

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, 2019
ISSUED FEBRUARY 26, 2020

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.55. 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 website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 10198 or Report ID No. 80190118 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 Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	2
	Statement
Basic Financial Statements:	
Statement of Net Position.....	A4
Statement of Revenues, Expenses, and Changes in Net Position	B5
Statement of Cash Flows	C6
Notes to the Financial Statements	7
	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

February 20, 2020

Independent Auditor's Report

LOUISIANA LAND TRUST
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying 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, 2019, and the related notes to the financial statements, which collectively comprise LLT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LLT as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LLT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LLT's internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Net Position
June 30, 2019**

ASSETS

Current assets:

Cash (note 2)	\$145,452
Receivables, net (note 3)	863,103
Prepaid expenses	65,955
Total current assets	<u>1,074,510</u>

Noncurrent assets - capital assets, net (note 4)	<u>13,264,452</u>
--	-------------------

TOTAL ASSETS	<u><u>14,338,962</u></u>
---------------------	--------------------------

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 3)	875,921
Total current liabilities	<u>875,921</u>

Noncurrent liabilities:

Compensated absences (note 5)	56,748
Total noncurrent liabilities	<u>56,748</u>

TOTAL LIABILITIES	<u><u>932,669</u></u>
--------------------------	-----------------------

NET POSITION

Net investment in capital assets	13,264,452
----------------------------------	------------

Unrestricted	<u>141,841</u>
--------------	----------------

TOTAL NET POSITION	<u><u>\$13,406,293</u></u>
---------------------------	----------------------------

The accompanying notes are an integral part of this statement.

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended June 30, 2019**

OPERATING REVENUES

Federal grants and contracts	<u>\$14,041,866</u>
------------------------------	---------------------

OPERATING EXPENSES

Property portfolio expenses (note 8)	404,012
Local government infrastructure program expenses (note 9)	10,468
Neighborhood Stabilization Program expenses	8,482
Solution 4 property acquisition incentive expenses (note 10)	362,562
Salaries and related benefits	436,918
Rent (note 7)	39,646
Insurance	27,021
Travel	5,902
Depreciation	2,587
Professional services	219,228
Other	46,966
Total operating expenses	<u>1,563,792</u>

OPERATING INCOME

12,478,074

NONOPERATING REVENUES (Expenses)

Federal grants - land donations, Road Home program	54,558
Property sale proceeds transferred to local governments	(40,291)
Property disposition expenses	(47,210)
Loss on disposition of properties	(366,991)
Net nonoperating revenues (expenses)	<u>(399,934)</u>

INCOME BEFORE TRANSFERS

12,078,140

Transfers Out to Office of Community Development	(146,330)
--	-----------

INCREASE IN NET POSITION

11,931,810

NET POSITION - BEGINNING OF YEAR, Restated (note 12)

1,474,483

NET POSITION - END OF YEAR

\$13,406,293

The accompanying notes are an integral part of this statement.

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash payments to suppliers for goods and services	(\$942,190)
Cash payments to employees for services	(432,052)
Federal grants and contracts	13,729,282
Net cash provided by operating activities	<u>12,355,040</u>

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

Purchase of fixed assets	(12,373,000)
Principal payments on capital lease	(302)
Proceeds from sale of properties	37,435
Cash payments to Office of Community Development	(146,330)
Net cash used by capital and related financing activities	<u>(12,482,197)</u>

NET DECREASE IN CASH (127,157)

CASH AT BEGINNING OF YEAR 272,609

CASH AT END OF YEAR \$145,452

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

Operating income	\$12,478,074
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,587
Changes in assets and liabilities:	
(Increase) in receivables, net	(272,938)
(Increase) in prepayments	(6,433)
Increase in accounts payable and accruals	149,722
Increase in compensated absences payable	4,028
Net cash provided by operating activities	<u><u>\$12,355,040</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Contributions of fixed assets	\$54,558
Disposed land assets	(\$414,392)
Reduction of notes receivable from transfer of assets	(\$40,100)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) is a nonprofit organization formed in 2006 to manage the properties that have been purchased by the state of Louisiana under the current Road Home program and other land programs in accordance with the Louisiana Constitution, Art. VII, Section 21 (B)(1). LLT's programmatic scope expanded over the years and now includes:

- (1) Community service through the acquisition, disposition, renovation, improvement, leasing, development, and redevelopment of property;
- (2) Assisting communities in recovering from natural disasters, relocating to safe sites in the face of natural hazards;
- (3) Reducing blighted conditions in communities; developing property in a resilient, sustainable manner;
- (4) Retaining and protecting the natural, scenic, or open-space values of immovable property;
- (5) Assuring the availability of immovable property for agricultural, forest, recreational, or open-space use;
- (6) Protecting natural resources;
- (7) Maintaining or enhancing air or water quality;
- (8) Preserving the historical, archaeological, or cultural aspects of unimproved immovable property; and
- (9) Assisting local, regional, state, and federal governmental entities and other nonprofit organizations in these and related endeavors.

