LOUISIANA AGRICULTURAL FINANCE AUTHORITY

DEPARTMENT OF AGRICULTURE AND FORESTRY

A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Financial Statement Audit for the
Year Ended June 30, 2023
Issued June 26, 2024**

LOUISIANA
LEGISLATIVE
AUDITOR

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

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
BETH Q. DAVIS, 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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 9272 or Report ID No. 80230137 for additional information.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of $0.93. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

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 Jenifer Schaye, General Counsel, at 225-339-3800.

TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR

MICHAEL J. "MIKE" WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

June 25, 2024

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Louisiana Agricultural Finance Authority (Authority), a component unit of the state of Louisiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the

Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BL:JM:BH:BQD:aa
LAFA 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis of the Louisiana Agricultural Finance Authority’s (Authority) financial performance presents a narrative overview and analysis of the Authority’s financial activities for the year ended June 30, 2023. 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 12.

FINANCIAL HIGHLIGHTS

- The Authority’s net position, or the amount by which assets exceeded its liabilities and deferred inflows at the close of the fiscal year was approximately $50,343,000, which represents a 1.78% decrease from the end of the last fiscal year. The change in net position, a measuring benchmark for performance, decreased from the prior fiscal year by approximately $3,087,000. The decrease is a result of an increase in grant expenses of the South Louisiana Rail Facility.

- The Authority’s operating revenue increased by approximately $156,000, or 4.74%, and operating expenses increased by approximately $203,000, or 3.85%. The increase in operating revenues is attributable to the increase in interest income due to generally higher interest rates on earning assets. The increase in operating expenses is primarily attributable to contractual services.

- Net non-operating expenses totaled approximately $3,111,000, an overall increase of approximately $3,348,000. This increase is primarily the result of grant expenses to the South Louisiana Rail Facility totaling approximately $3 million.

- The Authority also received transfers-in from other state agencies during the year totaling approximately $4,627,000, an increase of approximately $435,000. The increase was primarily a net result of fewer dedicated funding receipts for the Equine Commission Fund along with an increase in legislative appropriations for the South Louisiana Rail Facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (pages 12-13) presents the current and long-term portions of assets, deferred outflows, liabilities, and deferred inflows separately. The difference between total assets plus deferred outflows and total liabilities plus deferred inflows is net position, which is a key indicator of financial health.

The Statement of Revenues, Expenses, and Changes in Net Position (pages 14-15) presents information showing how net position changed as a result of current-year operations. Regardless of when cash is affected, all changes in net position 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 (pages 16-17) presents information showing how 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 Governmental Accounting Standards Board Statement No. 34.

FINANCIAL ANALYSIS OF THE AUTHORITY

Comparative Statement of Net Position
As of June 30, 2023, and June 30, 2022
(in thousands)

	2023	2022	Variance	Percent Variance
Current assets	$11,842	$13,632	($1,790)	(13.1%)
Capital assets	26,585	28,146	(1,561)	(5.5%)
Lease receivable - noncurrent	24,611	27,992	(3,381)	(12.1%)
Other assets	13,213	11,107	2,106	19.0%
Total assets	76,251	80,877	(4,626)	(5.7%)
Current liabilities	456	364	92	25.3%
Long-term liabilities	221	269	(48)	(17.8%)
Total liabilities	677	633	44	7.0%
Deferred inflows of resources	25,231	28,991	(3,760)	(13.0%)
Net position:				
Net investment in capital assets	26,316	27,829	(1,513)	(5.4%)
Restricted	11,583	10,884	699	6.4%
Unrestricted	12,444	12,540	(96)	(0.8%)
Total net position	$50,343	$51,253	($910)	(1.8%)

The net investment in capital assets represents the carrying value of the Authority's buildings, equipment, and other capital assets, including lease assets, less the outstanding debt used to acquire these assets. Restricted net position represents those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net position represents assets less liabilities and deferred inflows that do not have any limitations on how these amounts may be spent.

An analysis of the more significant variations from 2022 to 2023 of certain components of net position is as follows:

- Current assets decreased approximately $1,790,000, primarily due to the decrease in cash attributable to a higher volume of loan activity and cash used in operations.

