

REPORT

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

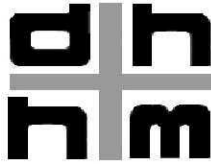
JUNE 30, 2013

STATE OF LOUISIANA
LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2013

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT..... | 1 - 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS..... | 4 - 5 |
| FINANCIAL STATEMENTS: | |
| Governmental Fund Balance Sheet/ Statement of Net Position | 6 |
| Statement of Governmental Fund Revenues, Expenditures and Changes in the Fund Balance/ Statement of Activities | 7 |
| Notes to the Financial Statements | 8 - 19 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund..... | 20 |
| Schedule of Funding Progress for Other Postemployment Benefit Plans..... | 21 |
| OTHER SUPPLEMENTARY INFORMATION: | |
| Schedule of Professional Services..... | 22 |
| INDEPENDENT AUDITOR'S 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> | 23 - 24 |
| SUMMARY SCHEDULE OF FINDINGS | 25 - 26 |



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HOGAN & MAHER, L.L.P.

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INDEPENDENT AUDITOR'S REPORT

December 26, 2013

Honorable John A. Alario, Jr., Co-Chair
Honorable Charles E. Kleckley, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Louisiana State Law Institute'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.

1615 Poydras Street, Suite 2100 • New Orleans, LA 70112 • (504) 586-8866 • Fax (504) 525-5888
1670 Old Spanish Trail • Slidell, LA 70458 • (985) 649-9996 • Fax (985) 649-9940
247 Corporate Drive • Houma, LA 70360 • (985) 868-2630 • Fax (985) 872-3833
5047 Highway 1, P. O. Box 830 • Napoleonville, LA 70390 • (985) 369-6003 • Fax (985) 369-9941
www.dhhmcpa.com

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 respective financial position of the Louisiana State Law Institute, State of Louisiana, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 5 and 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Law Institute, State of Louisiana's basic financial statements. The required supplementary information on page 21 is presented for purposes of additional analysis as required by the Governmental Accounting Standards Board (GASB) and is not a required part of the basic financial statements. The schedule on page 22 is presented for the purpose of additional analysis and is also not a required part of the basic financial statements.

The required supplementary information on page 21 and other supplementary information on page 22 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information and the other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of the Louisiana State Law Institute, State of Louisiana'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* in considering the Louisiana State Law Institute, State of Louisiana's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

This section of the Louisiana State Law Institute, State of Louisiana's (the Institute) annual financial report presents management's analysis of the Institute's financial performance for the year ended June 30, 2013. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

The Institute's net position decreased by \$26,789 primarily due to the accrual of other postemployment benefits.

The general revenues of the Institute were \$972,666, which is a decrease of \$6,445.

The total expenditures/expenses of the Institute were \$999,455, which is a decrease of \$24,285.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This report consists of three sections: management's discussion and analysis, basic financial statements and required supplementary information. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

BASIC FINANCIAL STATEMENTS:

The financial statements of the Institute report information about the Institute using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the Institute.

The Governmental Fund Balance Sheet/Statement of Net Position (page 6) presents the current and long-term portions of assets and liabilities separately.

The Statement of Governmental Fund Revenues, Expenditures and Changes in the Fund Balance/Statement of Activities (page 7) presents information on how the Institute's net position changed as a result of current period operations.

The following presents condensed financial information on the operations of the Louisiana State Law Institute:

SUMMARY STATEMENTS OF NET POSITION:

ASSETS:

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|----------------|----------------------|----------------------|
| Current assets | \$ 18,760 | \$ 25,889 |
| Capital assets | <u>6,231</u> | <u>9,877</u> |
| Total assets | <u>24,991</u> | <u>35,766</u> |

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

BASIC FINANCIAL STATEMENTS: (Continued)

LIABILITIES:

| | | |
|------------------------------|---------------------|---------------------|
| Current liabilities | 28,208 | 39,033 |
| Long-term liabilities | <u>631,040</u> | <u>604,201</u> |
| Total liabilities | <u>659,248</u> | <u>643,234</u> |
| Invested in capital assets | 6,231 | 9,877 |
| Unrestricted (deficit) | <u>(640,488)</u> | <u>(617,345)</u> |
| Total net position (deficit) | <u>\$ (634,257)</u> | <u>\$ (607,468)</u> |

SUMMARY STATEMENTS OF ACTIVITIES:

| | For the Year Ended <u>June 30, 2013</u> | For the Year Ended <u>June 30, 2012</u> |
|-----------------------------|--|--|
| General revenues: | | |
| State appropriations | \$ <u>972,666</u> | \$ <u>979,111</u> |
| Total general revenues | <u>972,666</u> | <u>979,111</u> |
| Total revenues | 972,666 | 979,111 |
| Total expenditures/expenses | <u>(999,455)</u> | <u>(1,023,740)</u> |
| Change in net position | <u>\$ (26,789)</u> | <u>\$ (44,629)</u> |

BUDGET ANALYSIS:

A comparison of budget to actual operations is a required supplemental schedule and is presented in the accompanying supplementary information. Total expenditures were \$64,295 less than budgeted amounts. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

CONTACTING THE LOUISIANA STATE LAW INSTITUTE'S MANAGEMENT:

