	\$5,500
Homer poultry lab	471,160	6/30/2005	250,000
Lacassine syrup plant	4,666,242	09/30/2005	40,000,000
Monroe site	4,714	09/30/2004	
Woodworth office building	<u>99,007</u>	<u>06/30/2006</u>	<u>1,500,000</u>
Total	<u>\$5,548,568</u>		<u>\$41,755,500</u>



5. LEASES

A. Capital Leases

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

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Last Payment Date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Equipment	02/01/2004	05/01/2005	\$630	\$43,343
Equipment	05/10/2004	04/10/2006	4,169	148,726
Equipment	6/10/2003	8/10/2004	23	6,669
			<u>\$4,822</u>	<u>\$198,738</u>

The assets acquired through capital leases are as follows:

Equipment	\$1,085,160
Less - accumulated depreciation	<u>(615,071)</u>
Total	<u>\$470,089</u>

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2004:

<u>Year Ending June 30,</u>	
2005	\$134,063
2006	<u>69,497</u>
Total minimum lease payments	203,560
Less - amounts representing executory costs	<u>NONE</u>
Net minimum lease payments	203,560
Less - amounts representing interest	<u>(4,822)</u>
Present value of net minimum lease payments	<u>\$198,738</u>



B. Operating Leases

The total payments for operating leases during the fiscal year 2003-2004 amounted to \$1,200. A schedule of payments for operating leases follows for fiscal years ending June 30:

<u>Nature of Operating Lease</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Land	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$1,200</u>	<u>\$6,000</u>

C. Revenue Leases

Lessor - Direct Financing Leases

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

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

On July 1, 2002, the authority entered into a lease agreement with the Department of Agriculture and Forestry for the acquisition, construction, and installation of cold storage facilities at the main office buildings in Baton Rouge and at the Woodworth site and to refund the outstanding principal of \$1,755,000 for the Louisiana Agricultural Finance Authority (LAFA) Revenue Bonds, Series 1998. The term of the lease agreement is from July 1, 2002, to July 1, 2012, or such earlier time as the bonds have been paid or provision for their payment has been made in accordance with the agreement. The authority records that portion of capital lease receivables attributable to future years as deferred revenues.

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Minimum Lease Payments Receivable</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Buildings	07/01/2002	\$7,857,213	<u>\$632,713</u>	<u>\$7,224,500</u>
Less - amounts representing executory costs		NONE		
Minimum lease payments receivable		7,857,213		
Less - allowance for uncollectibles		NONE		
Net minimum lease payments receivable		7,857,213		
Estimated residual value of leased property		NONE		
Subtotal		7,857,213		
Less - unearned income		<u>(7,793,518)</u>		
Net investment in direct financing leases		<u>\$63,695</u>		

Minimum lease payments do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the building exceeds a certain level of activity each year. The authority had no contingent rentals for fiscal year ended June 30, 2004.



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

The following is a schedule by year of minimum lease receivables as of June 30, 2004:

<u>Year ending June 30,</u>	<u>Minimum Lease Receivable</u>
2005	\$979,990
2006	1,035,312
2007	1,017,695
2008	1,000,078
2009	982,461
2010-2012	<u>2,841,677</u>
Total	<u><u>\$7,857,213</u></u>

D. Lessor - Operating Leases

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

The following property is on lease or held for leasing as of June 30, 2004:

Buildings	\$11,680,795
Less - accumulated depreciation	<u>(2,853,953)</u>
Total carrying amount of property	<u><u>\$8,826,842</u></u>

The following is a schedule by year of minimum future rentals on noncancellable operating leases as of June 30, 2004:

<u>Year Ending June 30,</u>	<u>Building Space</u>
2005	\$257,600
2006	257,600
2007	257,600
2008	257,600
2009	257,600
2010-2014	816,000
2015-2019	108,000
2020-2024	<u>102,600</u>
	<u><u>\$2,314,600</u></u>

No contingent rentals were received from operating leases for the fiscal year ended June 30, 2004.



6. DEBT SERVICE REQUIREMENTS

The following is a summary of long-term debt transactions of the authority for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Notes payable	\$23,451,686	\$10,000,000	(\$11,560,724)	\$21,890,962	\$11,712,774
Bonds payable	3,479,500	49,020,500	(275,500)	52,224,500	840,563
Capital lease obligations	309,290	221,080	(331,632)	198,738	130,155
Total	\$27,240,476	\$59,241,580	(\$12,167,856)	\$74,314,200	\$12,683,492

Notes Payable

At June 30, 2004, the notes payable of \$21,890,962 shown on Statement A is a bank loan. The interest rate on the notes is variable equal to the 30-day London InterBank Offered Rate (LIBOR) plus 75 basis points. Interest will be calculated on the basis of a 360-day year based on actual days elapsed.

Bonds Payable

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

Issued for	Date Issued	Original Issue	Outstanding June 30, 2003	Issued (Redeemed)	Outstanding June 30, 2004	Maturity Date	Interest Rates
Building projects	10/2/2002	\$2,755,000	\$2,479,500	(\$275,500)	\$2,204,000	1/15/2012	variable
Building projects	2/21/2003	500,000	500,000		500,000	1/15/2012	variable
Building projects	5/7/2003	500,000	500,000		500,000	1/15/2012	variable
Building projects	7/24/2003	500,000		500,000	500,000	1/15/2012	variable
Building projects	10/14/2003	1,000,000		1,000,000	1,000,000	1/15/2012	variable
Building projects	11/14/2003	1,000,000		1,000,000	1,000,000	1/15/2012	variable
Building projects	12/10/2003	1,020,500		1,020,500	1,020,500	1/15/2012	variable
Building projects	1/21/2004	500,000		500,000	500,000	1/15/2012	variable
Lacassine syrup plant	3/2/2004	45,000,000		45,000,000	45,000,000	1/15/2016	variable
Total		\$52,775,500	\$3,479,500	\$48,745,000	\$52,224,500		



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

Debt service requirements to maturity are as follows:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>
2005	\$840,563	\$924,428
2006	911,991	1,023,322
2007	4,811,991	1,005,704
2008	4,931,991	910,087
2009	5,061,991	812,070
2010-2014	25,520,973	2,515,505
2015-2016	10,145,000	305,900
Total	<u>\$52,224,500</u>	<u>\$7,497,016</u>

The authority acquired a line of credit with Hibernia National Bank not to exceed \$9,000,000 to be evidenced by the authority's issuance of revenue bonds. The funds will be used to acquire, construct, and install cold storage facilities at the main office building of the Louisiana Department of Agriculture and Forestry on Florida Boulevard in Baton Rouge, install a connected related facility at the Woodworth site, and refund \$1,755,000 for the outstanding principal amount of LAFA 1998 Revenue bonds. As of June 30, 2004, the authority has drawn \$7,775,500 on the line of credit. The related revenue bonds are secured by the Feed, Fertilizer, and Pesticide Funds (License and Regulatory Boards Funds Account) and capital leases. The interest rate on the bonds is variable. The interest rate to be used for interest payments will be calculated by multiplying the LIBOR by 65% and adding 119 basis points. Interest will be calculated on the basis of a 360-day year based on actual days elapsed. LIBOR is the rate at which deposits of United States dollars are offered in the London inter-bank market for certain set interest periods.

