

LOUISIANA AGRICULTURAL FINANCE AUTHORITY

DEPARTMENT OF AGRICULTURE AND FORESTRY
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2021
ISSUED JUNE 30, 2022

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

June 24, 2022

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 10 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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, 2022, 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,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

JS:ETM:RR:EFS:aa

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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, 2021. 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 11.

FINANCIAL HIGHLIGHTS

- The Authority's net position, or the amount by which assets exceeded its liabilities at close of the fiscal year, was \$49,650,786, which represents a 10.39% increase from the end of the last fiscal year. The change in net position, a measuring benchmark for performance, improved over the prior fiscal year from a decrease of \$711,197 to an increase of \$4,673,795. The increase is a result of a 447.8% increase in transfers-in from other state agencies offset by an increase in operating expenses.
- The Authority's operating revenue decreased by \$119,019, or 4.6%, and operating expenses increased by \$600,982, or 12.9%. The increase in operating expenses is attributable to the execution of operating services, supplies, and depreciation expense.
- Net non-operating revenues totaled \$563,601, an overall increase of \$493,732. This increase is primarily the result of an increase in grants and contributions net of expenditures.
- The Authority also received transfers-in from other state agencies during the year totaling \$7,015,488, an increase of \$5,734,817. The increase resulted primarily from a transfer into the Authority totaling \$4,667,115 for the Grain and Cotton Indemnity Fund and from increases in transfers for the Boll Weevil Emergency Fund, Forestry (for Timber), and Forestry Protection.

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 11-12) 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 13-14) 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 15-16) 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, 2021, and June 30, 2020 (in thousands)

	2021	2020	Variance	Percent Variance
Current assets	\$14,146	\$14,242	(\$96)	(0.7%)
Capital assets	28,166	29,101	(935)	(3.2%)
Other assets	7,757	2,460	5,297	215.3%
Total assets	<u>50,069</u>	<u>45,803</u>	<u>4,266</u>	<u>9.3%</u>
Current liabilities	419	826	(407)	(49.3%)
Total liabilities	<u>419</u>	<u>826</u>	<u>(407)</u>	<u>(49.3%)</u>
Deferred inflows of resources	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net position:				
Net investment in capital assets	28,166	29,101	(935)	(3.2%)
Restricted	7,390	1,837	5,553	302.3%
Unrestricted	<u>14,095</u>	<u>14,039</u>	<u>56</u>	<u>0.4%</u>
Total net position	<u>\$49,651</u>	<u>\$44,977</u>	<u>\$4,674</u>	<u>10.4%</u>

The net investment in capital assets represents the carrying value of the Authority's buildings, equipment, and other capital 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 2020 to 2021 of certain components of net position is as follows:

- Current assets remained relatively unchanged, decreasing by approximately \$96,000.
- Capital assets (reported net of accumulated depreciation), which account for 56% of the total assets of the Authority, decreased by approximately \$935,000, predominantly due to current-year depreciation exceeding capital assets acquired.
- Liabilities decreased by approximately \$407,000, predominantly due to a decrease in vendor payables and amounts due to the Office of Community Development at year-end.
- The increase in overall net position of approximately \$4,674,000 is attributable to increases in transfers in, which exceed overall reductions in revenues and increases in expenses.

**Comparative Statement of Revenues, Expenses,
and Changes in Net Position**
For the Years Ended June 30, 2021, and June 30, 2020
(in thousands)