LLT is governed by a board of directors 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 GASB. LLT management follows all applicable GASB pronouncements.

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. For accounting purposes, 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 members of the board.¹ The accompanying financial statements present only the activity of 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.

Blended Component Units

The LLT Community Service Corporation (LLTCSC), a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLTCSC is a wholly-owned subsidiary of LLT created on September 9, 2013, for the purpose of minimizing LLT's potential liability exposure associated with ownership of a demolition site located in New Orleans. LLTCSC does not prepare separate financial statements.

The LLT Evergreen, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Evergreen, Inc. is a wholly-owned subsidiary of LLT created on December 26, 2018, for the purpose of resettlement of residents of Isle de Jean Charles due to coastal erosion and rising sea levels. LLT Evergreen, Inc. does not prepare separate financial statements.

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.

¹ Although LLT is considered a component unit of the state of Louisiana for *accounting* purposes, by statute [R.S. 40:600.62(3)], LLT "shall not constitute a state agency, board, or commission; nor shall it constitute an instrumentality of the state or of any political subdivision."

Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with 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 LLT are federal grants received from OCD through the Road Home, Restore Homeowners Solution 4, Pecan Acres Resettlement, and Isle De Jean Charles Resettlement programs. Operating expenses include demolition costs, rehab costs, property maintenance, and Solution 4 program acquisition incentive payments. 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. Land acquired through the Solution 4 program is recorded as its estimated fair value at the time of acquisition. Furniture, equipment, and vehicles are valued at historical cost. Depreciation of all exhaustible capital assets of 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 400 hours. Employees are not paid for accrued sick leave upon termination.

F. NET POSITION

Net position comprises the various net earnings from revenues and expenses. Net position is classified in the following three components:

- Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position should be reported as restricted when constraints placed on net position

use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position is the remaining net position that is not included in the other categories previously mentioned.

2. CASH

Cash includes noninterest-bearing demand deposits (book balances) of \$145,452 at June 30, 2019.

Custodial risk is the risk that, in the event of a bank failure, LLT's deposits may not be recovered. Under state law, demand deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of LLT by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2019, LLT has \$148,545 in deposits (collective bank balances), which are secured from risk by federal deposit insurance plus pledge securities.

3. DISAGGREGATION OF RECEIVABLES AND PAYABLES

As reflected on the statement of net position, the receivables as of June 30, 2019, for LLT are as follows:

Due from Office of Community Development	\$863,103
	<hr/>
Total	\$863,103
	<hr/> <hr/>

As reflected on the statement of net position, the accounts payable and accruals as of June 30, 2019, for LLT are as follows:

Vendors payable	\$859,029
Accrued salaries and benefits	15,217
Sales deposits	1,675
	<hr/>
Total	\$875,921
	<hr/> <hr/>

4. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2019, follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated - land	\$1,248,439	\$12,427,557	(\$414,392)	\$13,261,604
Capital assets being depreciated:				
Machinery and equipment	107,128			107,128
Less accumulated depreciation	(101,693)	(2,587)		(104,280)
Total capital assets being depreciated	5,435	(2,587)	NONE	2,848
 Total capital assets, net	 \$1,253,874	 \$12,424,970	 (\$414,392)	 \$13,264,452

5. COMPENSATED ABSENCES

At June 30, 2019, LLT employees have accumulated vacation leave of \$56,748. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

Compensated absences outstanding at June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Compensated absences	\$52,720	\$21,575	(\$17,547)	\$56,748

6. RETIREMENT PLAN

The employees of LLT are members of the Road Home Corporation 401(k) Profit Sharing Plan and Trust (the Plan), a defined-contribution pension plan. LLT is the administrator of the Plan. Contribution requirements for the Plan are established and may be amended by LLT's board of directors. Other benefit terms are established and amended by management. Employees are eligible to become participants in the Plan after completing one month of employment. Participants in the Plan may contribute between 0% and 92% of their eligible compensation up to the limits established by federal law. LLT provides a matching contribution equal to 100% of the first 4% of compensation deferred by each employee. Participants are fully vested immediately. For the fiscal year ended June 30, 2019, employer and employee contributions were \$3,200 and \$3,200, respectively.