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

Unamortized bond issuance costs include legal and other fees associated with the \$9,000,000 revenue bonds. The original issuance costs were \$78,009. These costs will be amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2004, is \$67,263. The bond issuance costs amortized in fiscal year 2003-2004 were \$8,187.

The authority acquired a line of credit with Hibernia National Bank not to exceed \$45,517,808 to be evidenced by the authority's issuance of \$45,000,000 revenue bonds. The funds will be used to acquire, construct, install, and equip a cane syrup production mill in Lacassine, Jefferson Davis Parish, Louisiana and other facilities related to the use of sugar cane. The related revenue bonds are secured by the net revenues from the operation of the facilities and the avails of the net slot machine proceeds described in R.S. 27:392(B)(4). The bonds may be fixed per annum (Term) or fluctuating per annum (Weekly) rate bonds bearing interest at a rate not exceeding 12% per annum. Interest at the Weekly rate and interest at the Term rate for any period of one year or less will be computed on the basis of a 365 or 366-day year. Interest at the Term rate for any period of more than one year will be computed on the basis of a 360-day year with 12 months of 30 days each.

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

Unamortized bond issuance costs include legal and other fees associated with the \$45,000,000 Series 2004 revenue bonds. The original issuance costs were \$307,309 and the bonds were issued at a discount of \$170,000. These costs will be amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2004, is \$298,789. The bond issuance costs



NOTES TO THE FINANCIAL STATEMENTS

amortized in fiscal year 2003-2004 were \$8,539. The balance of unamortized bond discount at June 30, 2004, is \$165,278. The bond discount amortized in fiscal year 2003-2004 was \$4,722.

The authority has no advance refunded bonds.

Capital Lease Obligations

Capital lease obligations at June 30, 2004, for \$198,738 are detailed in note 5-A.

Conduit Debt Obligations

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

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

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

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

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

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Agricultural Loan Program:						
	unknown	1984B	various	\$6,496,669		\$69,585
	8.25%	1986A I	various	150,000,000		46,053,174
	8.80%	1986A II	various	150,000,000		48,143,788
Balance at June 30, 2004				<u>\$306,496,669</u>	<u>NONE</u>	<u>\$94,266,547</u>

Conduit Debt Obligations - Bond Defaults

During 1986, the authority issued two bond issues (1986A I and 1986A II) totaling \$300,000,000 that are currently in default. Both of the 1986 bond issues were payable solely from the proceeds of two Guaranteed Investment Contracts with Executive Life Insurance Company and from certain agricultural loans permitted under the financing program. The commissioner of insurance from the state of California placed Executive Life Insurance Company into conservatorship on April 11, 1991. Later, both of the 1986 series bonds defaulted.



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. During the period April 11, 1991, through January 15, 2003, trustees received interim payments, including interest, totaling \$144,292,093 and \$144,015,262 for the LAFA I and LAFA II bonds, respectively. As a result of this modified plan, court ordered trust administration costs of \$4,526,500 for LAFA I and \$4,526,500 for LAFA II were incurred and distributions totaling \$279,254,355 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1995; November 30, 1995; April 24, 1996; May 15, 1997; November 8, 1999; and January 15, 2003. This amount represents principal of \$103,946,826 and interest of \$35,818,767 for LAFA I bondholders and principal of \$101,856,212 and interest of \$37,632,550 for LAFA II bondholders. Distributions under the modified plan of rehabilitation for Executive Life Insurance Company can continue until the conservator of the distributions declares that the distributions are complete or the modified plan has expired.

7. NET ASSETS

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

Invested in capital assets, net of related debt:	
Property, plant, and equipment (net of depreciation)	\$42,275,259
Less:	
Current portion of revenue bonds payable	(840,563)
Noncurrent portion of revenue bonds payable	(10,181,152)
Current portion of capital lease payable	(130,155)
Noncurrent portion of capital lease payable	<u>(68,582)</u>
Invested in capital assets, net of related debt	<u>\$31,054,807</u>
Restricted for the Lacassine Syrup Mill and Sugar Cane Research:	
Restricted cash and cash equivalents	\$890,917
Restricted receivables	22,000
Liabilities from restricted assets	<u>(401,509)</u>
Restricted for the Lacassine Syrup Mill and Sugar Cane Research	<u>\$511,408</u>

8. NET ASSETS RESTATED

The beginning net assets as reflected on Statement B have been restated to reflect the following adjustments:

Net assets, June 30, 2003	\$30,526,593
Prior period adjustments	<u>30,511</u>
Net assets at June 30, 2003, as restated	<u>\$30,557,104</u>



9. DUE TO/FROM PRIMARY GOVERNMENT

At June 30, 2004, the authority owes the Department of Agriculture and Forestry, a department within the state of Louisiana, for the reimbursement of the following costs:

	Total
Costs of construction projects	\$400,000
Salaries and related benefits	440,908
Other operating expenses	161,863
	\$1,002,771

At June 30, 2004, the authority has amounts due from the primary government for the following:

Source	Total
Department of Agriculture and Forestry:	
Licensing and Regulatory Boards	\$440,908
Boll Weevil Eradication Program for	
lease payments on office space	28,800
Repayment of loans*	19,439,579
Lease payments on office space	24,250
Reimbursement for electrical workers	3,655
Office of Group Benefits:	
Lease payments on office space	21,069
Reimbursement for office space renovations	4,690
Total due from primary government	\$19,962,951

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

10. RISK MANAGEMENT

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

During the year ended June 30, 2004, a total of \$230,953 was expended for legal services.



11. INTERGOVERNMENTAL REVENUES

During fiscal year ended June 30, 2004, the authority received intergovernmental revenues from the primary government as follows:

<u>Source</u>	<u>Amount</u>
Department of Agriculture and Forestry:	
Federal Catfish Program	\$1,646,917
Boll Weevil Eradication Program	439,796
Licensing and Regulatory Board	<u>1,494,067</u>
 Total	 <u><u>\$3,580,780</u></u>

12. COOPERATIVE ENDEAVORS

R.S. 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The authority has entered into a cooperative endeavor agreement with certain entities aimed at developing the economy of the state. The uncommitted portion of this project as of June 30, 2004, is \$161,863 and the funding source was the Sugar Cane Research Program.



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

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY
As of and for the Year Ended June 30, 2004**

The annual fiscal report presents the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2004, and the results of its changes in fund net assets and its cash flows for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.







LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY
BOB ODOM, COMMISSIONER



August 23, 2004

RANDAL JOHNSON
DEPUTY COMMISSIONER

ASSISTANT
COMMISSIONERS

**Agricultural &
Environmental Sciences**
Matthew Keppinger, III
P.O. Box 3596
Baton Rouge, LA 70821
(225) 925-3770
Fax: 925-3760

**Agro-Consumer
Services**
Manning Broussard
P.O. Box 3098
Baton Rouge, LA 70821
(225) 922-1341
Fax: 922-0477

**Animal Health
Services**
Terrel Delphin
P.O. Box 1951
Baton Rouge, LA 70821
(225) 925-3962
Fax: 925-4103

Forestry
Paul D. Frey
P.O. Box 1628
Baton Rouge, LA 70821
(225) 925-4500
Fax: 922-1356

**Management
& Finance**
Skip Rhorer
P.O. Box 3481
Baton Rouge, LA 70821
(225) 922-1255
Fax: 925-6012

Marketing
Bryce Malone
P.O. Box 3334
Baton Rouge, LA 70821
(225) 922-1277
Fax: 922-1289

**Soil & Water
Conservation**
Bradley E. Spicer
P.O. Box 3554
Baton Rouge, LA 70821
(225) 922-1269
Fax: 922-2577

**Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397**

Re: Annual Sworn Financial Statement

Dear Mr. Theriot:

Enclosed herewith is the Annual Sworn Financial Statement for the Louisiana Agricultural Finance Authority, for the year ending June 30, 2004.

