

ROAD HOME CORPORATION d/b/a
LOUISIANA LAND TRUST
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED NOVEMBER 24, 2010

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

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$18.42. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 10198 or Report ID No. 80090110 for additional information.

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	Page
Independent Auditor's Report on the Financial Statements	3
Statement	
Basic Financial Statements:	
Statement of Net Assets.....	A 5
Statement of Revenues, Expenses, and Changes in Net Assets	B 7
Statement of Cash Flows	C 9
Notes to the Financial Statements	11
Exhibit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 1, 2010

Independent Auditor's Report
on the Financial Statements

LOUISIANA LAND TRUST
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Road Home Corporation d/b/a Louisiana Land Trust (LLT), a component unit of the State of Louisiana, as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of management of the LLT. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LLT as of June 30, 2009 and 2008, and its respective changes in financial position and cash flows for the years then ended June 30, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, on our consideration of the LLT'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LLT has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

CR:ETM:BQD:THC:dl

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**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash (note 2)	\$276,673	\$1,096,539
Receivables, net (note 3)	9,180,337	3,561,505
Prepaid expenses	361,664	
Total current assets	<u>9,818,674</u>	<u>4,658,044</u>
Noncurrent assets - capital assets, net (note 4)	194,007,685	158,661,137
Total assets	<u>203,826,359</u>	<u>163,319,181</u>
LIABILITIES		
Current liabilities - accounts payable and accruals (note 5)	9,941,860	4,658,044
Noncurrent liabilities - compensated absences (note 6)	50,647	11,424
Total liabilities	<u>9,992,507</u>	<u>4,669,468</u>
NET ASSETS		
Invested in capital assets, net of related debt	194,007,685	158,661,137
Unrestricted	(173,833)	(11,424)
Total net assets	<u>\$193,833,852</u>	<u>\$158,649,713</u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Federal grants and contracts	<u>\$34,714,549</u>	<u>\$15,328,135</u>
OPERATING EXPENSES		
Property portfolio expenses (note 8)	32,520,881	14,160,970
Salaries and related benefits	1,493,718	515,453
Rent	74,473	33,057
Insurance	37,348	15,758
Travel	64,186	38,487
Depreciation expense	38,508	5,912
Professional services	457,226	419,498
Other	145,935	79,446
Total operating expenses	<u>34,832,275</u>	<u>15,268,581</u>
OPERATING INCOME (Loss)	<u>(117,726)</u>	<u>59,554</u>
NONOPERATING REVENUES (Expenses)		
Federal grants - land donations	36,244,698	150,089,708
Proceeds from dispositions	583,981	
Transfers to Office of Community Development - program income	(583,981)	
Disposition of properties	(942,833)	
Net nonoperating revenues	<u>35,301,865</u>	<u>150,089,708</u>
INCREASE IN NET ASSETS	35,184,139	150,149,262
NET ASSETS - BEGINNING OF YEAR, Restated (note 9)	<u>158,649,713</u>	<u>8,500,451</u>
NET ASSETS - END OF YEAR	<u><u>\$193,833,852</u></u>	<u><u>\$158,649,713</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash payments to suppliers for goods and services	(\$28,726,225)	(\$10,257,470)
Cash payments to employees for services	(1,109,439)	(421,953)
Federal grants and contracts	29,163,852	11,634,794
Cash received for property taxes held in escrow	55,518	76,181
Cash payments for property taxes held in escrow	(49,981)	
Net cash provided (used) by operating activities	<u>(666,275)</u>	<u>1,031,552</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(153,591)	(76,889)
Net cash (used) by capital and related financing activities	<u>(153,591)</u>	<u>(76,889)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(819,866)	954,663
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,096,539</u>	<u>141,876</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$276,673</u>	<u>\$1,096,539</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	(\$117,726)	\$59,554
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	38,508	5,912
Changes in assets and liabilities:		
(Increase) in receivables, net	(5,548,432)	(3,561,505)
(Increase) in prepayments	(361,664)	
Increase in accounts payable and accruals	5,283,816	4,573,769
Increase in compensated absences payable	39,223	11,424
(Decrease) in due to other funds		(141,876)
Increase in other liabilities		84,274
Net cash provided (used) by operating activities	<u>(\$666,275)</u>	<u>\$1,031,552</u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA LAND TRUST
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of fixed assets	\$36,244,698	\$150,089,708
Disposed assets	(1,013,233)	
Note receivable from transfer of assets	70,400	