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>Percent Variance</u>
Operating revenues:				
Rental income	\$2,441	\$2,494	(\$53)	(2.1%)
Other	41	107	(66)	(61.7%)
Total operating revenues	<u>2,482</u>	<u>2,601</u>	<u>(119)</u>	<u>(4.6%)</u>
Nonoperating revenues:				
Federal revenues	124	9,809	(9,685)	(98.7%)
Grants and Contributions	430		430	100.0%
Other nonoperating revenue	2	50	(48)	(96.0%)
Gain on disposal of fixed assets	38	17	21	100.0%
Total revenues	<u>3,076</u>	<u>12,477</u>	<u>(9,401)</u>	<u>(75.3%)</u>
Operating expenses:				
Operating and other services	5,264	4,663	601	12.9%
Nonoperating expenses:				
Federal expenses	30	9,806	(9,776)	(99.7%)
Total nonoperating expenses	<u>30</u>	<u>9,806</u>	<u>(9,776)</u>	<u>(99.7%)</u>
Total expenses	<u>5,294</u>	<u>14,469</u>	<u>(9,175)</u>	<u>(63.4%)</u>
Loss before transfers	<u>(2,218)</u>	<u>(1,992)</u>	<u>(226)</u>	<u>11.3%</u>
Transfers-In	7,016	1,281	5,735	447.7%
Transfers-Out	<u>(124)</u>		<u>(124)</u>	<u>(100.0%)</u>
Change in net position	4,674	(711)	5,385	(757.4%)
Net position, beginning of the year	<u>44,977</u>	<u>45,688</u>	<u>(711)</u>	<u>(1.6%)</u>
Total net position	<u><u>\$49,651</u></u>	<u><u>\$44,977</u></u>	<u><u>\$4,674</u></u>	<u><u>10.4%</u></u>

- The decrease in operating revenues of approximately \$119,000 was predominantly attributable to a decrease in interest income and a decrease in rental income from the Department of Agriculture.
- The increase in operating expenses of approximately \$601,000 is predominantly due to increases in operating services, supplies expenses and depreciation expense.

- Non-operating revenues and expenses decreased by approximately \$9,282,000 and \$9,776,000 respectively, as a result of decreases in federal grants and contributions.
- Transfers-in from other state agencies increased by approximately \$5,735,000 as a result of the increases in dedicated funding receipts for the Grain and Cotton Indemnity Fund, the Boll Weevil Emergency Fund and from Forestry and Forestry Protection.

CAPITAL ASSETS

At the end of fiscal year 2021, the Authority had \$28,166,156 invested in a broad range of capital assets including land, buildings, equipment, and construction-in-progress. This amount represents a net decrease (including additions and deductions) of \$934,955 (3.2%) over the last year.

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

	2021	2020	Variance	Percent Variance
Land	\$6,505	\$6,505		
Buildings and improvements	18,392	19,545	(\$1,153)	(5.9%)
Equipment	2,320	2,606	(286)	(11.0%)
Construction-in-progress	949	445	504	113.3%
Total	<u>\$28,166</u>	<u>\$29,101</u>	<u>(\$935)</u>	<u>(3.2%)</u>

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 agencies as well. 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 because there are no significant new programs or levels of support as there were in 2021. Operating expenses are projected to remain constant, since no significant changes in the operations are planned for fiscal year 2022. Federal non-operating revenues are expected to increase from grants funded by the U.S. Department of Agriculture to aid Louisiana seafood industry that will be administered by the Authority. In addition, the Authority has approved a \$2.4 million loan to the South Louisiana Rail Facility as additional funding for the construction of a building to house a proposed rice facility.

**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 Catrina Phillips Irvin, Louisiana Department of Agriculture & Forestry, 5825 Florida Boulevard, Baton Rouge, Louisiana 70821-3334.

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

Statement of Net Position, June 30, 2021

ASSETS

Current assets:

Cash (note 2)	\$12,853,656
Accounts receivable (note 3)	622,513
Due from primary government (note 9)	513,681
Notes receivable (note 4)	133,986
Other current assets	22,392
Total current assets	<u>14,146,228</u>

Noncurrent assets:

Restricted assets:

Cash (note 2)	7,389,758
Lease receivable (note 7)	100,000
Notes receivable - LDAF and Farm Youth (note 4)	267,379
Property, plant, and equipment (net of depreciation) (note 5)	28,166,156
Other noncurrent assets	20
Total noncurrent assets	<u>35,923,313</u>

TOTAL ASSETS

50,069,541

LIABILITIES

Current liabilities:

Accounts payable (note 6)	124,963
Due to primary government (note 9)	275,056
Unearned revenues	15,732
Other current liabilities	3,004
Total current liabilities	<u>418,755</u>

TOTAL LIABILITIES

418,755

(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 Net Position, June 30, 2021**

NET POSITION

Net investment in capital assets	\$28,166,156
Restricted for other specific purposes (note 10)	7,389,758
Unrestricted	<u>14,094,872</u>

TOTAL NET POSITION \$49,650,786

(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, 2021**

OPERATING REVENUES:

Rental income	\$2,441,381
Use of money and property	26,979
Other	14,107
Total operating revenues	<u>2,482,467</u>