If you should have any questions, or need additional information, please feel free to call this office.

With kind regards, I remain

Sincerely,

**Linda R. Chaney
Fiscal Director**

LRC:wpw

Enclosure(s)

04 AUG 25 PM 4:43

RECEIVED
LEGISLATIVE AUDITOR



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY
BOB ODOM, COMMISSIONER



August 23, 2004

RANDAL JOHNSON
DEPUTY COMMISSIONER

ASSISTANT
COMMISSIONERS

**Agricultural &
Environmental Sciences**
Matthew Keppinger, III
P.O. Box 3596
Baton Rouge, LA 70821
(225) 925-3770
Fax: 925-3760

**Agro-Consumer
Services**
Manning Broussard
P.O. Box 3098
Baton Rouge, LA 70821
(225) 922-1341
Fax: 922-0477

**Animal Health
Services**
Terrel Delphin
P.O. Box 1951
Baton Rouge, LA 70821
(225) 925-3962
Fax: 925-4103

Forestry
Paul D. Frey
P.O. Box 1628
Baton Rouge, LA 70821
(225) 925-4500
Fax: 922-1356

**Management
& Finance**
Skip Rhorer
P.O. Box 3481
Baton Rouge, LA 70821
(225) 922-1255
Fax: 925-6012

Marketing
Bryce Malone
P.O. Box 3334
Baton Rouge, LA 70821
(225) 922-1277
Fax: 922-1289

**Soil & Water
Conservation**
Bradley E. Spicer
P.O. Box 3554
Baton Rouge, LA 70821
(225) 922-1269
Fax: 922-2577

Mr. Afranie Adomako, CPA
Director
Statewide Reporting and Accounting Policy
Post Office Box 94095
Baton Rouge, LA 70804-9095

Re: Annual Sworn Financial Statement

Dear Mr. Adomako:

Enclosed herewith is the Annual Sworn Financial Statement for the Louisiana Agricultural Finance Authority, for the year ending June 30, 2004.

If you should have any questions, or need additional information, please feel free to call this office.

With kind regards, I remain

Sincerely,

Linda R. Chaney
Fiscal Director

LRC:wpw

Enclosure(s)

LOUISIANA AGRICULTURAL FINANCE AUTHORITY
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2004

C O N T E N T S

TRANSMITTAL LETTER
AFFIDAVIT

Statements

MD&A

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

Notes to the Financial Statements

A.	Summary of Significant Accounting Policies
B.	Budgetary Accounting
C.	Deposits with Financial Institutions and Investments
D.	Capital Assets
E.	Inventories
F.	Restricted Assets
G.	Leave
H.	Retirement System
I.	Post Retirement Health Care and Life Insurance Benefits
J.	Leases
K.	Long-Term Liabilities
L.	Litigation
M.	Related Party Transactions
N.	Accounting Changes
O.	In-Kind Contributions
P.	Defeased Issues
Q.	Cooperative Endeavors
R.	Government-Mandated Nonexchange Transactions (Grants)
S.	Violations of Finance-Related Legal or Contractual Provisions
T.	Short-Term Debt
U.	Disaggregation of Receivable Balances
V.	Disaggregation of Payable Balances
W.	Subsequent Events
X.	Segment Information
Y.	Due to/Due from and Transfers
Z.	Liabilities Payable from Restricted Assets
AA.	Prior-Year Restatement of Net Assets

Schedules

1	Schedule of Per Diem Paid Board Members
2	Schedule of State Funding
3	Schedules of Long-Term Debt
4	Schedules of Long-Term Debt Amortization
5	Schedule of Comparison Figures and Instructions

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

LOUISIANA AGRICULTURAL FINANCE AUTHORITY

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

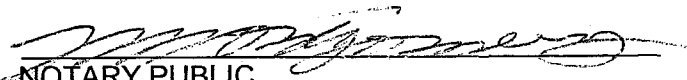
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Skip Rhorer, Assistant Commissioner of the Department of Agriculture & Forestry, who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Agricultural Finance Authority at June 30, 2004, and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 23rd day of AUGUST, 2004.



Signature of Agency Official



NOTARY PUBLIC

Prepared by: Corinne Brousseau, CPA

Title: Internal Auditor

Telephone No.: 225 922 1255

Date: _____



BOB ODOM
CHAIRMAN

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

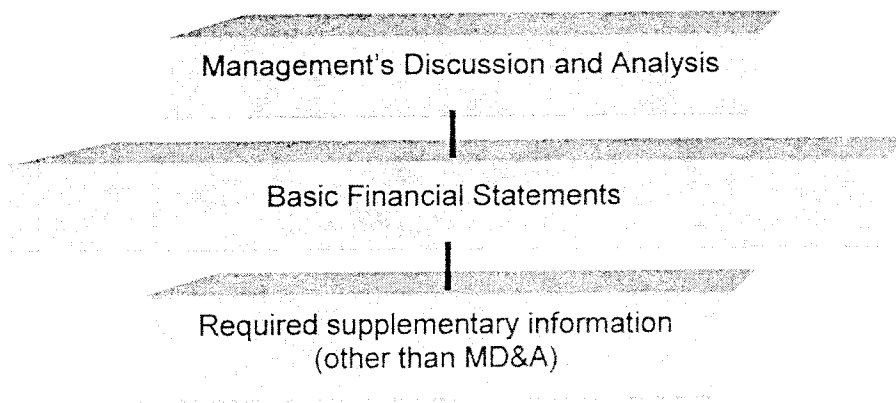
The Management's Discussion and Analysis of the Louisiana Agricultural Finance Authority's financial performance presents a narrative overview and analysis of the authority's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the transmittal letter and the authority's financial statements.

FINANCIAL HIGHLIGHTS

- ★ The authority's assets exceeded its liabilities at the close of fiscal year 2004 by \$28,912,628, which represents a 6.3% decrease from last fiscal year. The net assets decreased by \$1,959,339 (or 6.3%).
- ★ The authority's operating revenue increased \$563,455 (or 10.8%) and the net results from activities decreased by \$1,208,354 (or 277.1%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2004

Basic Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
 as of June 30, 2004
 (in thousands)

	Total	
	2004	2003
Current and other assets	\$ 70,617	\$ 29,650
Capital assets	42,275	34,163
Total assets	<u>112,892</u>	<u>63,813</u>
Other liabilities	15,584	10,150
Long-term debt outstanding	68,395	22,790
Total liabilities	<u>83,979</u>	<u>32,940</u>
Net assets:		
Invested in capital assets, net of debt	31,055	30,374
Restricted	658	221
Unrestricted	(2,800)	277
Total net assets	<u>\$ 28,913</u>	<u>\$ 30,872</u>

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2004

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

	Total	
	2004	2003
Operating revenues	\$ 5,791	\$ 5,228
Operating expenses	(7,437)	(5,655)
Operating income(loss)	(1,646)	(427)
Non-operating revenues(expenses)	1	(10)
Income(loss) before transfers	(1,645)	(437)
Transfers in		
Transfers out		
Net increase(decrease) in net assets	\$ (1,645)	\$ (437)

Total revenues increased by \$563,455 or (10.8%). The total cost of all programs and services increased by \$1,771,810 or less than 31.3%.