- Capital assets (reported net of accumulated depreciation and amortization), which account for 34.9% of the total assets of the Authority, decreased by approximately $1,561,000, predominantly due to current-year depreciation and amortization exceeding capital assets acquired.

- Due to the adoption of GASB Statement No. 87, *Leases,* in 2022, the Authority, as a lessor of property, began to recognize receivables for lease contracts. These contracts, valued at approximately $25,713,000 at June 30, 2023, represent the present value of lease payments to be received over the term of the contracts. Likewise, approximately $25,231,000 of deferred inflows is recorded to allow for recognition of the income from the lease contracts over the life of their terms. Both the receivables and deferred inflows decreased by approximately $3,500,000 and $3,800,000, respectively, but remain significant components of the Statement of Net Position.

- Liabilities increased approximately $44,000, predominantly due to the increase in amounts due to the primary government of approximately $114,000 netted with a decrease in the lease liability and accounts payable to vendors.

- The decrease in overall net position of approximately $910,000 is attributable to expenses and transfers-out exceeding revenues and transfers-in.

Comparative Statement of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2023, and June 30, 2022 (in thousands)

	2023	2022	Variance	Percent Variance
Operating revenues:				
Rental income	$2,638	$2,815	($177)	(6.3%)
Other	809	476	333	70.0%
Total operating revenues	3,447	3,291	156	4.7%
Nonoperating revenues:				
Federal revenues	298	99	199	201.0%
Grants and Contributions	(67)	23	(90)	(391.3%)
Gain on disposal of fixed assets		51	(51)	(100.0%)
Other nonoperating revenue	24	71	(47)	(66.2%)
Total nonoperating revenues	255	244	11	4.5%
Total revenues	3,702	3,535	167	4.7%
Operating expenses:				
Operating and other services	5,474	5,271	203	3.9%
Nonoperating expenses:				
Federal expenses	265	4	261	6,525.0%
Non-federal grant expenses	3,098		3,098	100.0%
Other non-operating expenses	3	3		0.0%
Total nonoperating expenses	3,366	7	3,359	47,985.7%
Total expenses	8,840	5,278	3,562	67.5%
Loss before transfers	(5,138)	(1,743)	(3,395)	194.8%
Transfers-In	4,627	4,192	435	10.4%
Transfers-Out	(399)	(272)	(127)	46.7%
Change in net position	(910)	2,177	(3,087)	(141.8%)
Net position, beginning of the year	51,253	49,651	1,602	3.2%
Effect of changes in accounting principal		(575)	575	(100.0%)
Net position, beginning of the year (restated)	51,253	49,076	2,177	4.4%
Total net position	$50,343	$51,253	($910)	(1.8%)

- The increase in operating revenues of approximately $156,000 was predominantly attributable to the increase in interest income and timing of recognition of rental income related to the application of GASB Statement No. 87, *Leases*, along with the increase in rental income.

- Operating expenses increased by approximately $203,000, or 3.9%, as a result of increases in administrative and contractual services.

- Non-operating expenses increased by approximately $3,359,000 as a result of the increase in non-federal grants expenses related to grants paid to the South Louisiana Rail Facility through the year.

- Transfers-in from other state agencies increased by approximately $435,000, or 10.4%, as a result of increased amounts of dedicated funding received or to be received from the primary government.

CAPITAL ASSETS

At the end of fiscal year 2023, the Authority had approximately $26,585,000 invested in a broad range of capital assets including land, buildings, equipment, and right-to-use lease assets. This amount represents a net decrease (including additions and deductions) of approximately $1,561,000 or 5.5%, from last year.