OPERATING EXPENSES:

Administrative services	754,608
Contractual services	122,452
Operating services	493,513
Supplies	425,559
Professional services	105,485
Promotional and marketing	789,814
Miscellaneous	10,681
Depreciation expense (note 5)	2,562,093
Total operating expenses	<u>5,264,205</u>

OPERATING LOSS (2,781,738)

(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, 2021**

NONOPERATING REVENUES (Expenses)	
Nonoperating revenues - federal revenues	\$124,095
Nonoperating expenses - federal (expenses)	(30,507)
Grants and contributions	430,365
Net gain on disposal of capital assets	37,461
Proceeds from insurance recoveries	2,187
Total nonoperating revenues (expenses)	<u>563,601</u>
LOSS BEFORE TRANSFERS	<u>(2,218,137)</u>
Transfers-in (note 9)	7,015,488
Transfers-Out	<u>(123,556)</u>
CHANGE IN NET POSITION	4,673,795
NET POSITION - BEGINNING OF YEAR	<u>44,976,991</u>
TOTAL NET POSITION AT END OF YEAR	<u><u>\$49,650,786</u></u>

(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, 2021**

Cash flows from operating activities:

Cash received from customers	\$2,669,372
Cash payments to primary government for services	(660,538)
Cash payments to suppliers for goods and services	(2,010,650)
Other receipts	41,086
Net cash provided by operating activities	<u>39,270</u>

Cash flows from noncapital financing activities:

Operating grants received:	
Federal receipts	30,507
Federal disbursements	(30,507)
Loan receipts	173,916
Cash received from primary government	6,273,109
Payments to Office of Community Development	(198,979)
Net cash provided by noncapital financing activities	<u>6,248,046</u>

Cash flows from capital and related financing activities:

Proceeds from sale of capital assets	100,000
Proceeds from insurance recoveries	2,187
Proceeds from capital grants:	
Federal receipts	93,588
Other grant receipts	430,365
Cash received from primary government	742,379
Acquisition/construction of capital assets	(1,627,138)
Payments to Primary Government	(123,556)
Net cash used by capital and related financing activities	<u>(382,175)</u>

Net increase in cash	5,905,141
Cash at beginning of year	<u>14,338,273</u>
Cash at end of year	<u>\$20,243,414</u>

(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, 2021**

Reconciliation of Operating Loss to Net Cash

Provided by Operating Activities:

Operating loss	(\$2,781,738)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,562,093
Changes in assets and liabilities:	
Decrease in receivables	31,026
Decrease in due from primary government	195,811
Decrease in other assets	46,875
(Decrease) in accounts payable	(110,021)
Increase in due to primary government	94,070
Increase in unearned revenues	1,154
Total adjustments	<u>2,821,008</u>
Net cash provided by operating activities	<u><u>\$39,270</u></u>

**Reconciliation of Cash and Cash Equivalents
to the Statement of Net Position:**

Cash classified as current assets	\$12,853,656
Cash classified as noncurrent assets	<u>7,389,758</u>
Total Cash	<u><u>\$20,243,414</u></u>

**SCHEDULE OF NONCASH INVESTING, CAPITAL,
AND FINANCING ACTIVITIES:**

Agricultural loans transferred to Office of Community Development	(\$198,979)
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(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, 2021.

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 of the state of Louisiana because the state exercises oversight responsibility in that the governor appoints eight of the nine Authority members and is able to impose his will on the Authority. The accompanying financial statements present only the activity of the 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 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

Property and equipment 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. Depreciation of all exhaustible capital assets of the Authority is charged as an expense against operations. Buildings and building improvements have a capitalization threshold of \$25,000. 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:

	<u>Years</u>
Buildings and improvements	20, 25 or 40
Equipment	5 or 10

G. COMPENSATED ABSENCES, PENSION BENEFITS, AND POSTRETIREMENT 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. NET POSITION

Net position comprises the various net earnings from operations, nonoperating 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 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.

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, 2021, the Authority has cash deposits (book balances) of \$20,243,414 and bank balances of \$20,332,090.

