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

FINANCIAL STATEMENT AUDIT
ISSUED JUNE 8, 2011
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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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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.
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.
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**  
(14,440,465)

**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.
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions of fixed assets</td>
<td>$10,669,133</td>
</tr>
<tr>
<td>Disposed assets</td>
<td>$(25,484,929)</td>
</tr>
<tr>
<td>Note receivable from transfer of assets</td>
<td>$324,394</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>7</td>
</tr>
<tr>
<td>Equipment</td>
<td>5</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5</td>
</tr>
</tbody>
</table>

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


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:

<table>
<thead>
<tr>
<th>Banking Institution</th>
<th>Program or Type</th>
<th>As of June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Operating Account</td>
<td>$809,020</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Escrow Account</td>
<td>99,972</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$908,992</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated - land</td>
<td>$193,821,625</td>
<td>($1,755,395)</td>
<td>$192,066,230</td>
<td>$10,669,133</td>
<td>($25,458,991)</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td>\</td>
<td>\</td>
<td>\</td>
<td>\</td>
<td>\</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>230,480</td>
<td>230,480</td>
<td>30,131</td>
<td>(33,523)</td>
<td>227,088</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(44,420)</td>
<td>(44,420)</td>
<td>(43,497)</td>
<td>7,585</td>
<td>(80,332)</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>186,060</td>
<td>NONE</td>
<td>186,060</td>
<td>(13,366)</td>
<td>(25,938)</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$194,007,685</td>
<td>($1,755,395)</td>
<td>$192,252,290</td>
<td>$10,655,767</td>
<td>($25,484,929)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Nature of Operating Lease</th>
<th>2011</th>
<th>2012</th>
<th>Total Future Rentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office space</td>
<td>$80,559</td>
<td>$38,566</td>
<td>$119,125</td>
</tr>
</tbody>
</table>

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.
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

CRV:ETM:BQD:THC:dl

LLT 2010

Exhibit A.3
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Management’s Corrective Action Plan and Response to the Finding and Recommendation
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,

[Signature]

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