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

	2023	2022	Variance	Percent Variance
Land	$7,004	$6,505	$499	7.7%
Buildings and improvements	15,776	16,948	(1,172)	(6.9%)
Equipment	2,623	3,320	(697)	(21.0%)
Infrastructure	916	940	(24)	(2.6%)
Right-to-use assets	266	316	(50)	(15.8%)
Construction-in-progress		117	(117)	(100.0%)
Total	$26,585	$28,146	($1,561)	(5.5%)

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The Authority participates in agricultural assistance programs that flow through various state agencies and leases property to and from various entities, including state and local governments and private companies. Revenues from rentals and leases are expected to remain constant as the number of properties and rental rates for those properties will not significantly increase or decrease. Transfers-in from state agencies should decrease as there are no significant new programs or levels of support. Operating expenses are projected to remain constant, since no significant changes in the operations are planned for fiscal year 2024. Non-operating revenues are also expected to remain constant, as there are no new programs to be administered by the Authority in fiscal year 2024. Overall, a decrease in net position is expected.

CONTACTING THE LOUISIANA AGRICULTURAL FINANCE AUTHORITY'S FINANCIAL 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 Wayne Tedesco, Fiscal Director, Louisiana Department of Agriculture & Forestry, Post Office Box 3334, Baton Rouge, Louisiana 70821-3334.

Statement A

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

Statement of Net Position, June 30, 2023

ASSETS	
Current assets:	
Cash (note 2)	$9,518,739
Accounts receivable (note 3)	27,730
Due from primary government (note 8)	627,989
Due from federal government (note 8)	117,529
Lease receivable (note 7)	1,102,186
Accrued interest receivable	21,198
Notes receivable (note 4)	426,037
Other current assets	908
Total current assets	11,842,316
Noncurrent assets:	
Restricted assets:	
Cash (note 2)	8,582,758
Due from primary government (note 8)	3,000,000
Lease receivable (note 7)	24,610,977
Notes receivable (note 4)	1,629,438
Property, plant, and equipment (net of depreciation and amortization) (note 5)	26,585,485
Other noncurrent assets	20
Total noncurrent assets	64,408,678
TOTAL ASSETS	76,250,994
LIABILITIES	
Current liabilities:	
Accounts payable (note 6)	203,697
Due to primary government (note 8)	199,463
Lease Liability (note 7)	48,557
Unearned revenues	1,755
Other current liabilities	3,004
Total current liabilities	456,476
Noncurrent liabilties	
Lease Liability (note 7)	220,626
Total noncurrent liabilities	220,626
TOTAL LIABILITIES	677,102

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement of Net Position, June 30, 2023

DEFERRED INFLOWS OF RESOURCES	
Lease related deferred inflows of resources (Note 7)	$25,230,697
Total Deferred inflows of resources	25,230,697
NET POSITION	
Net investment in capital assets	26,316,302
Restricted for other specific purposes (note 9)	11,582,758
Unrestricted	12,444,135
TOTAL NET POSITION	$50,343,195

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES:	
Rental income	$2,638,336
Use of money and property	793,740
Other	15,387
Total operating revenues	3,447,463
OPERATING EXPENSES:	
Administrative services	809,515
Contractual services	236,129
Operating services	535,932
Supplies	390,655
Professional services	161,433
Promotional and marketing	726,594
Miscellaneous	40,819
Depreciation and amortization expense (note 5)	2,572,914
Total operating expenses	5,473,991
OPERATING LOSS	(2,026,528)

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

NONOPERATING REVENUES (Expenses)	
Nonoperating revenues - federal	$298,099
Nonoperating expenses - federal	(264,423)
Grants and contributions	(66,593)
Other grant expenses	(3,098,410)
Interest (expense)	(2,948)
Net loss on disposal of capital assets	(369)
Proceeds from insurance recoveries	22,201
Other nonoperating revenues	1,579
Total nonoperating revenues (expenses)	(3,110,864)
LOSS BEFORE TRANSFERS	(5,137,392)
Transfers-in (note 8)	4,626,575
Transfers-out (note 8)	(399,068)
CHANGE IN NET POSITION	(909,885)
NET POSITION - BEGINNING OF YEAR	51,253,080
TOTAL NET POSITION AT END OF YEAR	$50,343,195