LLT may also make Employer Profit Sharing Contributions in amounts determined each year by its board of directors; however, as of June 30, 2019, LLT has not made such contributions. To be eligible for the Employer Profit Sharing Contributions, employees must be contributing to the Plan and must have worked at least 500 hours of service during the plan year or be employed on

the last day of the plan year. The vesting schedule for the Employer Profit Sharing Contributions is as follows:

<u>Years of Vesting Service</u>	<u>Nonforfeitable Percentage</u>
Less than 2	0%
2 years, but less than 3	20%
3 years, but less than 4	40%
4 years, but less than 5	60%
5 years, but less than 6	80%
6 years or more	100%

7. LEASE OBLIGATIONS

Operating Leases

LLT has operating leases for office space. Rental expense for the operating leases during the year ended June 30, 2019, totaled \$39,646. The future minimum rental payments applicable to these leases are as follows:

<u>Year Ending June 30:</u>	
2019	<u>\$14,779</u>
Total	<u><u>\$14,779</u></u>

8. PROPERTY PORTFOLIO EXPENSES

The following is a summary of property portfolio expenses incurred during the year ended June 30, 2019:

Solution 4 Portfolio Expenses	
Demolition costs	\$3,319
Appraisals	800
Engineering	9,883
Pecan Acres Portfolio Expenses	
Surveys	18,463
Isle De Jean Charles Portfolio Expenses	
Hydrology/Hydrologic Study	84,659
Liability Insurance	2,922
Road Home Portfolio Expenses	
Demolition costs	203,988
Insurance	58,055
Closings	15,421
Property maintenance	5,313
Other property expenses	1,189
	<hr/>
Total	<u><u>\$404,012</u></u>

9. LOCAL GOVERNMENT INFRASTRUCTURE PROGRAM EXPENSES

LLT incurred \$10,468 in expenses during the year ended June 30, 2019, to remove foundation slabs on properties not owned by LLT as part of the local government infrastructure program.

10. SOLUTION 4 OF RESTORE HOMEOWNERS AND PECAN ACRES RESETTLEMENT PROJECT EXPENSES

The following is a summary of Solution 4 and Pecan Acres project expenses incurred during the year ended June 30, 2019:

Administration Expenses - Travel	\$211
Administration Expenses - Rent	2,464
Administration Expenses - Other expense	3,228
Advertising - Other expenses	1,550
Portfolio Expenses	32,465
Professional Fees	381
Property Acquisition Incentives	362,562
Salaries and Related Benefits	80,355
	<hr/>
Total	<u><u>\$483,216</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

11. ISLE DE JEAN CHARLES PROJECT EXPENSES

The following is a summary of Isle de Jean Charles project expenses incurred during the year ended June 30, 2019:

Administration Expenses - Travel	\$311
Administration Expenses - Rent	1,232
Administration Expenses - Other expense	6,642
Portfolio Expenses	87,581
Professional Fees	190
Salaries and Related Benefits	<u>47,428</u>
Total	<u><u>\$143,384</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

12. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following changes:

Net position at June 30, 2018	\$1,499,883
Correction of Accrual for Legal Services	<u>(25,400)</u>
Net position at June 30, 2018, as restated	<u><u>\$1,474,483</u></u>

Had the correction noted above, affecting fiscal year 2018, been included in the June 30, 2018, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of (\$494,958) would have been (\$520,358).

13. BLENDED COMPONENT UNITS

LLTCSC is a blended component unit of LLT, and its capital asset and net position - net investment in capital assets valued at \$53,580 as of June 30, 2019, are included in LLT's basic financial statements. These are the only accounts of LLTCSC as of June 30, 2019.

LLT Evergreen, Inc. is a blended component unit of LLT, and its capital asset and net position - net investment in capital assets valued at \$11,525,000 as of June 30, 2019, are included in LLT's basic financial statements. These are the only accounts of LLT Evergreen, Inc. as of June 30, 2019 in the statement of net position.

14. SUBSIDIARIES

LLT had the following subsidiaries, as of June 30, 2019, and is the sole shareholder or sole member of each:

- LLT Community Services Corporation (LLTCSC)
- LLT Evergreen, Inc.
- LLT Batture Holding, LLC
- LLT Batture, Inc.

LLT Batture Holding, LLC and LLT Batture, Inc. are registered as entities with the Louisiana Secretary of State, but neither had engaged in business as of June 30, 2019. These entities were formed to be utilized by LLT in the future.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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

February 20, 2020

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

LOUISIANA LAND TRUST
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2019, and the related notes to the financial statements, which collectively comprise LLT's basic financial statements, and have issued our report thereon dated February 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LLT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LLT's internal control. Accordingly, we do not express an opinion on the effectiveness of LLT's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LLT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KJ:CST:EFS:aa

LLT 2019