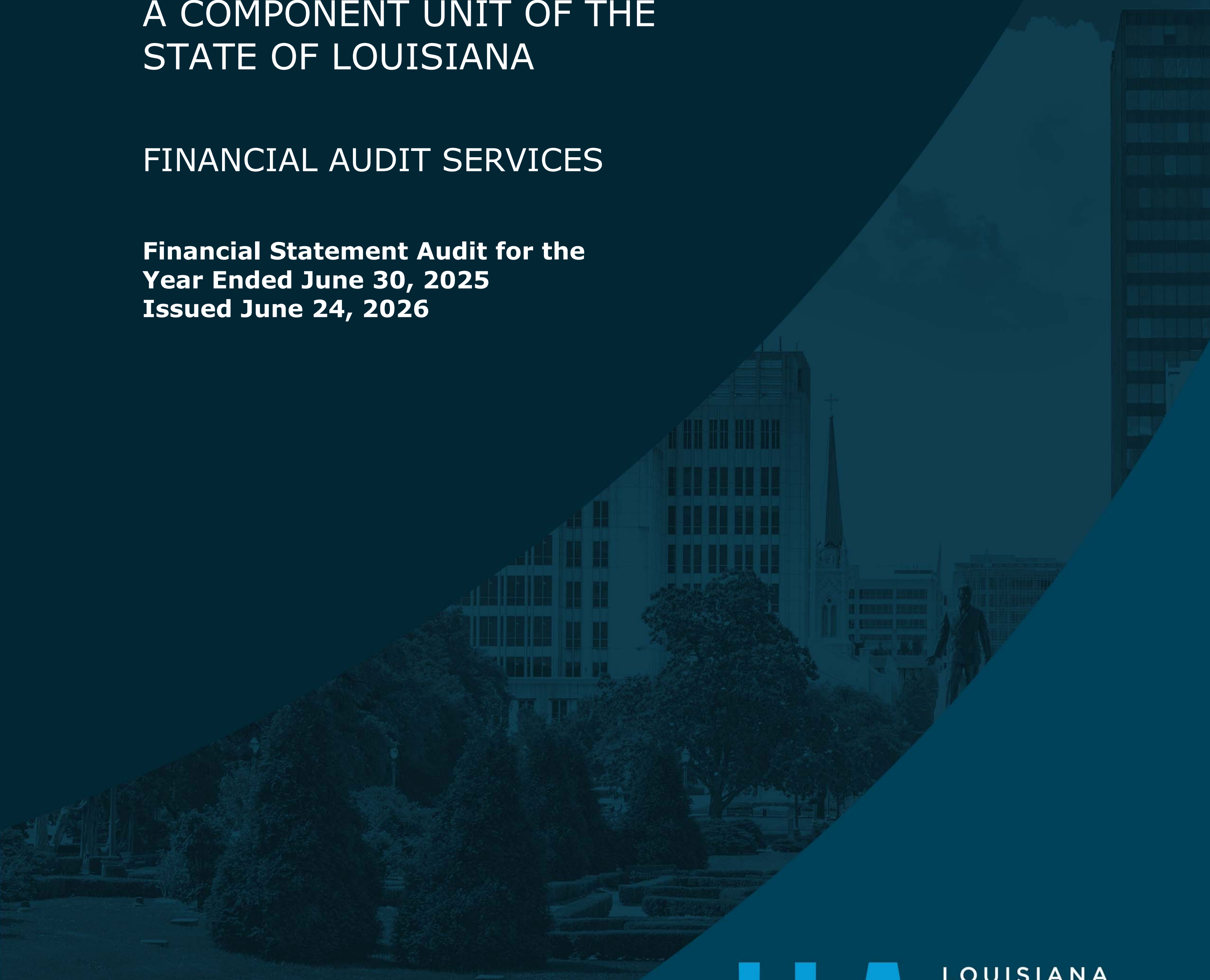
LOUISIANA AGRICULTURAL FINANCE AUTHORITY

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, 2025
Issued June 24, 2026



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

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MICHAEL J. “MIKE” WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

June 24, 2026

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, 2025, 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, 2025, 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 6 through 12 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 24, 2026, 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

KW:JM:BH:BQD:ch

LAFA 2025

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, 2025. 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 13.