STATEMENT OF CASH FLOWS

Another way to assess the financial health of the authority is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2004

	2004	2003
Cash and cash equivalents provided used by:		
Operating activities	\$ 174	\$ (653)
Capital Financial Activities	39,004	1,058
Non-capital financing activities	2,435	(31)
Investing activities		
Net increase in cash and cash equivalents	41,613	374
Cash and cash equivalents		
Beginning of year	627	254
End of year	\$ 42,240	\$ 628

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the authority had \$42,275,259 invested in a broad range of capital assets, including land, buildings, equipment, and construction-in-progress. This amount represents a net increase (including additions and deductions) of \$8,112,301, or 23.7%, over last year.

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

	2004	2003
Land	\$ 6,512	\$ 6,513
Buildings and improvements	33,542	22,548
Equipment	2,220	2,647
Infrastructure		2,455
Totals \$	<u>42,274</u>	<u>34,163</u>

This year's major additions included (in thousands):

- Construction in Baton Rouge, Hammond, Haughton, Homer, Lacassine, and Woodworth.

**STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF JUNE 30, 2004**

Debt

The authority had \$ 74,115 thousand in bonds and notes outstanding at year-end, compared to \$26,931 thousand last year, an increase of 175.2% as shown in the table below.

Outstanding Debt at Year-end (in thousands)		
	2004	2003
General Obligation Bonds	\$	\$
Revenue Bonds and Notes	74,115	26,931
Totals	\$ 74,115	\$ 26,931

New debt resulted from new bond issues and new notes.

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

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

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

The authority does not have a budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The authority does not have a budget.

CONTACTING THE AUTHORITY'S MANAGEMENT

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

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$ 146,695
Receivables (net of allowance for doubtful accounts)(Note U)	<u>1,800</u>
Due from other funds (Note Y)	<u>19,962,951</u>
Due from federal government	<u> </u>
Inventories	<u> </u>
Other current assets	<u>1,028,679</u>
Total current assets	<u>21,140,125</u>

NONCURRENT ASSETS:

Restricted assets (Note F):	
Cash	<u>42,093,703</u>
Receivables	<u>22,000</u>
Notes receivable	<u> </u>
Capital assets (net of depreciation)(Note D)	
Land	<u>6,512,438</u>
Buildings and improvements	<u>23,058,052</u>
Machinery and equipment	<u>2,220,328</u>
Infrastructure	<u> </u>
Construction in progress	<u>10,484,441</u>
Other noncurrent assets	<u>7,360,765</u>
Total noncurrent assets	<u>91,751,727</u>
Total assets	<u>\$ 112,891,852</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$ 79,549
Due to other funds (Note Y)	<u>1,002,771</u>
Due to federal government	<u>815</u>
Deferred revenues	<u> </u>
Other current liabilities	<u>386,859</u>
Current portion of long-term liabilities:	
Capital lease obligations - (Note J)	<u>130,155</u>
Notes payable	<u>11,712,774</u>
Liabilities payable from restricted assets (Note Z)	<u>401,509</u>
Bonds payable	<u>840,563</u>
Other long-term liabilities	<u>966,771</u>
Total current liabilities	<u>15,521,766</u>

NON-CURRENT LIABILITIES:

Capital lease obligations (Note J)	<u>68,582</u>
Notes payable	<u>10,178,190</u>
Liabilities payable from restricted assets (Note Z)	<u> </u>
Bonds payable	<u>51,383,938</u>
Other long-term liabilities	<u>6,826,748</u>
Total long-term liabilities	<u>68,457,458</u>
Total liabilities	<u>83,979,224</u>

NET ASSETS

Invested in capital assets, net of related debt	<u>31,054,807</u>
Restricted for:	
Capital projects	<u> </u>
Debt service	<u> </u>
Other specific purposes	<u>511,408</u>
Unrestricted	<u>(2,653,587)</u>
Total net assets	<u>28,912,628</u>
Total liabilities and net assets	<u>\$ 112,891,852</u>

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

Statement A

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

OPERATING REVENUES	
Sales of commodities and services	\$ _____
Assessments	_____
Use of money and property	<u>2,174,785</u>
Licenses, permits, and fees	_____
Other	<u>3,616,538</u>
Total operating revenues	<u>5,791,323</u>
OPERATING EXPENSES	
Cost of sales and services	<u>5,045,486</u>
Administrative	<u>1,018,566</u>
Depreciation	<u>1,351,732</u>
Amortization	<u>21,448</u>
Total operating expenses	<u>7,437,232</u>
Operating income(loss)	<u>(1,645,909)</u>
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	_____
Intergovernmental revenues (expenses)	_____
Taxes	_____
Use of money and property	_____
Gain (loss) on disposal of fixed assets	<u>1,433</u>
Federal grants	_____
Interest expense	_____
Other	_____
Total non-operating revenues(expenses)	<u>1,433</u>
Income(loss) before contributions and transfers	<u>(1,644,476)</u>
Capital contributions	_____
Transfers in	_____
Transfers out	_____
Change in net assets	<u>(1,644,476)</u>
Total net assets – beginning as restated	<u>30,557,104</u>
Total net assets – ending	\$ <u><u>28,912,628</u></u>

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

Statement B

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Component Unit:				
Louisiana Agricultural Finance Authority				
	\$ <u>7,437,232</u>	\$ <u>1,860,714</u>	\$ <u>3,580,780</u>	\$ <u>(1,995,738)</u>
General revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				<u>314,071</u>
Miscellaneous				<u>37,191</u>
Special items				
Transfers				
Total general revenues, special items, and transfers				<u>351,262</u>
Change in net assets				<u>(1,644,476)</u>
Net assets - beginning				<u>30,557,104</u>
Net assets - ending				\$ <u><u>28,912,628</u></u>

