

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



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2012  
ISSUED MARCH 13, 2013

**LOUISIANA LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

February 1, 2013

Independent Auditor's Report

**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, 2012. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the LLT's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 LLT as of June 30, 2012, 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 February 1, 2013, on our consideration of 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

BF:ETM:BQD:THC:dl

LLT 2012

**LOUISIANA LAND TRUST  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2012**

**ASSETS**

Current assets:

Cash (note 2)	\$613,264
Receivables, net (note 3)	6,979,910
Prepaid expenses	205,315
<b>Total current assets</b>	<u>7,798,489</u>

Noncurrent assets - capital assets, net (note 4)	<u>74,957,474</u>
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<b>Total assets</b>	<u><u>82,755,963</u></u>
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**LIABILITIES**

Current liabilities:

Accounts payable and accruals	7,940,979
Due to primary government	58,433
<b>Total current liabilities</b>	<u>7,999,412</u>

Noncurrent liabilities - compensated absences (note 5)	<u>131,462</u>
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<b>Total liabilities</b>	<u><u>8,130,874</u></u>
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**NET ASSETS**

Invested in capital assets, net of related debt	74,957,474
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Unrestricted	(332,385)
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<b>Total net assets</b>	<u><u>\$74,625,089</u></u>
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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, 2012**

**OPERATING REVENUES**

Federal grants and contracts	<u>\$29,964,602</u>
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**OPERATING EXPENSES**

Property portfolio expenses (note 7)	19,780,659
Local government infrastructure program expenses (note 8)	7,546,362
Salaries and related benefits	1,799,732
Rent	92,232
Insurance	96,132
Travel	104,088
Depreciation expense	42,451
Professional services	559,471
Other	144,591
<b>Total operating expenses</b>	<u>30,165,718</u>

<b>OPERATING (LOSS)</b>	<u>(201,116)</u>
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**NONOPERATING REVENUES (Expenses)**

Federal grants - land donations, Road Home program	2,397,468
Office of Community Development - return of program income	(5,207,218)
Property sale proceeds transferred to local governments	(10,007,325)
Property disposition expenses	(3,837,572)
Loss on disposition of properties	(39,643,011)
<b>Net nonoperating revenues (expenses)</b>	<u>(56,297,658)</u>

<b>DECREASE IN NET ASSETS</b>	(56,498,774)
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<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>131,123,863</u>
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<b>NET ASSETS - END OF YEAR</b>	<u><u>\$74,625,089</u></u>
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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, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash payments to suppliers for goods and services	(\$31,049,031)
Cash payments to employees for services	(1,764,213)
Federal grants and contracts	33,145,776
<b>Net cash provided by operating activities</b>	<u>332,532</u>

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:**

Acquisition of capital assets	(1,195)
Net proceeds from the sale of properties	15,285,706
Cash payments to local governments	(10,007,325)
Cash payments to the Office of Community Development	(5,278,381)
<b>Net cash used by capital and related financing activities</b>	<u>(1,195)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 331,337

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 281,927

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$613,264

**RECONCILIATION OF OPERATING INCOME TO  
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating (loss)	(\$201,116)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	42,451
Changes in assets and liabilities:	
Decrease in receivables, net	3,090,457
Decrease in prepayments	51,334
(Decrease) in accounts payable and accruals	(2,665,298)
Increase in compensated absences payable	14,704
<b>Net cash provided by operating activities</b>	<u><u>\$332,532</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Contributions of fixed assets	\$2,397,468
Disposed assets	(43,480,583)

The accompanying notes are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 and property maintenance. 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 noninterest-bearing demand deposits (book balances) of \$613,264 at June 30, 2012.

Custodial risk is the risk that in the event of a bank failure, the LLT's deposits may not be recovered. At June 30, 2012, all of LLT's deposits (bank balance) were secured by federal deposit insurance.

**3. RECEIVABLES**

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

	<u>As of</u> <u>June 30, 2012</u>
Due from Office of Community Development	\$6,719,077
Due from others	58,433
Note receivable from transfer of assets	<u>202,400</u>
Total	<u><u>\$6,979,910</u></u>

#### 4. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2012, follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated - land	<u>\$131,188,531</u>	<u>\$2,397,468</u>	<u>(\$58,695,119)</u>	<u>\$74,890,880</u>
Capital assets being depreciated:				
Machinery and equipment	231,001	1,195		232,196
Less accumulated depreciation	<u>(123,151)</u>	<u>(42,451)</u>		<u>(165,602)</u>
Total capital assets being depreciated	<u>107,850</u>	<u>(41,256)</u>	<u>NONE</u>	<u>66,594</u>
Total capital assets, net	<u><u>\$131,296,381</u></u>	<u><u>\$2,356,212</u></u>	<u><u>(\$58,695,119)</u></u>	<u><u>\$74,957,474</u></u>

#### 5. COMPENSATED ABSENCES

At June 30, 2012, LLT employees have accumulated vacation leave of \$131,462. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

#### 6. LEASE AND RENTAL COMMITMENTS

LLT has no capital leases at June 30, 2012. The total operating lease payments for office space for the year ended June 30, 2012, were \$92,232. The total future operating lease payments for office space total \$51,625 during the fiscal year ended June 30, 2012.

**7. PROPERTY PORTFOLIO EXPENSES**

The following is a summary of property portfolio expenses incurred during the year ended June 30, 2012:

Demolition costs	\$9,843,474
Property maintenance	7,903,451
Other property expenses	<u>2,033,734</u>
Total	<u><u>\$19,780,659</u></u>

**8. LOCAL GOVERNMENT INFRASTRUCTURE PROGRAM EXPENSES**

LLT incurred \$7,546,362 in expenses during the year ended June 30, 2012, to remove foundation slabs on properties not owned by LLT as part of the local government infrastructure program.

OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based 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

February 1, 2013

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, 2012, and have issued our report thereon dated February 1, 2013. 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**

Management of LLT is responsible for establishing and maintaining effective 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designated 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.

## 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, contracts, and grant agreements, 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*.

## Other Reports

Louisiana Legislative Auditor Recovery Assistance Services (RAS) performed agreed-upon procedures to assist the LLT in evaluating the completeness and accuracy of documentation submitted by LLT's contractor for payment under the Home Demolition Program. The RAS report dated November 14, 2012, disclosed unresolved exceptions totaling \$672 for costs that were not adequately supported. Management has represented to us that additional supporting documentation has been received and payments were withheld on other eligible reimbursements to resolve the remaining exceptions. The RAS report is available on our website at [www.lla.la.gov](http://www.lla.la.gov).

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 2012