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 $56,560,000, which represents a 7.69% increase from the end of the last fiscal year. The change in net position, a measuring benchmark for performance, was approximately $4,041,000 compared to a change in net position in the prior year of $2,176,000. The increase is a result of an increase in transfers-in from other state agencies during the year.

- The Authority's operating revenue increased by approximately $164,000, or 4.68%, and operating expenses increased by approximately $59,000, or 1.18%, signifying consistency in operations.

- Non-operating revenue and expenses decreased approximately $3,626,000 and $2,367,000, respectively, primarily due to a decrease in the level of federal grants received and disbursed. However, when grouped together, the net non-operating expenses increased approximately $1,259,000. This net increase is primarily the result of an increase in levels of assistance provided to the South Louisiana Rail Facility (SLRF) and a loss due to termination of a lease totaling approximately $541,000 and $603,000, respectively, from the prior year.

- The Authority also received transfers-in from other state agencies during the year totaling approximately $9,354,000, an increase of approximately $3,154,000. The increase was primarily a result of an increase in dedicated funding appropriated by the Louisiana Legislature through HB460 for rice marketing activities and HB460 for healthy food.

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 13-14) 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 15-16) 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 17-18) 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, 2025, and June 30, 2024
(in thousands)

	2025	2024	Variance	Percent Variance
Current assets	$13,644	$10,426	$3,218	30.9%
Capital assets	24,585	25,544	(959)	(3.8%)
Lease receivable - noncurrent	15,569	23,417	(7,848)	(33.5%)
Other assets	20,091	17,708	2,383	13.5%
Total assets	73,889	77,095	(3,206)	(4.2%)
Current liabilities	563	614	(51)	(8.3%)
Long-term liabilities	122	171	(49)	(28.7%)
Total liabilities	685	785	(100)	(12.7%)
Deferred inflows of resources	16,644	23,791	(7,147)	(30.0%)
Net position:				
Net investment in capital assets	24,414	25,323	(909)	(3.6%)
Restricted	18,508	13,079	5,429	41.5%
Unrestricted	13,638	14,117	(479)	(3.4%)
Total net position	$56,560	$52,519	$4,041	7.7%

The net investment in capital assets represents the carrying value of the Authority's buildings, equipment, and other capital assets, including right-to-use 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. 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 2024 to 2025 of certain components of the statement of net position is as follows:

- Current assets increased approximately $3,218,000, primarily due to the increase in transfers-in from the Louisiana Department of Agriculture related to the SLRF.

- Capital assets (reported net of accumulated depreciation and amortization), which account for 33.3% of the total assets of the Authority, decreased by approximately $959,000, predominantly due to current-year depreciation and amortization exceeding capital assets acquired.

- Since the adoption of GASB Statement No. 87, *Leases*, in 2022, the Authority, as a lessor of property, recognizes receivables for lease contracts. These contracts, valued at approximately $17,045,000 at June 30, 2025, represent the present value of lease payments to be received over the term of the contracts. Likewise, approximately $16,644,000 of deferred inflows is recorded to allow for recognition of the income from the lease contracts over the life of their terms. Lease receivables and deferred inflows decreased approximately $7,565,000 and $7,147,000, respectively, or approximately 30% from the prior year as a result of termination of several of the lease contracts, one of which was a major tenant.

- Liabilities remained steady, decreasing approximately $100,000.

- The increase in overall net position of approximately $4,041,000 is attributable to revenues and transfers-in exceeding expenses and transfers-out.

Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025, and June 30, 2024
(in thousands)

	2025	2024	Variance	Percent Variance
Operating revenues:				
Rental income	$2,766	$2,495	$271	10.9%
Other	903	1,010	(107)	(10.6%)
Total operating revenues	3,669	3,505	164	4.7%
Nonoperating revenues:				
Federal revenues	576	4,424	(3,848)	(87.0%)
Grants and Contributions	261	70	191	273.2%
Gain on disposal of fixed assets	68	52	16	100.0%
Other nonoperating revenue	92	77	15	19.6%
Total nonoperating revenues	997	4,623	(3,626)	(78.4%)
Total revenues	4,666	8,128	(3,462)	(42.6%)
Operating expenses:				
Operating and other services	5,080	5,021	59	1.2%
Nonoperating expenses:				
Federal expenses	576	4,424	(3,848)	(87.0%)
Non-federal grant expenses	3,583	2,703	880	32.6%
Loss on lease termination	603		603	100.0%
Other non-operating expenses	2	4	(2)	(50.0%)
Total nonoperating expenses	4,764	7,131	(2,367)	(33.2%)
Total expenses	9,844	12,152	(2,308)	(19.0%)
Loss before transfers	(5,178)	(4,024)	(1,154)	28.7%
Transfers-In	9,354	6,200	3,154	50.9%
Transfers-Out	(135)		(135)	(100.0%)
Change in net position	4,041	2,176	1,865	85.7%
Net position, beginning of the year	52,519	50,343	2,176	4.3%
Total net position	$56,560	$52,519	$4,041	7.7%

- The modest increase in operating revenues of approximately $164,000 is attributable to changes in the levels of rent revenue recognized.
- Operating expenses increased only approximately $59,000, or 1.18%, indicating a steady level of operations.

- Non-operating revenues decreased by approximately $3,626,000 as a result of the decrease in federal revenues related to the USDA Louisiana Seafood Program.

- Non-operating expenses decreased by approximately $2,367,000, again, primarily as a result of the decrease in federal grant expenses related to the USDA Louisiana Seafood Program. Non-federal grant expenses related to assistance for the South Louisiana Rail Facility increased during the year offsetting some of the effects of the Seafood Program.

- Transfers-in from other state agencies increased by approximately $3,154,000, or 50.87%, as a result of increased amounts of dedicated funding received or to be received from the primary government for various capital projects throughout the state.

CAPITAL ASSETS

At the end of fiscal year 2025, the Authority had approximately $24,585,000 invested in a broad range of capital assets including land, buildings, equipment, infrastructure, and right-to-use lease assets. This amount represents a net decrease (including additions and deductions) of approximately $959,000, or 3.75%, from last year.

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

	2025	2024	Variance	Percent Variance
Land	$7,004	$7,004		
Buildings and improvements	13,370	14,434	($1,064)	(7.4%)
Equipment	3,108	2,997	111	3.7%
Infrastructure	868	892	(24)	(2.7%)
Right-to-use assets	168	217	(49)	(22.6%)
Construction-in-progress	67		67	100.0%
Total	$24,585	$25,544	($959)	(3.8%)

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The Authority participates in agricultural assistance programs funded from state and federal assistance, 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 anticipated. Operating expenses are projected to remain constant, since no significant changes in the operations are planned for fiscal year 2026. Non-operating revenues and expenses are expected to increase, as a new

USDA – Resilient Food System Infrastructure Grant program will be administered by the Authority in fiscal year 2026. Overall, however, 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.

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

Statement of Net Position, June 30, 2025

ASSETS	
Current assets:	
Cash (note 2)	$7,464,709
Account receivable	21,460
Due from primary government (note 7)	3,959,426
Due from federal governments (note 7)	174,252
Lease receivable (note 6)	1,475,723
Accrued interest receivable	112,535
Notes receivable - LDAF (note 3)	435,378
Other current assets	909
Total current assets	13,644,392
Noncurrent assets:	
Restricted assets:	
Cash (note 2)	14,608,046
Due from primary government (note 7)	3,900,849
Lease receivable (note 6)	15,569,379
Notes receivable - LDAF (note 3)	1,581,215
Capital assets	
(net of depreciation and amortization) (note 4)	24,584,952
Other noncurrent assets	19
Total noncurrent assets	60,244,460
TOTAL ASSETS	73,888,852
LIABILITIES	
Current liabilities:	
Accounts payable (note 5)	77,432
Due to primary government (note 7)	426,814
Lease Liability (note 6)	49,537
Unearned revenues	5,796
Other current liabilities	3,004
Total current liabilities	562,583
Noncurrent liabilties	
Lease Liability (note 6)	121,780
Total noncurrent liabilities	121,780
TOTAL LIABILITIES	684,363