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Cash received from customers	$1,748,095
Cash payments to primary government for services	(695,109)
Cash payments to suppliers for goods and services	(2,115,181)
Other receipts	809,515
Net cash used by operating activities	(252,680)
Cash flows from noncapital financing activities:	
Operating grants received:	
Federal receipts	298,099
Federal disbursements	(264,423)
Loan receipts	133,986
Loan advances	(1,832,450)
Cash received from primary government	3,677,636
Cash payments to primary government	(399,068)
Cash payments to grant recipients (non-federal)	(3,098,410)
Other disbursements	(65,014)
Net cash used by noncapital financing activities	(1,549,644)
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	42,940
Proceeds from insurance recoveries	22,201
Cash received from primary government	948,939
Acquisition/construction of capital assets	(1,055,688)
Cash payments for lease liability	(48,074)
Cash payments for interest on leases	(2,948)
Net cash used by capital and related financing activities	(92,630)
Net decrease in cash	(1,894,954)
Cash at beginning of year	19,996,451
Cash at end of year	$18,101,497

(Continued)

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows, 2023

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($2,026,528)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	2,572,914
Changes in assets and liabilities:	
Decrease in receivables	14,345
(Increase) in due from primary government	(546,209)
(Increase) in due from federal government	(117,529)
Decrease in lease receivable	3,517,984
Decrease in accrued interest receivable	388
(Decrease) in accounts payable	(23,619)
Increase in due to primary government	114,406
Increase in unearned revenues	1,155
(Decrease) in deferred inflows of resources	(3,759,987)
Total adjustments	1,773,848
Net cash used by operating activities	($252,680)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash classified as current assets	$9,518,739
Cash classified as noncurrent assets	8,582,758
Total Cash	$18,101,497

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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 (LDAF), and is domiciled in East Baton Rouge Parish. The Authority consists of nine members, one of whom is the commissioner of LDAF, 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 LDAF 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, when issued, are limited special obligations of the 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 LDAF in connection with the promotion and assistance of agriculture and forestry within the state. The revenue bonds are limited obligations of the 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. The Authority had no bonds issued and outstanding as of June 30, 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the state of Louisiana. The Authority is considered a component unit blended as an enterprise fund of the state of Louisiana because the state exercises oversight responsibility and has accountability in fiscal matters due to the following: (1) the governor appoints eight of the nine Authority members and is able to impose his will on the Authority and (2) debt held by the Authority, including leases, are secured and paid by state revenue. The accompanying financial statements present only the activity of the Authority. Annually, the state of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. All activities of the Authority are accounted for within a single proprietary (enterprise) fund.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. 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 Position.

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

Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with the Authority'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 land. Operating expenses include administrative expenses, interest, and depreciation and amortization on capital assets.

D. BUDGET PRACTICES

Although not required to submit a budget for legislative approval, the Authority prepares and submits an operating budget to its board of directors for approval.

E. CASH

Cash represents 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.

F. CAPITAL ASSETS

Capital assets include land, buildings, improvements, equipment, infrastructure, and right-to-use lease assets. These assets are valued at historical cost except for donated capital assets, which are recorded at their estimated acquisition value at the time of donation. Equipment includes all items valued at or above $5,000. Buildings and building improvements have a capitalization threshold of $25,000, while infrastructure and right-to-use lease assets utilize a threshold of $100,000. Depreciation and amortization of all exhaustible capital assets of the Authority is charged as an expense against operations. Amortization is calculated using the straight-line method over the shorter of the lease term or the useful life of the leased assets. Depreciation is computed by taking a partial year of depreciation the year the asset is placed into service and then using the straight-line method for the remaining useful life based on the estimated useful lives as follows:

	Years
Buildings and improvements	20, 25 or 40
Equipment	5 or 10
Infrastructure	40
Right-to-use lease assets	Lease term

G. COMPENSATED ABSENCES, PENSION BENEFITS, AND POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Authority has no employees. LDAF employees perform the administrative and accounting functions for the Authority. Therefore, no compensated absences, pension benefits, or postretirement benefits are provided by the Authority.

H. LEASE ACCOUNTING

Lessee leases: The Authority is a lessee for a noncancelable lease agreement for a building used for agricultural purposes. In accordance with GASB Statement No. 87, *Leases*, the Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements for those lease contracts with an initial individual value of $100,000 or more and whose terms call for a lease period greater than one year. The lease liability is measured at the commencement of the lease at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Key estimates and judgments related to leases include

(1) the discount rate used to present value the expected lease payment, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate, if provided. When the interest rate charged by the lessor is not provided, the Authority uses the state of Louisiana's estimated incremental borrowing rate as the discount rate for leases.