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Cash flows from operating activities		
Cash received from customers	\$ 6,566,770	
Cash payments to suppliers for goods and services	<u>(6,392,486)</u>	
Cash payments to employees for services	_____	
Payments in lieu of taxes	_____	
Internal activity-payments to other funds	_____	
Claims paid to outsiders	_____	
Other operating revenues(expenses)	_____	
Net cash provided(used) by operating activities		<u>174,284</u>
Cash flows from non-capital financing activities		
State appropriations	_____	
Proceeds from sale of bonds	_____	
Principal paid on bonds	_____	
Interest paid on bond maturities	_____	
Proceeds from issuance of notes payable	<u>10,000,000</u>	
Principal paid on notes payable	<u>(11,560,723)</u>	
Interest paid on notes payable	_____	
Operating grants received	_____	
Other	<u>3,995,350</u>	
Transfers In	_____	
Transfers Out	_____	
Net cash provided(used) by non-capital financing activities		<u>2,434,627</u>
Cash flows from capital and related financing activities		
Proceeds from sale of bonds	<u>49,020,500</u>	
Principal paid on bonds	<u>(275,500)</u>	
Interest paid on bond maturities	_____	
Proceeds from issuance of notes payable	_____	
Principal paid on notes payable	_____	
Interest paid on notes payable	_____	
Acquisition/construction of capital assets	<u>(9,344,123)</u>	
Proceeds from sale of capital assets	<u>97,154</u>	
Capital contributions	_____	
Other	<u>(494,053)</u>	
Net cash provided(used) by capital and related financing activities		<u>39,003,978</u>
Cash flows from investing activities		
Purchases of investment securities	_____	
Proceeds from sale of investment securities	_____	
Interest and dividends earned on investment securities	_____	
Net cash provided(used) by investing activities		<u>-</u>
Net increase(decrease) in cash and cash equivalents		<u>41,612,889</u>
Cash and cash equivalents at beginning of year		<u>627,509</u>
Cash and cash equivalents at end of year		<u>\$ 42,240,398</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

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

Operating income(loss)	\$ (1,645,909)
Adjustments to reconcile operating income(loss) to net cash	
Depreciation/amortization	<u>1,373,179</u>
Provision for uncollectible accounts	<u> </u>
Changes in assets and liabilities:	
(Increase)decrease in accounts receivable, net	<u>313,610</u>
(Increase)decrease in due from other funds	<u>144,867</u>
(Increase)decrease in prepayments	<u> </u>
(Increase)decrease in inventories	<u>91</u>
(Increase)decrease in other assets	<u> </u>
Increase(decrease) in accounts payable and accruals	<u>(383,142)</u>
Increase(decrease) in accrued payroll and related benefits	<u> </u>
Increase(decrease) in compensated absences payable	<u> </u>
Increase(decrease) in due to other funds	<u>422,331</u>
Increase(decrease) in deferred revenues	<u>(63,695)</u>
Increase(decrease) in other liabilities	<u>12,952</u>
 Net cash provided(used) by operating activities	 <u>\$ 174,284</u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	<u>221,080</u>
Contributions of fixed assets	<u>NONE</u>
Purchases of equipment on account	<u> </u>
Asset trade-ins	<u>148,996</u>
Other (specify)	<u> </u>
Disposal of fixed assets	<u>567,355</u>
	<u> </u>
Total noncash investing, capital, and financing activities:	<u><u>937,431</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

INTRODUCTION

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the programs as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

The accounts of the authority are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

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

Expense Recognition

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

B. BUDGETARY ACCOUNTING

The Louisiana Agricultural Finance Authority does not have a budget.

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

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held.

Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity's name or registered in the entity's name. **(separate disclosure no longer required)**

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution's trust department or agent and are in the entity's name. **(separate disclosure no longer required)**

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's name. **(separate disclosure still required)**

GASB Statement 40 only requires any category 3 deposits to be disclosed in the custodial credit risk section of Note C. If an entity has deposits exposed to custodial credit risk category 3, it should disclose the amount of those balances, the fact that they are uninsured, and whether the balances are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2004, consisted of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 1,037,412	\$ _____	\$ 41,202,986	\$ 42,240,398
Bank balances (category 3 only, if any)				
Identify amounts reported as category 3 by the descriptions below:				
a. Uninsured and uncollateralized	\$ _____	\$ _____	\$ _____	\$ _____
b. Uninsured and collateralized with securities held by the pledging institution	_____	_____	_____	_____
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent <u>but not in the entity's name</u>	_____	_____	_____	_____
Total category 3 bank balances	\$ _____	\$ _____	\$ _____	\$ _____
Total bank balances (All categories including category 3 reported above)	\$ 1,411,382	\$ _____	\$ 41,202,786	\$ 42,614,168

At June 30, 2004, the authority had \$200 petty cash and \$41,202,786 Cash With Fiscal Agent.

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

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

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

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>Hibernia National Bank</u>	<u>all programs</u>	\$ <u>1,411,382</u>
2. <u>Hancock Bank</u>	<u>Lacassine Syrup Plant</u>	<u>41,202,786</u>
		\$ <u><u>42,614,168</u></u>

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

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

The authority has utility deposits of \$250 with the Town of Jonesville, \$125 with Tangipahoa Water District, \$75 with South Oakdale Water System, \$100 with Louisiana Gas in Oak Grove, and \$350 with the Town of Homer.

2. INVESTMENTS

The authority does not have any investments.

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES ASSETS

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

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

	Year ended June 30, 2004						Balance 06/30/04
	Balance 06/30/03	Prior Period Adjustment	Adjusted Balance 07/01/03	Additions	Transfers *	Retirements	
Capital assets not being depreciated							
Land	6,512,438		6,512,438				6,512,438
Non-depreciable land improvements	-		-				-
Capitalized collections	-		-				-
Construction in progress	2,068,071	120	2,068,191	9,245,437	(829,187)		10,484,441
Total capital assets not being depreciated	8,580,509	120	8,580,629	9,245,437	(829,187)	-	16,996,879
Other capital assets							
Furniture, fixtures, and equipment	5,985,229	5,946	5,991,175	590,644		(716,350)	5,865,469
Less accumulated depreciation	(3,338,347)		(3,338,347)	(647,863)		341,069	(3,645,141)
Total furniture, fixtures, and equipment	2,646,882	5,946	2,652,828	(57,219)		(375,281)	2,220,328
Buildings and improvements	24,689,043		24,689,043		718,830		25,407,873
Less accumulated depreciation	(4,873,088)		(4,873,088)	(621,572)			(5,494,660)
Total buildings and improvements	19,815,955	-	19,815,955	(621,572)	718,830	-	19,913,213
Depreciable land improvements	711,166	2,515,354	3,226,520	13	110,357		3,336,890
Less accumulated depreciation	(46,799)	(62,955)	(109,754)	(82,297)			(192,051)
Total depreciable land improvements	664,367	2,452,399	3,116,766	(82,284)	110,357	-	3,144,839
Infrastructure	2,518,200	(2,518,200)	-				-
Less accumulated depreciation	(62,955)	62,955	-				-
Total infrastructure	2,455,245	(2,455,245)	-				-
Total other capital assets	25,582,449	3,100	25,585,549	(761,075)	829,187	(375,281)	25,278,380
Capital Asset Summary:							
Capital assets not being depreciated	8,580,509	120	8,580,629	9,245,437	(829,187)	-	16,996,879
Other capital assets, at cost	33,903,638	3,100	33,906,738	590,657	829,187	(716,350)	34,610,232
Total cost of capital assets	42,484,147	3,220	42,487,367	9,836,094	-	(716,350)	51,607,111
Less accumulated depreciation	(8,321,189)	-	(8,321,189)	(1,351,732)	-	341,069	(9,331,852)
Capital assets, net	34,162,958	3,220	34,166,178	8,484,362	-	(375,281)	42,275,259

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

E. INVENTORIES

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

F. RESTRICTED ASSETS

The authority has no non-current restricted assets at June 30, 2004.

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

G. LEAVE

The Louisiana Agricultural Finance Authority has no employees.