(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, 2025

DEFERRED INFLOWS OF RESOURCES	
Lease related deferred inflows of resources (Note 6)	$16,644,154
Total deferred inflow of resources	16,644,154
NET POSITION	
Net investment in capital assets	24,413,635
Restricted for other specific purposes (note 8)	18,508,895
Unrestricted	13,637,805
TOTAL NET POSITION	$56,560,335

(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, 2025

OPERATING REVENUES:	
Rental income	$2,766,075
Use of money and property	867,796
Other	35,101
Total operating revenues	3,668,972
OPERATING EXPENSES:	
Administrative services	876,909
Contractual services	42,767
Operating services	927,044
Supplies	248,029
Professional services	75,885
Promotional and marketing	466,795
Miscellaneous	83,370
Depreciation and amortization expense (note 4)	2,359,257
Total operating expenses	5,080,056
OPERATING LOSS	(1,411,084)

(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, 2025

NONOPERATING REVENUES (Expenses)	
Non-operating federal revenues	$575,761
Non-operating federal (expenses)	(575,761)
Grants and contributions	261,253
Other grant expenses	(3,583,288)
Interest (expense)	(1,938)
Net gain on disposal of capital assets	67,984
Proceeds from insurance recoveries	91,070
Loss on lease termination	(602,577)
Other nonoperating revenues	1,000
Total nonoperating revenues (expenses)	(3,766,496)
LOSS BEFORE TRANSFERS	(5,177,580)
Transfers-in (note 7)	9,354,278
Transfers-out	(135,377)
CHANGE IN NET POSITION	4,041,321
NET POSITION - BEGINNING OF YEAR	52,519,014
TOTAL NET POSITION AT END OF YEAR	$56,560,335

(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, 2025

Cash flows from operating activities:	
Cash received from customers	$2,939,620
Cash payments to primary government for services	(824,051)
Cash payments to suppliers for goods and services	(2,062,798)
Other receipts	864,939
Net cash provided by operating activities	917,710
Cash flows from noncapital financing activities:	
Operating grants received:	
Federal receipts	484,744
Federal disbursements	(575,761)
Loan receipts	433,411
Cash received from primary government	4,958,318
Cash payments to primary government	(135,377)
Proceeds from operating grants - (non-federal)	127,999
Cash payments to grant recipients (non-federal)	(969,119)
Net cash provided by noncapital financing activities	4,324,215
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	71,582
Proceeds from insurance recoveries	91,070
Proceeds from capital grants (non-federal)	134,254
Acquisition/construction of capital assets	(1,404,203)
Cash payments for lease liability	(49,045)
Cash payments for interest on leases	(1,938)
Net cash used in capital and related financing activities	(1,158,280)
Net increase in cash	4,083,645
Cash at beginning of year	17,989,110
Cash at end of year	$22,072,755

(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, 2025

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	($1,411,084)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,359,257
Changes in assets and liabilities:	
(Increase) in accounts receivable	(21,460)
Decrease in due from other funds	264,004
Decrease in lease receivable	6,963,298
(Increase) in accrued interest receivable	(37,958)
(Decrease) in accounts payable	(84,654)
Increase in due to primary government	52,858
(Decrease) in unearned revenues	(19,546)
(Decrease) deferred inflows of resources	(7,147,005)
Total adjustments	2,328,794
Net cash provided by operating activities	$917,710
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash classified as current assets	$7,464,709
Cash classified as noncurrent assets	14,608,046
Total Cash	$22,072,755

(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.) 3:261-285 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, 2025.

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, has been 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.

The Authority's financial statements have been presented using the accrual basis of accounting. 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.