- The lease terms include the noncancelable period of the lease and optional renewal periods. Lease payments included in the measurement of the lease liability are composed of fixed payments through the noncancelable term of the lease and renewal periods that management considers reasonably certain to be exercised.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Lessor leases: The Authority is a lessor for noncancelable lease agreements for buildings and other properties used for office and warehouse space, and a variety of other uses. In accordance with GASB Statement No. 87, *Leases*, the Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements for those lease contracts with an initial individual value of $100,000 or more and whose terms call for a lease period greater than one year. The lease receivable is measured at the commencement of the lease at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include (1) the discount rate used to present value the expected lease receipts, (2) lease term, and (3) lease receipts.

The Authority uses the state of Louisiana's estimated incremental borrowing rate as the discount rate for measurement of the lease receivables.

The lease term includes the noncancelable period of the lease plus any renewal periods that management has determined are reasonably certain of renewal. The Authority monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. NET POSITION

Net position comprises the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components:

> Net investment in capital assets consists of all capital assets, net of accumulated depreciation and amortization 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 net position consists of resources subject to external constraints placed on the entity by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted net position consists of all other resources 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.

J. CURRENT-YEAR ADOPTION OF NEW ACCOUNTING STANDARD

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard has no effect on the Authority's financial statements at this time.

The Authority adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is intended to improve financial reporting in relation to these types of arrangements. This standard has no effect on the Authority's financial statements at this time.

The Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is intended to streamline the accounting for these types of arrangements with those arrangements listed under GASB Statement No. 87, *Leases*. This standard has no effect on the Authority's financial statements at this time.

2. CASH AND CASH EQUIVALENTS

For reporting purposes, cash represents amounts in interest-bearing demand deposits and amounts on deposit with the fiscal agent bank. At June 30, 2023, the Authority has cash deposits (book balances) of $18,101,497 and bank balances of $18,532,879.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. Under state law, the Authority's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the Authority or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2023, all of the Authority's bank balances were held in one financial institution in the name of the Authority. All of the Authority's bank balances were covered by federal deposit insurance and pledged securities, and therefore not exposed to custodial credit risk.

3. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2023:

Account Title	Balance at June 30, 2023
Lacassine Industrial park - maintenance costs from tenants	$15,380
Other facilities - maintenance costs from tenants	12,350
Total	$27,730

There is no allowance for doubtful accounts recorded for these receivables.

4. NOTES RECEIVABLE

Notes receivable totaling $2,055,475 reported on the Statement of Net Position at June 30, 2023, is composed of the following:

Type	Balance at June 30, 2023	Noncurrent Portion
Louisiana Department of Agriculture and Foresty -		
Agro Consumer Services -Engines and Provers	$126,037	
Agro Consumer Services -Trucks and Weights	947,648	$947,648
Website Development	974,434	674,434
Farm Youth Loan Program	7,356	7,356
Total	$2,055,475	$1,629,438

In January 2019, the Authority issued two loans to the Louisiana Department of Agriculture and Forestry-Agro Consumer Services to overhaul testing engines and provers. The loans are to be repaid without interest to the Authority in quarterly installments totaling $33,497 over a five-year term. During the year ended June 30, 2023, LDAF made payments totaling $133,986. The balance of the loans is $126,037, all of which is current.

In February 2022, the Authority issued a loan to LDAF to purchase four heavy duty scale test trucks. The total loan amount of $947,648 is to be advanced in installments and is to be repaid without interest in annual installments of $133,930 over a seven-year term. The first installment is due prior to June 30, 2025. The balance of the loan advances at June 30, 2023, is $947,648, all of which is non-current.

In April 2023, the Authority issued a loan to the LDAF to design a new website. The total loan amount of $1,500,000 is to be advanced in installments and is to be repaid without interest to the Authority in annual installments of $300,000 over a five-year term. The first installment is due prior to June 30, 2024. As of June 30, 2023, the loan balance is $974,434, of which $674,434 is non-current and $300,000 is current.