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, 2021, 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, 2021:

<u>Account Title</u>	<u>Balance at June 30, 2021</u>
Leases receivable	\$574,792
Lacassine Industrial Park	29,167
Other	18,554
Total	<u>\$622,513</u>

4. NOTES RECEIVABLE/DUE TO OFFICE OF COMMUNITY DEVELOPMENT

Notes receivable totaling \$401,365 reported on the Statement of Net Position at June 30, 2021, is composed of the following:

<u>Type</u>	<u>Balance at June 30, 2021</u>	<u>Noncurrent Portion</u>
Louisiana Department of Agriculture and Forestry - Agro Consumer Services	\$394,009	\$260,023
Farm Youth Loan Program	7,356	7,356
Total	<u>\$401,365</u>	<u>\$267,379</u>

On November 30, 2009, under a cooperative endeavor agreement effective March 23, 2009, between the Authority and OCD, the Authority began issuing loans and grants for the Louisiana Farm and Agribusiness Recovery Loan and Grant Program. The funds were awarded by the U.S. Department of Housing and Urban Development with Community Development Block Grant Program funds, which are administered through OCD. At June 30, 2021, all outstanding balances under the agribusiness and farm loan programs had been turned over to OCD; therefore, the Authority's balances of these loans are reported at \$0, as of June 30, 2021.

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 of \$33,497 over a five-year term. The LDAF prepaid the fiscal year 2021 amounts due in fiscal year 2020; therefore, no collections were made on the loans during fiscal year 2021.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2021, follows:

	Balance June 30, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$6,505,090				\$6,505,090
Construction-in-progress	445,354	\$892,892	(\$389,255)		948,991
Total assets not being depreciated	<u>6,950,444</u>	<u>892,892</u>	<u>(389,255)</u>		<u>7,454,081</u>
Capital assets being depreciated:					
Buildings	37,117,551		251,613		37,369,164
Land improvements	7,119,923				7,119,923
Equipment	29,120,199	734,246	137,642	(\$747,795)	29,244,292
Total capital assets being depreciated	<u>73,357,673</u>	<u>734,246</u>	<u>389,255</u>	<u>(747,795)</u>	<u>73,733,379</u>
Less accumulated depreciation:					
Buildings	(18,833,314)	(1,151,494)	92,177		(19,892,631)
Land improvements	(5,858,878)	(345,019)			(6,203,897)
Equipment	(26,514,814)	(1,065,580)	(92,177)	747,795	(26,924,776)
Total accumulated depreciation	<u>(51,207,006)</u>	<u>(2,562,093)</u>		<u>747,795</u>	<u>(53,021,304)</u>
Total capital assets, net	<u>\$29,101,111</u>	<u>(\$934,955)</u>	<u>NONE</u>	<u>NONE</u>	<u>\$28,166,156</u>

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2021:

<u>Account Name</u>	<u>Amount</u>
Vendor payables	\$122,533
Other	2,430
Total payables	<u>\$124,963</u>

7. LEASES

A. Capital Leases

The Authority, as lessee, has no capital leases.

B. Operating Leases

The total payments for operating leases, consisting of land and office space leases, during fiscal year 2021 amounted to \$103,037. The following is a schedule, by year, of future minimum annual rental payments required under operating leases:

<u>Year ending June 30,</u>	<u>Office Space</u>	<u>Land</u>	<u>Total Minimum Payments Required</u>
2022	\$51,022	\$25,826	\$76,848
2023	51,022	3,601	54,623
2024	51,022	3,601	54,623
2025	51,022	3,601	54,623
2026	51,022	1	51,023
2027-2029	<u>123,303</u>	<u>4</u>	<u>123,307</u>
Total	<u>\$378,413</u>	<u>\$36,634</u>	<u>\$415,047</u>

C. Lessor - Operating Leases

When a lease agreement does not satisfy at least one of the four capitalization criteria (common to both lessee and lessor accounting) and both of the criteria for a lessor (collectability and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale, and the lessor simply records rent revenues as they become due. The following property is on lease or held for leasing as of June 30, 2021:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Buildings	\$35,021,686	(\$18,788,134)	\$16,233,552
Equipment	6,279,655	(4,970,872)	1,308,783
Land	<u>774,342</u>		<u>774,342</u>
Total carrying amount of property	<u>\$42,075,683</u>	<u>(\$23,759,006)</u>	<u>\$18,316,677</u>