Under the accrual basis, 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, 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 deferred inflows 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 inflows of resources are measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are 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 and expenses, contributions of capital and transfers-in from other state agencies. 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. 101, *Compensated Absences*. This Statement establishes updated recognition and measurement guidance for compensated absences, aiming to improve the consistency and comparability of financial reporting. The requirements of the Statement are effective for reporting periods beginning after December 15, 2023. At this time, the adoption of this standard has no impact on the Authority's financial statements.

The Authority adopted GASB Statement No. 102, *Certain Risk Disclosures*. This Statement establishes disclosure requirements for risks related to vulnerabilities due to certain concentrations or constraints that may limit a government's ability to acquire resources or control spending. The requirements of the Statement are effective for reporting periods beginning after June 15, 2024. At this time, the adoption of this standard has no impact on the Authority's financial statements.

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, 2025, the Authority has cash deposits (book balances) of $22,072,755 reported on the Statement of Net Position under current assets for $7,464,709 and noncurrent restricted assets for $14,608,046. The total bank balances were $22,179,986.

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, 2025, 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. NOTES RECEIVABLE

Notes receivable - LDAF totaling $2,016,593 reported on the Statement of Net Position at June 30, 2025, is composed of the following:

Type	Balance at June 30, 2025	Noncurrent Portion
Louisiana Department of Agriculture and Foresty -		
Agro Consumer Services -Trucks and Weights	$812,269	$676,891
Website Development	1,200,000	900,000
Farm Youth Loan Program	4,324	4,324
Total	$2,016,593	$1,581,215

In February 2021, the Authority issued a loan to LDAF to purchase four heavy duty scale test trucks. The total loan amount, through 2 amendments to the initial loan agreement, of $947,648 is to be repaid without interest in annual installments of $135,378 over a seven-year term. The first installment was due and paid prior to June 30, 2025. As of June 30, 2025, the loan balance is $812,269, of which $676,891 is non-current and $135,378 is 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 repaid without interest to the Authority in annual installments of $300,000 over a five-year term. The first installment was due and was paid prior to June 30, 2025. As of June 30, 2025, the loan balance is $1,200,000, of which $900,000 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 serve as a rice storage facility. In addition to this loan, SLRF provided $240,000, and Louisiana Economic Development provided $1.6 million for the project. As collateral, the Authority holds the first mortgage on the newly constructed building and an already existing building. The loan's repayments term is 20 years with interest at 2.5%. On March 10, 2023, the Authority provided additional funding for the facility through a $500,000 promissory note.

On August 23, 2023, the Authority again provided funding to the SLRF for construction of an additional structure under a $3,000,000 line of credit converting to a 20-year-term loan on August 23, 2024.

While the Authority has structured these loans as borrowings with entitlement to repayment, with interest, the Authority has been appropriated amounts by the Legislature intended to satisfy the borrower's obligation to repay, and the Authority has no intention of collecting on the loans. Accordingly, these three loans are not reported as assets on the Statement of Net Position at June 30, 2025. For the year ended June 30, 2025, the appropriation was $6,500,000, which is included in the amounts reported in the accompanying financial statements as transfers-in.

4. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the Authority for the year ended June 30, 2025:

	Beginning Balance June 30, 2024	Additions	Transfers	Deletions	Balance June 30, 2025
Capital assets not being depreciated:					
Land	$7,003,723				$7,003,723
Contruction-in-progress		$67,040			67,040
Total capital assets not being depreciated	7,003,723	67,040			7,070,763
Capital assets being depreciated or amortized:					
Buildings	37,523,082	116,924			37,640,006
Land improvements	7,219,627				7,219,627
Machinery and equipment	32,865,553	1,220,239		($868,789)	33,217,003
Infrastructure	964,460				964,460
Right-to-use lease assets - buildings	364,893				364,893
Total capital assets being depreciated or amortized	78,937,615	1,337,163		(868,789)	79,405,989
Less accumulated depreciation and amortization:					
Buildings	(23,341,637)	(1,150,967)			(24,492,604)
Land improvements	(6,966,945)	(30,178)			(6,997,123)
Machinery and equipment	(29,869,219)	(1,104,803)		865,191	(30,108,831)
Infrastructure	(72,336)	(24,110)			(96,446)
Right-to-use lease assets - buildings	(147,597)	(49,199)			(196,796)
Total accumulated depreciation and amortization	(60,397,734)	(2,359,257)		865,191	(61,891,800)
Total capital assets, net of depreciation and amortization	$25,543,604	($955,054)	NONE	($3,598)	$24,584,952

5. ACCOUNTS PAYABLE

As of June 30, 2025, accounts payable totaled $77,432 and are all vendor payables.