The Authority believes all loan balances outstanding are ultimately collectable, and therefore no allowance is provided.

South Louisiana Rail Facility

On September 20, 2022, the Authority provided funding through a $2.4 million promissory note to the South Louisiana Rail Facility (SLRF) for the construction of a building to house a proposed rice facility. SLRF is providing $240,000, and Louisiana Economic Development is providing $1.6 million for the project. The Authority will hold the first mortgage on the building with an existing building put up as collateral to secure the loan. The loan will be a 20-year loan with interest at 2.5%. On March 10, 2023, the Authority provided additional funding for the facility through a $500,000 promissory note. While the Authority has structured these transactions as secured loans with entitlement to repayment of these funds with interest, the Authority has received amounts appropriated by the Legislature intended to satisfy the borrower’s obligation to repay, and the Authority has no intention of collecting on the loan. Accordingly, this transaction is accounted for as a grant expense within non-operating revenue and expenses rather than notes receivable.

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the Authority for the year ended June 30, 2023:

	Beginning Balance June 30, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$6,505,090	$498,633			$7,003,723
Construction-in-progress	116,686	75,172	($153,918)	($37,940)	
Total assets not being depreciated	6,621,776	573,805	(153,918)	(37,940)	7,003,723
Capital assets being depreciated or amortized:					
Buildings	37,369,164		153,918		37,523,082
Land improvements	7,169,923	49,704			7,219,627
Machinery and equipment	31,315,333	432,179		(89,071)	31,658,441
Infrastructure	964,460				964,460
Right-to-use lease assets - buildings	364,893				364,893
Total capital assets being depreciated or amortized	77,183,773	481,883	153,918	(89,071)	77,730,503
Less accumulated depreciation and amortization:					
Buildings	(21,039,893)	(1,151,112)			(22,191,005)
Land improvements	(6,551,417)	(224,245)			(6,775,662)
Machinery and equipment	(27,994,908)	(1,124,246)		83,702	(29,035,452)
Infrastructure	(24,112)	(24,112)			(48,224)
Right-to-use lease assets - buildings	(49,199)	(49,199)			(98,398)
Total accumulated depreciation and amortization	(55,659,529)	(2,572,914)		83,702	(58,148,741)
Total capital assets, net	$28,146,020	($1,517,226)	NONE	($43,309)	$26,585,485

6. ACCOUNTS PAYABLE

As of June 30, 2023, accounts payable totaled $203,697 and are all vendor payables.

7. LEASES

Lessee Leases:

The Authority leases a building used for agricultural purposes in the amount of $4,252 paid monthly with a lease term of 10 years, with no renewal option available. In accordance with GASB Statement No. 87, *Leases*, a liability has been recorded for the present value of lease payments over the lease term. As of June 30, 2023, the lease liability was $269,183. In determining the present value, a discount rate of 1% was applied, based on the duration of the lease agreement and other factors. The recorded value of the right-to-use asset as of the end of the current fiscal year was $364,893, and accumulated amortization of this asset was $98,398. The current-year amortization of this asset was $49,199. The future principal and interest lease payments as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$48,557	$2,427	$50,984
2025	49,045	1,938	50,983
2026	49,537	1,445	50,982
2027	50,035	947	50,982
2028	50,538	444	50,982
2029	21,471	35	21,506
Total	$269,183	$7,236	$276,419

The lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the Authority does not make an appropriation for its continuation during any future fiscal period. However, such clauses were disregarded in determining the term of the lease for the purpose of measuring the lease assets and liabilities.

The following is a summary of long-term lease liability transactions of the Authority for the year ended June 30, 2023:

	Balance June 30, 2022	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Lease liability	$317,257	($48,074)	$269,183	$48,557
Total long-term liabilities	$317,257	($48,074)	$269,183	$48,557

Lessor Leases:

The Authority's lessor lease activity consists primarily of leasing buildings for the purposes of office and warehouse space, and a variety of other uses. The terms of these leases are for periods ranging from 3 to 50 years at various payment frequencies and amounts. In accordance with GASB Statement No. 87, *Leases*, a receivable has been recorded for the present value of lease payments to be received over the lease term for each agreement. As of June 30, 2023, the combined value of the lease receivables was $25,713,163. In determining the present value, discount rates of 0.29% to 2.5% were applied, depending on the duration of the lease agreement and other factors. Also, deferred inflows associated with these lease payments have been recorded that will be recognized as revenue over the lease terms. The balance of the deferred inflows at June 30, 2023, is $25,230,697.