Lease revenues received for long-term leases in fiscal year 2021 totaled 1,765,637. The following is a schedule, by year, of minimum future rentals on non-cancelable operating leases as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Space</u>	<u>Land</u>	<u>Total</u>
2022	\$1,734,904	\$70,262	\$1,805,166
2023	1,702,908	64,883	1,767,791
2024	1,683,383	64,883	1,748,266
2025	1,122,832	52,683	1,175,515
2026	1,048,664	37,949	1,086,613
2027-2029	1,855,638	63,775	1,919,413
Total	<u>\$9,148,329</u>	<u>\$354,435</u>	<u>\$9,502,764</u>

The future rent payments have been reduced for the lease with LDAF in relation to the current year lease payment received of \$47,830, net of associated costs such as utilities, maintenance, security personnel, and alarm monitoring. These associated costs were credited toward the rental payments made to the Authority and will be comparable in future years. The annual amount received from LDAF is based on LDAF's available funds. The Authority has estimated these annual payments at up to \$200,000 per year through the year ending June 30, 2024, the end of the lease term.

No contingent rentals were received from operating leases for the fiscal year ended June 30, 2021.

D. Lessor – Sales-Type Lease

On April 10, 2019, the Authority entered into a lease agreement with the Louisiana Military Department for land and buildings owned by the Authority to be paid annually. The term of the lease agreement is five years ending December 31, 2023. Amounts to be paid to the Authority over the term equal \$540,000; \$240,000 was received in May 2019 to cover fiscal years 2019 and 2020, \$100,000 was received in May 2020 to cover fiscal year 2021, \$100,000 was received in May 2021 to cover fiscal year 2022 and \$100,000 is to be received annually thereafter. The lease agreement meets the criteria for a sales-type lease since the agreement stipulates the purchase is automatically exercised upon payment of the entire amount unless the Louisiana Military Department provides written notice to the contrary. The Authority records the portion of capital lease receivables attributable to interest income as unearned revenue. The future minimum lease payments receivable under this agreement as of June 30, 2021 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$100,000
2023	100,000
Total	200,000
Less: 2022 payment received in advance	(100,000)
Lease receivable	100,000
Less: interest (unearned)	(7,353)
Net investment in lease	<u>\$92,647</u>

8. CONDUIT DEBT OBLIGATIONS

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

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

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

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

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

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired To Date</u>	<u>Outstanding June 30, 2021</u>
Agricultural Loan Program:						
	8.25%	1986A I	various	\$150,000,000	\$108,940,500	None
	8.80%	1986A II	various	150,000,000	106,683,411	None
Total				<u>\$300,000,000</u>	<u>\$215,623,911</u>	<u>None</u>

Both of the 1986 bond issues were payable solely from the proceeds of two Guaranteed Investment Contracts with Executive Life Insurance Company and from certain agricultural loans permitted under the financing program. The commissioner of insurance from the State of California placed

Executive Life Insurance Company into conservatorship on April 11, 1991. Both of the 1986 series bonds subsequently defaulted.

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. Distributions through the fiscal year ended June 30, 2021, under the modified plan, including interest, total \$158,273,018 for the LAFA I bonds and \$157,964,420 for the LAFA II bonds. These distributions include court-ordered trust administration costs of \$4,998,192 for the LAFA I bonds and \$4,975,105 for the LAFA II bonds. Principal and interest of \$108,940,500 and \$44,334,326, respectively, have been paid for the LAFA I series bonds, and principal and interest of \$106,683,411 and \$46,305,904, respectively, have been paid for the LAFA II series bonds. Under the plan, distributions continued until the conservator declared they were complete.

On September 30, 2020, and October 8, 2020, the Bank of New York Mellon Trust Company, N.A, successor trustee for the defaulted LAFA I and LAFA II bonds, respectively, sent a Final Notice and Final Payment to Holders of the defaulted bonds. The final payments for the LAFA I and LAFA II bonds were made beginning on October 29, 2020, and November 5, 2020, respectively. As of June 30, 2021, the distributions are complete and no further distributions will be made.