H. RETIREMENT SYSTEM

The Louisiana Agricultural Finance Authority has no employees.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Louisiana Agricultural Finance Authority has no employees.

J. LEASES

1. OPERATING LEASES

The total payments for operating leases during fiscal year 2004 amounted to \$1,200. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010- 2014</u>	<u>FY2015- 2019</u>
land for hanger	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$	\$

2. CAPITAL LEASES

Capital leases are (are not) recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by National Council on Governmental Accounting (NCGA) Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 should be reported on the following schedules:

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

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

SCHEDULE A - TOTAL AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	<u>274,813</u>	<u>4,822</u>	<u>198,737</u>
c. Land	_____	_____	_____
Total	\$ <u>274,813</u>	\$ <u>4,822</u>	\$ <u>198,737</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

<u>Year ending June 30, 2004:</u>	<u>Total</u>
2005	\$ <u>134,062</u>
2006	<u>69,497</u>
2007	_____
2008	_____
2009	_____
2010-2014	_____
2015-2019	_____
2020-2024	_____
Total minimum lease payments	<u>203,559</u>
Less amounts representing executory costs	_____
Net minimum lease payments	<u>203,559</u>
Less amounts representing interest	<u>(4,822)</u>
Present value of net minimum lease payments	\$ <u>198,737</u>

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

SCHEDULE B - NEW AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	<u>221,080</u>	<u>4,799</u>	<u>192,068</u>
c. Land	_____	_____	_____
Total	\$ <u>221,080</u>	\$ <u>4,799</u>	\$ <u>192,068</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

<u>Year ending June 30, 2003:</u>	<u>Total</u>
2005	\$ <u>127,370</u>
2006	<u>69,498</u>
2007	_____
2008	_____
2009	_____
2010-2014	_____
2015-2019	_____
2020-2024	_____
Total minimum lease payments	<u>196,868</u>
Less amounts representing executory costs	_____
Net minimum lease payments	<u>196,868</u>
Less amounts representing interest	<u>(4,799)</u>
Present value of net minimum lease payments	\$ <u>192,069</u>

SCHEDULE C - LEAF CAPITAL LEASES

The authority has no LEAF Capital Leases.

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

3. LESSOR DIRECT FINANCING LEASES

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

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

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

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

<u>Composition of lease</u>	<u>Date of lease</u>	<u>payment receivable</u>
a. Office space	07/01/03	\$ 7,857,214
b. Equipment		
c. Land		
Less amounts representing executory costs		
Minimum lease payment receivable		7,857,214
Less allowance for doubtful accounts		
Net minimum lease payments receivable		7,857,214
Less estimated residual value of leased property		
Less unearned income		(7,793,519)
Net investment in direct financing lease		\$ 63,695

Minimum lease payments do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rental payments occur if for example the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2003 were \$NONE for office space, \$NONE for equipment, and \$NONE for land.

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of June 30, 2004:

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

Year ending June 30:	
2005	\$ <u>979,990</u>
2006	<u>1,035,313</u>
2007	<u>1,017,695</u>
2008	<u>1,000,078</u>
2009	<u>982,461</u>
2010-2014	<u>2,841,677</u>
2015-2019	
Total	\$ <u><u>7,857,214</u></u>

4. LESSOR – OPERATING LEASE

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

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of June 30, 2004:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
a. Office space	\$ <u>11,680,795</u>	\$ <u>(2,853,954)</u>	\$ <u>8,826,841</u>

The following is a schedule by years of minimum future rentals on non-cancelable operating lease(s) as of June 30, 2004:

<u>Year Ended June 30,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Land</u>	<u>Other</u>	<u>Total</u>
2005	\$ 21,600	\$	\$	\$ 236,000	\$ 257,600
2006	21,600			236,000	257,600
2007	21,600			236,000	257,600
2008	21,600			236,000	257,600
2009	21,600			236,000	257,600
2010 - 2014	108,000			708,000	816,000
2015 - 2019	108,000				108,000
	\$ <u>324,000</u>	\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>1,888,000</u>	\$ <u>2,212,000</u>

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

Current year lease revenues received in fiscal year 2004 totaled \$1,860,714.

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

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts due within one year
Bonds and notes payable					
Notes payable	\$ 23,451,686	\$ 10,000,000	\$ 11,560,723	\$ 21,890,963	\$ 11,712,774
Reimbursement contracts payable					
Bonds payable	3,479,500	49,020,500	275,500	52,224,500	840,563
Total notes and bonds	<u>26,931,186</u>	<u>59,020,500</u>	<u>11,836,223</u>	<u>74,115,463</u>	<u>12,553,337</u>
Other liabilities:					
Contracts payable					
Compensated absences payable					
Capital lease obligations	309,290	221,080	331,633	198,737	130,155
Liabilities payable from restricted assets					
Claims and litigation					
Other long-term liabilities					
Total other liabilities	<u>309,290</u>	<u>221,080</u>	<u>331,633</u>	<u>198,737</u>	<u>130,155</u>
Total other liabilities	<u>\$ 27,240,476</u>	<u>\$ 59,241,580</u>	<u>\$ 12,167,856</u>	<u>\$ 74,314,200</u>	<u>\$ 12,683,492</u>

A detailed summary, by issues, of all debt outstanding at June 30, 2004, including outstanding interest of \$7,497,014 is shown on schedule 4. Schedule 5 is an amortization schedule of the outstanding debt. (Send OSRAP a copy of the amortization schedule for any new debt issued.)

Conduit Debt Obligations

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

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

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

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

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

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

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. During the period April 11, 1991, through January 15, 2003, trustees received interim payments, including interest, totaling \$144,292,093 and \$144,015,262 for the LAFA I and LAFA II bonds, respectively. As a result of this modified plan, court ordered trust administration costs of \$4,526,500 for LAFA I and \$4,526,500 for LAFA II were incurred and distributions totaling \$279,254,355 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1995; November 30, 1995; April 24, 1996; May 15, 1997; November 8, 1999; and January 15, 2003. This amount represents principal of \$103,946,826 and interest of \$35,818,767 for LAFA I bondholders and principal of \$101,856,212 and interest of \$37,632,550 for LAFA II bondholders. Distributions under the modified plan of rehabilitation for Executive Life Insurance Company can continue until the conservator of the distributions declares the distributions are complete or the modified plan has expired.

In May 1999, the authority approved the issuance of \$8,690,000 in industry revenue bonds for the benefit of the Louisiana Pacific Corporation. Of these bonds, \$3,080,000 was issued in May 1999. The remaining \$5,610,000 was issued in July 1999. The total issue is backed by an \$11,700,000 mortgage in timber and real estate owned by the Louisiana Pacific Corporation. In addition, bondholders are secured by a letter of credit issued by Hibernia National Bank and Trust. These bonds are payable in semiannual installments over a period of five years. The authority has no obligation for the repayment of this debt in the event of default beyond collections that may be made through the sale of timber and real estate. These bonds were defeased on September 1, 2002.