Inflows recognized during the year ended June 30, 2023, consisted of amortization of deferred inflow of $1,490,766 and interest income of $419,038. Additionally, approximately $139,174 of rental income was recognized on those leases which were not included in the lease receivable, because of the variable nature of the payments. The variable lease payments received are based on receiving 10% of handling fees charged based on the fee in effect at the time.

The future lease collections including principal and interest as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$1,102,186	$474,981	$1,577,167
2025	1,193,484	458,602	1,652,086
2026	1,200,494	440,306	1,640,800
2027	1,221,993	421,710	1,643,703
2028	1,240,903	402,786	1,643,689
2029-2033	5,761,631	1,738,669	7,500,300
2034-2038	5,483,041	1,283,865	6,766,906
2039-2043	1,116,960	990,486	2,107,446
2044-2048	1,318,592	843,681	2,162,273
2049-2053	1,533,008	663,818	2,196,826
2054-2058	1,857,459	453,691	2,311,150
2059-2063	2,143,546	202,008	2,345,554
2064-2065	539,866	7,348	547,214
Total	$25,713,163	$8,381,951	$34,095,114

8. DUE FROM/TO AND TRANSFERS

At June 30, 2023, the Authority has amounts due from/to for the following:

Due from Primary Government:	
Department of Agriculture and Forestry:	
Vehicle Lease	$12,000
Mobile Monitoring	551
South Louisiana Rail Facility	3,000,000
Agro Consumer Services (ACS)	12,414
Forestry	565,710
LA Dairy Industrial Promotion	1,000
Louisiana Property Assistance Agency (LPAA)	202
USDA-National Agricultural Statistics Services (NASS)	9,100
Department of Environmental Quality	1,837
Louisiana Department of Children and Family Services	25,175
Total due from primary government	$3,627,989
Due from Federal Government:	
USDA-LA Seafood Processors Pandemic Response & Safety Program (LSPPRSP) Grant	$117,529
Total due from federal government	$117,529
Due to Primary Government:	
Department of Agriculture and Forestry:	
LAFA Expenses	$13,437
LSPPRSP - grant	114,026
Louisiana Legislative Auditor	72,000
Total due to primary government	$199,463

During the fiscal year ended June 30, 2023, the Authority received (transfers-in) $4,626,575 from the Department of Agriculture and disbursed (transfers-out) $399,068.

9. RESTRICTED NET POSITION

At June 30, 2023, the Authority had the following restricted assets, less liabilities payable from these assets, if any, comprising restricted net position:

Account Title:	Amount:
Boll Weevil Eradication Fund	$2,586,476
Grain and Cotton Indemnity Fund	5,957,010
Aquatic Chelonian Promotion	31,723
Catfish Promotion and Reasearch	384
HUD AG Program	20
Equine Commission Fund	7,145
South Louisiana Rail Facility	3,000,000
Total	$11,582,758

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2023, $11,582,758 is restricted by enabling legislation.

10. RISK MANAGEMENT AND CLAIMS AND LITIGATION

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. 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 year ended June 30, 2023, there were no claims against the Authority that exceeded insurance coverage and there were no expenses for legal services.

Act 151 of the 2020 Regular Session of the Louisiana Legislature allocated the fund balance and the administration and operation of the Grain and Cotton Indemnity Fund (Fund) to the Authority. The purpose of the Fund is to have amounts available for use in meeting licensees' obligations with respect to the reimbursement of any producer who sold agricultural commodities to a licensee and who was not fully compensated. During the fiscal year ended June 30, 2021, the Fund's balance totaling $4,667,115 was transferred to the Authority. As of June 30, 2023, there were no outstanding or pending claims made to the Fund by producers for licensee non-payments. The balance of the Fund as of June 30, 2023, was $5,957,010 and is accounted for within restricted net position.