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

The Louisiana Land Trust (LLT) is a nonprofit organization formed to manage the properties that have been purchased by the State of Louisiana under the current Road Home program as part of the ongoing recovery effort from the damage caused by hurricanes Katrina and Rita in 2005.

The Louisiana Road Home Corporation Act (Act 654 of the 2006 Regular Session of the Louisiana Legislature) became effective on June 29, 2006, and is codified under the provisions of Louisiana Revised Statutes 40:600.61 through 600.68. This act created a nonprofit corporation whose mission is “to finance, own, lease as lessee or lessor, sell, exchange, donate or otherwise hold or transfer a property interest in housing stock damaged by Hurricane Katrina or Hurricane Rita.” This act gave the Road Home Corporation (now doing business as the LLT) broad powers to receive and dispose of the properties, to accept funds “from any sources,” to borrow against these properties and to obtain payment for these obligations and to “enter into any and all agreements,” necessary to carry out its mission. This would be done under the guidelines “set forth by the Louisiana Recovery Authority” and to provide for financing “as administered by the Office of Community Development.”

The LLT is governed by a board of directors that consists of seven persons appointed by the governor. The members of the board serve without compensation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The LLT is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the seven members of the board. The accompanying financial statements present only the activity of the LLT. Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the

activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with the LLT’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 LLT is federal grants received from the Office of Community Development through the Road Home program. Operating expenses include property maintenance, security, and administrative expenses. The principal nonoperating revenues and expenses are land donations received through the Road Home program and costs resulting from the disposition of those properties.

D. CAPITAL ASSETS

Land received through the Road Home program is recorded at its estimated fair value at the time of donation. Furniture, equipment, and vehicles are valued at historical cost. Depreciation of all exhaustible capital assets of the LLT is charged as an expense against operations. Depreciation is computed using the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Furniture	7
Equipment	5
Vehicles	5

E. COMPENSATED ABSENCES

Full-time employees earn vacation leave and sick leave at various rates depending on the employees’ number of years of service. There is no limitation on the amount of vacation leave and sick leave that can be accumulated. Upon separation, employees will be compensated for unused vacation leave, up to a maximum of 300 hours. Employees are not paid for accrued sick leave upon termination.

F. NET ASSETS

Net assets comprise the various net earnings from revenues and expenses. Net assets are classified in the following three components:

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

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

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

2. CASH

Cash includes interest-bearing demand deposits (book balances) of \$276,673 at June 30, 2009, and petty cash on hand of \$119 and interest-bearing demand deposits of \$1,096,420 at June 30, 2008.

Custodial risk is the risk that in the event of a bank failure, the LLT's deposits may not be recovered. In fiscal year 2008, LLT did not have a formally adopted policy to address custodial credit risk of deposits. At June 30, 2008, LLT had \$923,990 in deposits (collected bank balances) that were exposed to custodial credit risk. At June 30, 2009, all deposits were guaranteed in full because of the bank's participation in the FDIC Transaction Account Guarantee Program.