6. 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, 2025, the lease liability was $171,317. 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 $196,796. The current-year amortization of this asset was $49,199. The future principal and interest lease payments as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$49,537	$1,445	$50,982
2027	50,035	947	50,982
2028	50,538	444	50,982
2029	21,207	35	21,242
Total	$171,317	$2,871	$174,188

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, in accordance with GASB Statement No. 87, 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, 2025:

	Balance June 30, 2024	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Lease liability	$220,362	($49,045)	$171,317	$49,537
Total long-term liabilities	$220,362	($49,045)	$171,317	$49,537

Lessor Leases:

The Authority's lessor lease activity consists primarily of leasing buildings owned by the Authority 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 20 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, 2025, the combined value of the lease receivables was $17,045,102. In determining the present value, discount rates of 0.29% to 2.6% were applied to future lease payments projected to be received over the lease terms, including renewals that management estimates are reasonably certain to occur. Also, deferred inflows associated with these future lease payments have been recorded that will be recognized as revenue over the lease terms. The balance of the deferred inflows at June 30, 2025, is $16,644,154. Inflows recognized on leases recorded as a receivable pursuant to GASB Statement No. 87 during the year ended June 30, 2025, consisted of amortization of deferred inflow of $1,553,336 and interest income of $330,101. Additionally, approximately $135,437 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, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$1,475,723	$284,226	$1,759,949
2027	1,510,658	257,623	1,768,281
2028	1,547,368	230,250	1,777,618
2029	1,553,311	202,525	1,755,836
2030	1,468,665	175,111	1,643,776
2031-2035	6,767,379	487,355	7,254,734
2036-2040	2,721,998	59,047	2,781,045
Total	$17,045,102	$1,696,137	$18,741,239

During the year ended June 30, 2025, a change in estimate occurred which significantly impacted the amounts reported as lease receivable and deferred inflows. As a result of the termination of a leased facility which was then leased to a different tenant, the estimated future renewal periods were significantly reduced in determining the present value of future lease payments. This change in estimate was a major factor in the lease receivable decreasing by $7,565,875.

7. DUE FROM/TO AND TRANSFERS

At June 30, 2025, the Authority has amounts due from/to for the following:

<u>Due from Primary Government:</u>	
Department of Agriculture and Forestry:	
Mobile Monitoring (GPS)	$172,813
Forestry	135,377
Corporate Mechanical Contractors (CMC) Contract	153,300
KONE Repairs	122,120
ACT No. 461 Rice Marketing	6,500,000
ACT No. 461 Healthy Food Retail Act (HFRA)	500,000
Other	26,190
Agro Consumer Services (ACS)	21,287
Department of Environmental Quality	204,013
Louisiana Department of Children and Family Services	25,175
Total due from primary government	$7,860,275
Amount classified as current	$3,959,426
Amount classified as noncurrent	3,900,849
	$7,860,275
<u>Due from Federal Government:</u>	
USDA-Resilient Food Systems Infrastructure Grant	$174,252
Total due from federal government	$174,252
<u>Due to Primary Government:</u>	
Department of Agriculture and Forestry:	
LSPPRSP - grant	$36,974
USDA-RFSI	174,252
Salaries and personnel costs	140,532
Indian Creek	42,079
Louisiana Rice Promotion Board	20,000
Louisiana Crawfish Promotion Research Board	10,000
Louisiana Department of Revenue	2,977
Total due to primary government	$426,814

During the fiscal year ended June 30, 2025, the Authority received (transfers-in) of $9,354,278 from the Department of Agriculture and disbursed (transfer-out) $135,377.