9. DUE FROM/TO PRIMARY GOVERNMENT AND TRANSFERS

At June 30, 2021, the Authority has amounts due from/to the primary government for the following:

<u>Source</u>	<u>Total</u>
<u>Due from Primary Government:</u>	
Department of Agriculture and Forestry:	
Vehicle Lease	\$182,595
Mobile Monitoring	141,896
Rental Income	47,831
Aquatic Chelonian	51,001
LPAA Income	37,461
USDA - NASS	9,100
Department of Environmental Quality	470
LA Military Department	8,540
Louisiana Department of Civil Service	5,583
Department of Transportation and Development	<u>29,205</u>
Total due from primary government	<u><u>\$513,682</u></u>
<u>Due to Primary Government:</u>	
Department of Agriculture and Forestry:	
Salaries: Security	\$66,587
Indian Creek administrative costs	39,294
Other	12,593
LA Military Department	8,540
Louisiana Legislative Auditor	55,000
Louisiana State University (Aquatic Chelonian)	4,946
Department of Culture, Recreation, and Tourism	85,000
Department of Revenue	<u>3,096</u>
Total due to primary government	<u><u>\$275,056</u></u>

During the fiscal year ended June 30, 2021, the Authority received (transfers-in) totaling \$7,015,488 from the Department of Agriculture and Forestry and disbursed (transfers-out) totaling \$123,556.

10. RESTRICTED NET POSITION

The Authority's restricted net position of \$7,389,758 as of June 30, 2021, is comprised of the following:

<u>Account Title</u>	<u>Amount</u>
Boll Weevil Eradication Fund	\$2,373,886
Forestry Protection Program	344,554
Grain and Cotton Indemnity Fund	4,671,298
HUD AG Program	20
Total	<u>\$7,389,758</u>

11. 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, 2021, 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. For the fiscal year ended June 30, 2021, the Fund's balance totaling \$4,667,115 was transferred to the Authority. In addition, there were no outstanding or pending claims made to the Fund by producers for licensee nonpayments. The balance of the Fund as of June 30, 2021, totaling \$4,671,298 is accounted for within restricted net position.

12. RELATED PARTY TRANSACTIONS

The Authority reimburses the LDAF for certain costs paid on its behalf, including personnel and other operating costs, which totaled \$720,942 in 2021.

During fiscal year 2010, the Authority began administering the Louisiana Farm and Agribusiness Recovery Loan and Grant Program, with funding from the Office of Community Development (OCD) of the Division of Administration. Under the program, the Authority made loans and grants totaling \$1,304,382 to 34 individuals employed by LDAF or serving in a capacity within LDAF who, for reporting purposes, are considered related parties. These individuals, whose loans were allowable under R.S. 42:1113(D)(1)(c)(iii) and under the cooperative endeavor agreement between the Authority and OCD, qualified for the loans based on pre-established criteria applied to all loan applicants. As of June 30, 2021, all outstanding balances under the agribusiness and farm loan programs had been turned over to OCD; therefore, the Authority's balances of these loans are reported at \$0 as of June 30, 2021.

On July 1, 2019, the Authority entered into a lease agreement with the LDAF for the lease of the main office building, Boll Weevil warehouse, Baton Rouge (LAFA) warehouse, St. Martinville warehouse, Baton Rouge food distribution warehouse, building/office space in Hammond, Houghton, Monroe, Natchitoches, Oberlin, Opelousas, Woodworth, Jonesville, Oak Grove, Chatham, and Homer totaling \$2,005,988 annually with a lease term of five years. 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. The Authority received lease payments of \$47,830 from LDAF for the year ended June 30, 2021, net of associated costs totaling \$1,958,158.

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. These grants were issued to each applicant in varied amounts ranging from \$7,400 to \$100,000. For the fiscal year ending June 30, 2021, \$196,207 was disbursed for the program.

13. COMMITMENTS

At its February 18, 2021, meeting the Authority's board granted permission to Mike Strain, DVM, Commissioner of Agriculture, to proceed in establishing a \$2.4 million loan to the South Louisiana Rail Facility (SLRF) to provide additional funding 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%.

The Authority entered into a lending agreement with LDAF on February 2, 2021, as amended, for advances up to \$937,510. The advances will be unsecured and bear no interest. No amounts have been disbursed under the agreement as of June 30, 2021, but the Authority remains committed to funding the advances.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters 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

June 24, 2022

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, 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, 2021, 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, 2022.

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 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 may exist that have not been identified.

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 report 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

JS:ETM:RR:EFS:aa

LAF 2021