The following is a breakdown by banking institution and amount of the collected bank balances:

<u>Banking Institution</u>	<u>Program or Type</u>	<u>As of June 30, 2009</u>	<u>As of June 30, 2008</u>
JPMorgan Chase Bank, N.A.	Operating Account	\$237,630	\$1,023,990
JPMorgan Chase Bank, N.A.	Escrow Account	<u>80,019</u>	<u>76,181</u>
Total		<u><u>\$317,649</u></u>	<u><u>\$1,100,171</u></u>

3. RECEIVABLES

As reflected on the statement of net assets, the receivables for the LLT are as follows:

	As of June 30, 2009	As of June 30, 2008
Due from Office of Community Development	\$9,109,937	\$3,561,505
Note receivable from transfer of assets	70,400	
Total	<u>\$9,180,337</u>	<u>\$3,561,505</u>

4. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal years ended June 30, 2009, and June 30, 2008, follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated - land	<u>\$158,590,160</u>	<u>\$36,244,698</u>	<u>(\$1,013,233)</u>	<u>\$193,821,625</u>
Capital assets being depreciated:				
Machinery and equipment	76,889	153,591		230,480
Less accumulated depreciation	<u>(5,912)</u>	<u>(38,508)</u>		<u>(44,420)</u>
Total capital assets being depreciated	<u>70,977</u>	<u>115,083</u>	<u>NONE</u>	<u>186,060</u>
Total capital assets, net	<u>\$158,661,137</u>	<u>\$36,359,781</u>	<u>(\$1,013,233)</u>	<u>\$194,007,685</u>

	Balance June 30, 2007	Prior Period Adjustment (See note 9.)	Adjusted Balance June 30, 2007	Additions	Balance June 30, 2008
Capital assets not being depreciated - land	<u>\$66,848,974</u>	<u>(\$58,348,522)</u>	<u>\$8,500,452</u>	<u>\$150,089,708</u>	<u>\$158,590,160</u>
Capital assets being depreciated:					
Machinery and equipment				76,889	76,889
Less accumulated depreciation				<u>(5,912)</u>	<u>(5,912)</u>
Total capital assets not being depreciated	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>70,977</u>	<u>70,977</u>
Total capital assets, net	<u>\$66,848,974</u>	<u>(\$58,348,522)</u>	<u>\$8,500,452</u>	<u>\$150,160,685</u>	<u>\$158,661,137</u>

5. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2009, and June 30, 2008:

	As of June 30, 2009	As of June 30, 2008
Vendors	\$9,797,735	\$4,573,769
Accrued interest		10,044
Accrued property taxes	80,736	74,231
Salaries and benefits	63,389	
Total	\$9,941,860	\$4,658,044

6. COMPENSATED ABSENCES

At June 30, 2009, and June 30, 2008, LLT employees have accumulated vacation leave of \$50,647 and \$11,424, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

7. LEASE AND RENTAL COMMITMENTS

LLT has no capital leases at June 30, 2009. The total operating leases payments for office space for the years ended June 30, 2009, and June 30, 2008, were \$74,474 and \$33,057, respectively. The following is a schedule, by fiscal years, of minimum future annual rental payments required under operating leases:

	2010	2011	Total Minimum Future Rentals
<u>Nature of Operating Lease</u>			
Office space	\$51,916	\$14,445	\$66,361

8. PROPERTY PORTFOLIO EXPENSES

The following is a summary of property portfolio expenses incurred during the years ended June 30, 2009, and June 30, 2008:

	<u>2009</u>	<u>2008</u>
Property maintenance	\$22,502,249	\$10,972,182
Demolition costs	6,961,175	
Property security expense	2,718,879	2,827,280
Other property expenses	<u>338,578</u>	<u>361,508</u>
Total	<u><u>\$32,520,881</u></u>	<u><u>\$14,160,970</u></u>

9. RESTATEMENT OF BEGINNING NET ASSETS

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

Net assets, June 30, 2007	\$66,240,850
Adjustment to land valuation	(58,348,522)
Removal of note payable to Office of Community Development	<u>608,123</u>
Beginning net assets at July 1, 2007, as restated	<u><u>\$8,500,451</u></u>

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This 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
DARYL G. PURPERA, CPA, CFE

November 1, 2010

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

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the basic financial statements of the Road Home Corporation d/b/a Louisiana Land Trust (LLT), a component unit of the State of Louisiana, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 1, 2010. Our report was modified for the lack of inclusion of required supplementary information. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LLT's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LLT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LLT's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

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