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

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Agricultural Loan Program:						
	unknown	1984B	various	\$6,496,669	\$6,427,084	\$69,585
	8.25%	1986A I	various	150,000,000	103,946,826	46,053,174
	8.80%	1986A II	various	150,000,000	101,856,212	48,143,788
Balance at June 30, 2004				<u>\$306,496,669</u>	<u>\$212,230,122</u>	<u>\$94,266,547</u>

L. LITIGATION

1. The authority is not involved in litigation seeking damages. The authority is involved in litigation against LAFA seeking relief other than damages.
2. Claims and litigation costs of \$230,953 were incurred in the current year and are reflected in the accompanying financial statement.

M. RELATED PARTY TRANSACTIONS

The authority has no related party transactions at June 30, 2004.

N. ACCOUNTING CHANGES

The authority made no accounting changes during the fiscal year ended June 20, 2004.

O. IN-KIND CONTRIBUTIONS

(List all in-kind contributions that are not included in the accompanying financial statements.)

The authority has no in-kind contributions for the fiscal year ended June 20, 2004.

P. DEFEASED ISSUES

The authority has no defeased issues at June 30, 2004.

Q. COOPERATIVE ENDEAVORS

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States

**STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004**

government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

Some cooperative endeavor contracts are not coded with a document type of "COP" on the Contract Financial Management Subsystem (CFMS), but are considered cooperative endeavors. Include these below with your cooperative endeavor contracts coded with a document type of "COP". Examples of contracts that are considered cooperative endeavors, but are not coded with a document type of "COP" include contracts that fall under delegated authority, Facility Planning and Control "CEA" contracts, certain federal government contracts, contracts that legislative auditors may have designated as such within your agency, work incumbent programs, etc. In prior years, this information was requested as supplemental documentation after the AFRs were submitted, usually in October or November.

The liability outstanding as of June 30, 2004, by funding source, is as follows:

<u>Funding Source</u>	<u>Balance June 30, 2004</u>
State General Fund	\$ 161,863
Self-generated revenue	NONE
Statutorily dedicated revenue	NONE
General obligation bonds	NONE
Federal funds	NONE
Interagency transfers	NONE
Other funds/combination	NONE

NOTE: Amounts in excess of contract limits **cannot** be used to reduce the outstanding contract balance at June 30, 2004. For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute your ending balances by funding source, you should begin with your balances at June 30, 2003. These amounts will be increased by amounts for new contracts and amendments and decreased for payments as well as for liquidations.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

The authority did not have any government-mandated nonexchange transactions (grants) during fiscal year 2003-2004.

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

The authority does not have violations of finance-related legal or contractual provisions at June 30, 2004.

T. SHORT-TERM DEBT

The authority has not issued any short-term debt.

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2004, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
various	\$	\$	\$	\$ 23,800	\$ 23,800
Gross receivables	\$ 0	\$ 0	\$ 0	\$ 23,800	\$ 23,800
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	\$ 0	\$ 0	\$ 0	\$ 23,800	\$ 23,800
Amounts not scheduled for collection during the subsequent year	\$	\$	\$ NONE	\$ NONE	\$ 0

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2004, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
various	\$	\$	\$	\$ 79,549	\$ 79,549

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

W. SUBSEQUENT EVENTS

The authority has no subsequent events.

X. SEGMENT INFORMATION

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For purposes of this disclosure, a segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. This requirement for separate accounting applies if imposed by an external party, such as accounting and reporting requirements set forth in bond indentures. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial statements in the notes, including the elements in A through C below (GASB 34, paragraph 122, as modified by GASB 37, paragraph 17.)

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

A. Condensed balance sheet:

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

Condensed Balance sheet:

Current assets	\$ 1,177,174
Due from other funds	19,962,951
Capital assets	42,275,259
Other assets	49,476,468
Current liabilities	(14,518,995)
Due to other funds	(1,002,771)
Long-term liabilities	(68,457,458)
Restricted net assets	(511,408)
Unrestricted net assets	2,653,587
Invested in capital assets, net of related debt	(31,054,807)

STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004

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

- (1) Operating revenues (by major source).
- (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
- (3) Operating income (loss).
- (4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
- (5) Capital contributions and additions to permanent and term endowments.
- (6) Special and extraordinary items.
- (7) Transfers
- (8) Change in net assets.
- (9) Beginning net assets.
- (10) Ending net assets.

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

Operating revenues	\$ <u>5,791,323</u>
Operating expenses	<u>(6,064,053)</u>
Depreciation and amortization	<u>(1,373,179)</u>
Operating income (loss)	<u>(1,645,909)</u>
Nonoperating revenues (expenses)	<u>1,433</u>
Capital contributions/additions to permanent and term endowments	<u>NONE</u>
Special and extraordinary items	<u>NONE</u>
Transfers in	<u>NONE</u>
Transfers out	<u>NONE</u>
Change in net assets	<u>(1,644,476)</u>
Beginning net assets	<u>30,557,104</u>
Ending net assets	<u>28,912,628</u>

C. Condensed statement of cash flows:

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

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004

Condensed Statement of Cash Flows:

Net cash provided (used) by operating activities	\$ 174,284
Net cash provided (used) by noncapital financing activities	<u>2,434,627</u>
Net cash provided (used) by capital and related financing activities	<u>39,003,978</u>
Net cash provided (used) by investing activities	<u>627,509</u>
Beginning cash and cash equivalent balances	<u>42,240,398</u>
Ending cash and cash equivalent balances	<u>42,240,398</u>

Y. DUE TO/DUE FROM AND TRANSFERS

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
	Department of Agriculture & Forestry	\$ 468,813
	Boll Weevil Eradication Fund	<u>19,468,379</u>
	Office of Group Benefits	<u>25,758</u>
		<u>\$ 19,962,950</u>

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
	Department of Agriculture & Forestry	\$ <u>1,002,771</u>

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

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

**STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 Notes to the Financial Statement
 As of and for the year ended June 30, 2004**

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

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

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the authority at June 30, 2004, reflected at \$401,509 in the current liabilities section on Statement A, consist of \$401,509 in accounts payable.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2004.

<u>Net Assets July 1, 2003, previously reported</u>	<u>Adjustments + or (-)</u>	<u>Net Assets July 1, 2003, As restated</u>
\$ <u>30,871,967</u>	\$ <u>(314,863)</u>	\$ <u>30,557,104</u>

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

(NOTE: Net Assets at July 1, 2003, previously reported, must correspond to Net Assets at June 30, 2003, per the information received from OSRAP.)

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

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

1 Deferred Revenue – non current	363,300	
Capital Lease Receivable – non current		(363,297)
Beginning Net Assets		(3)

Legislative Auditors over-estimated by using the same lease balance over the life of the lease, instead of decreasing the lease balance every year as payment is made.

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

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

2 Property, Plant, & Equipment – Construction in Progress	120	
Beginning Net Assets		(120)

In prior year, Accountant coded some utilities used in construction to Operating Services: Utilities. Accountant made correction in current year.

STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004

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

3 Due from Boll Weevil Eradication Fund	31	
Beginning Net Assets		(31)

Misclassification – Journal Entry # 03-45 coded \$0.05 to Interest Expense instead of to Due From Boll Weevil 2002; Journal Entry # 03-51 coded \$0.04 to Interest Expense instead of to Due From Boll Weevil 2002; Check # 14713 coded \$30.68 to Professional Services instead of to Due From Boll Weevil 2002

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

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

4 Due to Department of Agriculture & Forestry	19,781	
Liabilities payable from restricted assets	7,475	
Beginning Net Assets		(27,256)

Legislative Auditors erroneously accrued payroll expense for June 23 - 30, 2003; LAFA calculates the amount owed on cash basis; 2003 audit adjustments 15 and 16

STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004

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

5 Property, Plant, & Equipment – Equipment	5,946	
Property, Plant, & Equipment – Land Improvements		(2,846)
Beginning Net Assets		(3,100)

to reclassify a prior year rental payment (tag number 190-86-002978 - \$3,100.00) and to tag as equipment a prior year's "expense" (tag number 190-86-002978 - \$2,846.00)

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

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

6 Beginning Net Assets	345,373	
Due From Boll Weevil Eradication Fund		(345,373)

OLA erroneously reclassified interest due on Notes Payable as Due From Boll Weevil instead of Interest Expense. However, OLA did correct this before publishing their audit report on 10/08/03.

**STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 SCHEDULE OF BONDS PAYABLE
 June 30, 2004**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/03	Redeemed (Issued)	Principal Outstanding 06/30/04	Interest Rates	Interest Outstanding 06/30/04
Buildings Project Series 2002	10/02/03	9,000,000	(3,479,500)	(3,745,000)	(7,224,500)	variable	(63,695)
Lacassine Syrup Mill	03/01/04	45,000,000		(45,000,000)	(45,000,000)	variable	(35,938)
Total		<u>\$54,000,000</u>	<u>(\$3,479,500)</u>	<u>(\$48,745,000)</u>	<u>(\$52,224,500)</u>		<u>(\$99,633)</u>

*Send copies of new amortization schedules

BOND DEBT SERVICE

Lacassine Syrup Mill
 Bond Sizing Analysis, February 4, 2004
 Variable Interest Rate Assumption: 2%

Period Ending	Principal	Coupon	Interest	Debt Service	Bond Balance	Total Bond Value
01/15/2005			785,000.00	785,000.00	45,000,000	45,000,000
01/15/2006			900,000.00	900,000.00	45,000,000	45,000,000
01/15/2007	3,900,000	2.000%	900,000.00	4,800,000.00	41,100,000	41,100,000
01/15/2008	4,020,000	2.000%	822,000.00	4,842,000.00	37,080,000	37,080,000
01/15/2009	4,150,000	2.000%	741,600.00	4,891,600.00	32,930,000	32,930,000
01/15/2010	4,280,000	2.000%	658,599.96	4,938,599.96	28,650,000	28,650,000
01/15/2011	4,415,000	2.000%	573,000.00	4,988,000.00	24,235,000	24,235,000
01/15/2012	4,550,000	2.000%	484,700.04	5,034,700.04	19,685,000	19,685,000
01/15/2013	4,695,000	2.000%	393,699.96	5,088,699.96	14,990,000	14,990,000
01/15/2014	4,845,000	2.000%	299,799.96	5,144,799.96	10,145,000	10,145,000
01/15/2015	4,995,000	2.000%	202,899.96	5,197,899.96	5,150,000	5,150,000
01/15/2016	5,150,000	2.000%	102,999.96	5,252,999.96		
	45,000,000		6,864,299.84	51,864,299.84		

**STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 SCHEDULE OF CAPITAL LEASE AMORTIZATION
 For The Year Ended June 30, 2004**

<u>Fiscal Year Ending:</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2005	\$ <u>134,062</u>	\$ <u>3,907</u>	\$ <u>130,155</u>	\$ <u>-</u>
2006	<u>69,497</u>	<u>915</u>	<u>68,582</u>	<u>-</u>
2007	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
2008	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
2009	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
2010-2014	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
2015-2019	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
2020-2024	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
2025-2029	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
Total	\$ <u><u>203,559</u></u>	\$ <u><u>4,822</u></u>	\$ <u><u>198,737</u></u>	\$ <u><u>-</u></u>

**STATE OF LOUISIANA
LOUISIANA AGRICULTURAL FINANCE AUTHORITY**

**SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004**

Fiscal Year Ending:	Principal	Interest
2005	\$ 840,563	\$ 924,428
2006	911,991	1,023,322
2007	4,811,991	1,005,704
2008	4,931,991	910,087
2009	5,061,991	812,070
2010	5,191,991	711,452
2011	5,326,991	608,235
2012	5,461,991	502,317
2013	4,695,000	393,700
2014	4,845,000	299,800
2015	4,995,000	202,900
2016	5,150,000	103,000
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
Total	\$ 52,224,500	\$ 7,497,014

STATE OF LOUISIANA
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY
 COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and the reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>2004</u>	<u>2003</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	<u>5,791,323</u>	<u>5,214,437</u>	<u>576,886</u>	<u>11.06%</u>
Expenses	<u>7,438,665</u>	<u>5,663,990</u>	<u>1,774,675</u>	<u>31.33%</u>
2) Capital assets	<u>42,275,259</u>	<u>34,162,958</u>	<u>8,112,301</u>	<u>23.75%</u>
Long-term debt	<u>74,115,463</u>	<u>26,931,186</u>	<u>47,184,277</u>	<u>175.20%</u>
Net Assets	<u>28,912,628</u>	<u>30,871,967</u>	<u>(1,959,339)</u>	<u>-6.35%</u>

Explanation for change:

Revenues	\$ 176,393 Interest Income increased. 1,646,918 Contributions increased due to receipt of the Department of Agriculture & Forestry's Catfish federal funds; LAFA just cuts the checks. (1,298,079) Contributions decreased due to receiving \$1,600,000 from the State General Fund in FY 03, but not in FY 04. <hr/> 525,232
Expenses	1,501,238 Contractual Services increased due to the Department of Agriculture & Forestry's Catfish federal program; LAFA just cuts the checks. 161,863 Contractual Services increased due to returning balance of money for sugar cane research to Department of Agriculture & Forestry (268,144) Operating Services decreased because FY 03 had the expenses related to infrastructure construction and improvements of rail systems, facilities, and equipment related to the transportation of sugar cane. (309,032) Professional Services decreased because FY 03 had the expenses related to infrastructure construction and improvements of rail systems, facilities, and equipment related to the transportation of sugar cane. 564,692 Interest Expense on 45M Lacassine Syrup Mill bonds 38,656 Interest Expense on 2.5M Rail Improvements notes Interest Expense on Boll Weevil 1998 notes decreased <hr/> 1,689,273

Capital assets	\$	3,220	adjustments to beginning balance
		13	additions in land improvements
		590,644	additions in equipment
		(455,225)	sale of airplane
		(148,996)	trade in of earth excavator
		(112,130)	retired equipment
		9,245,437	additions in construction
		(1,351,732)	additions in depreciation
		341,069	depreciation on retired equipment
		<u>\$ 8,112,301</u>	

Long-term debt	\$49,020,500	in new bonds
	(275,500)	in payments on bonds payable
	10,000,000	in new notes
	(11,560,723)	in payments on notes payable
	<u>\$47,184,277</u>	

3) LAFA has no budget.

**OTHER REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

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







STEVE J. THERIOT, CPA
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
www.lla.state.la.us

August 26, 2004

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

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

We have audited the financial statements of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting


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



LOUISIANA AGRICULTURAL FINANCE AUTHORITY

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BB:STD:THC:dl

LAF04