8. RESTRICTED NET POSITION

At June 30, 2025, 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	$2,786,070
Grain and Cotton Indemnity Fund	7,673,815
Aquatic Chelonian Promotion	33,281
Catfish Promotion and Research	402
Forestry Protection Program	27,270
HUD AG Program	20
Equine Commission Fund	12,497
Maintenance and Renovations	4,074,691
ACT No. 461 Rice Marketing	3,400,849
ACT No. 461 Healthy Food Retail Act (HFRA)	500,000
Total	$18,508,895

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2025, $18,508,895 is restricted by enabling legislation.

9. 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 may be, from time to time, 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 condition of the Authority.

During the year ended June 30, 2025, 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 balance of the Grain and Cotton Indemnity Fund (Fund) of $4,667,115 to the Authority along with the duties for administration and operation. 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. As of June 30, 2025, there were no outstanding or pending claims made to the Fund by producers for licensee non-payments. Annual transfers-in of the revenue generated through sales of grain and cotton commodities have increased the balance of the Fund to $7,673,815 as of June 30, 2025, and which is included in restricted net position. See note 12 for a subsequent event affecting this fund's balance.

10. RELATED-PARTY TRANSACTIONS

The Authority reimburses the LDAF for costs paid on its behalf, including personnel and other operating costs. Those costs totaled $1,965,589 in 2025.

Leases

On July 1, 2024, 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, and 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 were due through the fiscal year ended June 30, 2025. LDAF paid maintenance and other costs totaling $2,627,689 which exceeds the lease amount by $621,701; therefore, no lease payments were made to the Authority for the year ended June 30, 2025. GASB Statement No. 87, *Leases*; accounting is not applied to the lease, given the variable nature of the payments.

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 6. These related-party lease receivables totaled $12,796,055, and deferred inflows totaled $12,443,184 as of June 30, 2025. Rental income and interest income for the year ended June 30, 2025, were $1,092,358 and $194,687, 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 2025, these grants were issued to each applicant in amounts ranging from $5,000 to $20,000. For the year ending June 30, 2025, $67,499 was disbursed for the program, of which $30,000 is included in Due to Primary Government (see Note 7).

Loans

The Authority has several loans issued and outstanding to the LDAF as described in Note 3.

The SLRF, an entity receiving grant funding from the Authority (see Note 3), has as one of its governing board members, an individual who is also a Commissioner of the Authority. This member does recuse himself from all discussions and voting on business items related to SLRF, as shown in the official minutes of board meetings.

11. ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Governmental Accounting Standards Board issued GASB Statement No. 103, *Financial Reporting Model Improvements*. This statement establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following: (a) Management's discussion and analysis (MD&A), (b) Unusual or infrequent items, (c) Presentation of the Proprietary fund statement of revenues, expenses, and changes in fund net position, (d) Information about major component units in basic financial statements, (e) Budgetary comparison information and (f) Financial trends information in the statistical section. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Authority will implement for the fiscal year ending June 30, 2026.

The Governmental Accounting Standards Board issued GASB Statement 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement 34, including leases and subscription-based information technology arrangements. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Authority will implement for the fiscal year June 30, 2026.

The Governmental Accounting Standards Board issued GASB Statement 105, *Subsequent Events.* This statement (1) clarifies the subsequent events timeframe and the subsequent events that constitute recognized and nonrecognized events and (2) specifies the information items that are required to be disclosed about subsequent events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. The Authority will implement for the fiscal year ending June 30, 2027.

12. SUBSEQUENT EVENT

On Monday, November 17, 2025, the LDAF's Louisiana Agricultural Commodities Commission (LACC) declared Nebraska-based grain dealer Hansen-Mueller insolvent following the company's filing for Chapter 11 bankruptcy. As a result of the company's inability to pay claims, the LACC voted to open the Louisiana Grain and Cotton Indemnity Fund to ensure Louisiana producers are paid (see Note 9 for description of the Grain and Cotton Indemnity Fund). Approximately $5,400,000 had been disbursed to claimants through the date these financial statements were issued.

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 and 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 24, 2026

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, 2025, 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 24, 2026.

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 Authority'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

KW:JM:BH:BQD:ch

LAFA 2025