11. RELATED PARTY TRANSACTIONS

The Authority reimburses the LDAF for certain costs paid on its behalf, including personnel and other operating costs, which totaled $1,151,510 in 2023.

Leases

On July 1, 2019, the Authority, as lessor, entered into a lease agreement with the LDAF for the lease of several locations, including its main office building in Baton Rouge, Boll Weevil warehouse, Baton Rouge (LAFA) warehouse, St. Martinville warehouse, Baton Rouge food distribution warehouse, building/office space in Hammond, Haughton, Monroe, Natchitoches, Oberlin, Opelousas, Woodworth, Jonesville, Oak Grove, Chatham, and Homer. The lease agreement states the lessee shall pay all utilities and maintenance costs necessary to conduct its business and shall provide security personnel or alarm monitoring for the property. These costs shall be credited toward the rental payments made to the Authority.

Under the agreement, annual lease payments totaling $2,005,988 are due through the fiscal year ended June 30, 2024. LDAF paid maintenance and other costs totaling $2,443,851, which exceeds the lease amount by $437,863; therefore, making no lease payments to the Authority for the year ended June 30, 2023. This lease was considered with the adoption of GASB Statement No. 87, *Leases*; however, given the variable nature of the payments no amounts are included in the lease receivable and revenue is recognized as payments are received.

Certain lessor leases with the primary government are included in the lessor receivables and deferred inflows recorded in accordance with GASB Statement No. 87, *Leases*, and described in Note 7. These related party lease receivables totaled $14,828,689, and deferred inflows totaled $14,627,900 as of June 30, 2023. Rental income and interest income for the year ended June 30, 2023, were $1,087,329 and $223,577, respectively.

During fiscal year 2018, the board approved the Authority to issue marketing grants for the Certified Louisiana program, which had the goal of promoting Louisiana agricultural products. In fiscal year 2023, these grants were issued to each applicant in varied amounts ranging from $10,000 to $60,000. For the fiscal year ending June 30, 2023, $158,034 was disbursed for the program.

The South Louisiana Rail Facility (SLRF), an entity receiving grant funding from the Authority (see Note 4), has as one of its governing board members, an individual who is also a Commissioner of the Authority.

12. COMMITMENTS

House Bill 560 was approved through the 2023 Regular Legislative Session, which called for $3 million to be appropriated for the Authority to provide additional funding to the South Louisiana Rail Facility (SLRF) to complete the construction of a building to house a proposed rice facility (see Note 4 for a description of the initial funding for this facility). This amount is included in *Due-from primary government* as of June 30, 2023, and is classified as a restricted non-current asset. The Authority disbursed a total of $500,000 directly to various vendors during the fiscal year ended June 30, 2023, for the construction of this facility in satisfaction of this commitment in advance of receiving the appropriation. The Authority, by way of the legislation, is committed to providing the funding for the remaining $2.5 million for the rice facility, contingent upon receipt of the appropriation.

In March 2023, the Authority ordered 35 new vehicles included on two separate purchase orders totaling $1,180,502. All 35 vehicles were received in November 2023 and paid for upon receipt of vehicles. Therefore, the Authority has a commitment to fulfill payment for these vehicles as of June 30, 2023.

On April 26, 2023, the Authority entered into a lending agreement with LDAF on for advances up to $1.5 million for website upgrades. The advances will be unsecured and bear no interest. As of June 30, 2023, the total amount disbursed under this agreement is $974,434 and is included in notes receivable. The Authority remains committed to funding the remaining advances in order to complete the project.

13. SUBSEQUENT EVENTS

On July 19, 2023, the Authority received the $3 million appropriation contained within House Bill 560 and satisfied its commitment to provide an additional $2.5 million to the South Louisiana Rail Facility through execution of a promissory note.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR

MICHAEL J. "MIKE" WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

June 25, 2024

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the 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 (Government Auditing Standards), the financial statements of the business-type activities of the Louisiana Agricultural Finance Authority (Authority), a component unit of the state of Louisiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BL:JBM:BH:BQD:aa

LAFA 2023