ROAD HOME CORPORATION D/B/A LOUISIANA LAND TRUST STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
ISSUED JUNE 8, 2011

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

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. Five copies of this public document were produced at an approximate cost of $16.45. 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.lla.la.gov. When contacting the office, you may refer to Agency ID No. 10198 or Report ID No. 80100116 for additional information.

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

Our procedures at the Road Home Corporation d/b/a Louisiana Land Trust (LLT) for the period July 1, 2009, through June 30, 2010, disclosed the following:

- Based on our audit, the financial statements of the LLT presented fairly, in all material respects, the respective financial position of the LLT and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

- The LLT did not submit an accurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy for the fiscal year ended June 30, 2010.

  Our audit procedures disclosed that the account "Net Assets – beginning of year, restated" reported on Statement B was overstated by $1,288,463 because LLT did not record prior period adjustments for transactions that affected beginning net assets. In addition, LLT misclassified transactions, did not record prior year audit adjustments, and did not maintain detailed supporting documents to support amounts reported in the AFR.

This report is a public report and has not been distributed to state officials. We appreciate the LLT's assistance in the successful completion of our work.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 18, 2011

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 year ended June 30, 2010. 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 previously present fairly, in all material respects, the financial position of the LLT as of June 30, 2010, and its changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2011, 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 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.

1600 NORTH THIRD STREET • POST OFFICE BOX 94397 • BATON ROUGE, LOUISIANA 70804-9397
WWW.LLA.LA.GOV • PHONE: 225-339-3800 • FAX: 225-339-3870

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

CRV:ETM:BQD:THC:dl

LLT 2010

LOUISIANA LAND TRUST
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2010

ASSETS	
Current assets:	
Cash (note 2)	$109,317
Receivables, net (note 3)	17,582,904
Prepaid expenses	293,424
Total current assets	17,985,645
Noncurrent assets - capital assets, net (note 4)	177,423,128
Total assets	195,408,773
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 5)	17,026,517
Due to primary government	1,099,740
Total current liabilities	18,126,257
Noncurrent liabilities - compensated absences (note 6)	102,893
Total liabilities	18,229,150
NET ASSETS	
Invested in capital assets, net of related debt	177,423,128
Unrestricted	(243,505)
Total net assets	$177,179,623

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 Year Ended June 30, 2010

OPERATING REVENUES	
Federal grants and contracts	$78,519,950
OPERATING EXPENSES	
Property portfolio expenses (note 8)	74,958,546
Salaries and related benefits	2,355,025
Rent	85,068
Insurance	122,355
Travel	104,688
Depreciation expense	43,497
Professional services	1,129,654
Other	224,351
Total operating expenses	79,023,184
OPERATING LOSS	(503,234)
NONOPERATING REVENUES (Expenses)	
Federal grants - land donations, Road Home program	10,669,133
Office of Community Development - return of program income	(11,547,604)
Property disposition expenses	(1,491,346)
Loss on disposition of properties	(12,067,414)
Net nonoperating revenues	(14,437,231)
DECREASE IN NET ASSETS	(14,940,465)
NET ASSETS - BEGINNING OF YEAR, Restated (note 9)	192,120,088
NET ASSETS - END OF YEAR	$177,179,623

The accompanying notes are an integral part of this statement.

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Statement C

LOUISIANA LAND TRUST
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash payments to suppliers for goods and services	($74,687,022)
Cash payments to employees for services	(1,901,597)
Federal grants and contracts	76,433,140
Cash received for property taxes held in escrow	18,254
Net cash used by operating activities	(137,225)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(30,131)
Net cash used by capital and related financing activities	(30,131)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(167,356)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	276,673
CASH AND CASH EQUIVALENTS AT END OF YEAR	$109,317
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($503,234)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	43,497
Changes in assets and liabilities:	
(Increase) in receivables, net	(7,982,371)
Decrease in prepayments	68,240
Increase in accounts payable and accruals	7,084,657
Increase in due to primary government	1,099,740
Increase in compensated absences payable	52,246
Net cash used by operating activities	($137,225)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA LAND TRUST
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Contributions of fixed assets	$10,669,133
Disposed assets	(25,484,929)
Note receivable from transfer of assets	324,394

(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 demolition costs, property maintenance, and security. 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:

	Years
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 $109,317 at June 30, 2010.

Custodial risk is the risk that in the event of a bank failure, the LLT's deposits may not be recovered. At June 30, 2010, all deposits are collateralized with securities held by the pledging institution.

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

Banking Institution	Program or Type	As of June 30, 2010
JPMorgan Chase Bank, N.A.	Operating Account	$809,020
JPMorgan Chase Bank, N.A.	Escrow Account	99,972
Total		$908,992

3. RECEIVABLES

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

	As of June 30, 2010
Due from Office of Community Development	$15,196,747
Due from others	1,991,363
Note receivable from transfer of assets	394,794
Total	$17,582,904

4. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2010, follows:

	Balance June 30, 2009	Prior Period Adjustment	Adjusted Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated - land	$193,821,625	($1,755,395)	$192,066,230	$10,669,133	($25,458,991)	$177,276,372
Capital assets being depreciated:						
Machinery and equipment	230,480		230,480	30,131	(33,523)	227,088
Less accumulated depreciation	(44,420)		(44,420)	(43,497)	7,585	(80,332)
Total capital assets being depreciated	186,060	NONE	186,060	(13,366)	(25,938)	146,756
Total capital assets, net	$194,007,685	($1,755,395)	$192,252,290	$10,655,767	($25,484,929)	$177,423,128

5. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable and accrued expenses at June 30, 2010:

	As of June 30, 2010
Vendors	$16,929,299
Accrued property taxes	97,218
Total	$17,026,517

6. COMPENSATED ABSENCES

At June 30, 2010, LLT employees have accumulated vacation leave of $102,893. 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, 2010. The total operating lease payments for office space for the year ended June 30, 2010, were $85,068. The following is a schedule, by fiscal years, of minimum future annual rental payments required under operating leases:

Nature of Operating Lease	2011	2012	Total Minimum Future Rentals
Office space	$80,559	$38,566	$119,125

8. PROPERTY PORTFOLIO EXPENSES

The following is a summary of property portfolio expenses incurred during the year ended June 30, 2010:

Demolition costs	$51,844,823
Property maintenance	20,601,576
Property security expense	1,276,212
Other property expenses	1,235,935
Total	$74,958,546

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 at June 30, 2009	$193,833,852
Adjustment to land valuation	(1,755,395)
Prior period adjustment	41,631
Net assets at June 30, 2009, as restated	$192,120,088

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws 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

April 18, 2011

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 year ended June 30, 2010, and have issued our report thereon dated April 18, 2011. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting. 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.

Inaccurate Annual Fiscal Report

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) did not submit an accurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) for the fiscal year ended June 30, 2010. As authorized by Louisiana Revised Statute 39:79, the commissioner of administration through OSRAP prescribes the content and format for the preparation of the AFR, which is then used in the compilation of the state's Comprehensive Annual Financial Report (CAFR) in accordance with accounting principles generally accepted in the United States of America. Good internal control over financial reporting should include adequate procedures to record, process, and transmit financial data needed to prepare an accurate AFR.

Our audit procedures disclosed that the account "Net Assets - beginning of year, restated" reported on Statement B was overstated by $1,288,463 because LLT did not record prior period adjustments for transactions that affected beginning net assets. In addition, LLT misclassified transactions, did not record prior year audit adjustments, and did not maintain detailed supporting documents to support amounts reported in the AFR. LLT's AFR submitted to OSRAP in October 2010 included the following errors:

- LLT incorrectly recorded the net effect of land valuation adjustments applicable to prior fiscal years as current activity instead of adjusting beginning net assets, which resulted in an overstatement of beginning net assets by $1,043,992.

- LLT incorrectly netted prior year property dispositions against current year additions instead of recording a prior period adjustment, which overstated beginning net assets by $286,102.

- LLT incorrectly reported accrued sick leave from the prior year, which understated beginning net assets by $41,631.

Failure to establish adequate internal controls over financial reporting increases the risk of material misstatements in the financial statements that may remain undetected. In addition, an inaccurate AFR may cause misstatements in the state's CAFR.

LLT management should strengthen its control procedures to ensure that transactions are properly recorded and classified, detailed supporting documentation is maintained, and its AFR is accurately prepared and adequately reviewed for errors. LLT management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

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*.

LLT's response to the finding identified in our audit is included in Appendix A. We did not audit the response, and, accordingly, we express no opinion on it.

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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LLT 2010

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Management's Corrective Action Plan and Response to the Finding and Recommendation

LOUISIANA LAND TRUST

MICHAEL TAYLOR
EXECUTIVE DIRECTOR

RAYMOND ALLEN
DEPUTY EXECUTIVE DIRECTOR

April 6, 2011

Daryl G Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) wants to thank the Louisiana Legislative Auditors (LLA) for its participation in the Single Audit of Louisiana as it relates to LLT.

During the review, the LLA identified one finding that LLT did not submit an accurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) for the fiscal year ending June 30, 2010. LLT concurs in part with the LLA's finding. We acknowledge that the LLA provided audit adjustments resulting from our 2009 audit which were not recorded as prior period adjustments. After providing copies of the adjustments to OSRAP, we were notified to post them in the current period and to not make changes to our Net Assets because the adjustments were insignificant. However, LLT does acknowledge that it could have booked the adjustments separately instead of netting them against current period entries which would have provided a clearer audit trail.

LLT will implement corrective action to address this area of concern. Specifically, LLT's Chief Financial Officer, Edwin Legnon will meet with its external accountant (who is responsible for compiling the AFR) for the purpose of preparing detailed schedules for reporting Net Assets. In addition, the CFO will share the Legislative Auditor's report with its external accountant to ensure that any audit adjustments are properly reported in the appropriate period and share this information with both OSRAP and the LLA.

In conclusion, LLT has taken the LLA's report seriously and will develop the necessary schedules to provide a clear audit trail of how it records audit adjustments to ensure compliance with A-133.

Sincerely,

Edwin K Legnon
Chief Financial Officer

cc: Walter, Leger, LLT Chairman
Donald Vallee, LLT Board Member
Dr. Daryl Burckel, LLT Board Member
Wesley Wyman, LLT Board Member
Alvin Guillory, LLT Board Member
Rebecca Shirley, LLT Board Member
Ellen Lee, LLT Board Member
Richard Gray, Deputy Director OCD/DRU
Lara Robertson, Deputy Director OCD/DRU
Susan Papan, OCD Financial Manager