This audit report is designed to provide a general overview of the Institute and to demonstrate the Institute's accountability for its finances. If you have any questions about this report or need additional information, please contact Dr. William E. Crawford, Louisiana State Law Institute, Paul M. Hebert Law Center, Room W127, University Station, Baton Rouge, Louisiana 70803-1016.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
JUNE 30, 2013

| | <u>General Fund</u> | <u>Adjustments*</u> | <u>Statement of Net Position</u> |
|--|-------------------------|----------------------------|--------------------------------------|
| ASSETS: | | | |
| Cash in bank (Note 4) | \$ 5,760 | \$ - | \$ 5,760 |
| Accounts receivable | 3,000 | - | 3,000 |
| Due from state treasury | 10,000 | - | 10,000 |
| Capital assets (net of allowance for depreciation) (Note 3) | <u>-</u> | <u>6,231 (1)</u> | <u>6,231</u> |
| TOTAL ASSETS | <u>\$ 18,760</u> | <u>6,231</u> | <u>24,991</u> |
| LIABILITIES: | | | |
| Accounts payable | 6,685 | - | 6,685 |
| Accrued salaries and related benefits | 11,174 | - | 11,174 |
| Payroll liabilities | 2,351 | - | 2,351 |
| Due to state treasury | 7,998 | - | 7,998 |
| OPEB payable (Note 9) | - | 589,377 (2) | 589,377 |
| Compensated absences (Note 1) | | | |
| Current portion | - | 4,166 (2) | 4,166 |
| Noncurrent portion | <u>-</u> | <u>37,497 (2)</u> | <u>37,497</u> |
| Total liabilities | <u>28,208</u> | <u>631,040</u> | <u>659,248</u> |
| FUND BALANCE/NET POSITION | | | |
| Unreserved (deficit) | <u>(9,448)</u> | 9,448 | - |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 18,760</u> | | |
| NET POSITION (DEFICIT): | | | |
| Invested in capital assets | | 6,231 | 6,231 |
| Unrestricted (deficit) | | <u>(640,488)</u> | <u>(640,488)</u> |
| TOTAL NET POSITION (DEFICIT) | | <u>\$ (634,257)</u> | <u>\$ (634,257)</u> |

*Explanations:

- (1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.
- (2) Long-term liabilities, such as compensated absences and other postemployment benefits, are not due and payable in the current period, and therefore, are not reported in the General Fund.

See accompanying notes.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN THE FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>General Fund</u> | <u>Adjustments*</u> | <u>Statement of Activities</u> |
|---|-------------------------|---------------------|------------------------------------|
| EXPENDITURES/EXPENSES: | | | |
| Personnel services | \$ 631,356 | \$ 26,839 (1) | \$ 658,195 |
| Travel | 179,392 | - | 179,392 |
| Operating services | 15,931 | - | 15,931 |
| Supplies | 27,937 | - | 27,937 |
| Professional services | 82,687 | - | 82,687 |
| Other fees and services | 31,667 | - | 31,667 |
| Depreciation | - | 3,646 (2) | 3,646 |
| Total expenditures/expenses | 968,970 | 30,485 | 999,455 |
| GENERAL REVENUES: | | | |
| State appropriations | 972,666 | - | 972,666 |
| Excess of expenditures/expenses over revenues | 3,696 | (3,696) | - |
| Change in net position | - | (26,789) | (26,789) |
| Fund Balance/Net Position (Deficit): | | | |
| Beginning of Year | (13,144) | (594,324) | (607,468) |
| End of Year | \$ (9,448) | \$ (624,809) | \$ (634,257) |

*Explanations

(1) Expenses of long-term obligations for compensated absences and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.

(2) Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

See accompanying notes.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NATURE OF OPERATIONS:

The Louisiana State Law Institute, State of Louisiana (the Institute) domiciled at the Law School of Louisiana State University, is chartered, created, and organized as an official advisory law revision commission, law reform agency and legal research agency of the State of Louisiana, and a part of the legislative branch of government. The Institute was created in accordance with Title 24: Chapter 4 of the Louisiana Revised Statutes of 1950.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Government accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a Codification of Government Accounting and Financial Reporting Standards. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity – Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Louisiana State Law Institute) to be the State of Louisiana. The accompanying financial statements of the Louisiana State Law Institute contain sub-account information of the General Fund of the State of Louisiana. Annually, the State of Louisiana issues financial statements, which include the activity contained in the accompanying financial statements. However, the activity may be presented or classified differently due to perspective differences. The Louisiana State Law Institute has no fiduciary funds or component units.

Fund Accounting – The Louisiana State Law Institute uses fund accounting (separate set of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on those funds by the Louisiana Legislature. The General Fund is used to account for all of the Louisiana State Law Institute's activities, including the acquisition of capital assets and the servicing of long-term liabilities.

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Institute presents a Statement of Net Position and Statement of Activities. These statements reflect entity-wide operations of the Institute. The Institute has only a General Fund, supported by an appropriation from the State of Louisiana and self-generated funds.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Within the accompanying statements, the General Fund column of the Statement of Net Position and the Statement of Activities reports all activities of the Institute, using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Management considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. However, as management considers it available regardless of when received, the legislative appropriation is recorded during the year, and for the year, the appropriation is made, and interest and other revenues are recorded when earned. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences and other postemployment benefits (OPEB) costs are recorded when payment is due.

The General Fund column is adjusted to create a Statement of Net Position and Statement of Activities. Within this column, amounts are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Capital Assets:

The accompanying statements reflect furniture, fixtures, and equipment used by the Institute and funded by the legislative appropriation, in daily operations. Those assets are recorded at cost. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs, which do not materially extend the useful life of the asset, are charged to expense as incurred.

The accompanying statements do not include the value of land and buildings provided without cost to the Institute by the State of Louisiana. Those assets are recorded with the annual financial statements of the State of Louisiana.

Budgetary Practices:

The budget of the General Fund is prepared on the budgetary (legal) basis of accounting. The Institute is required to submit to the members of the Legislative Budgetary Control Council an estimate of the financial requirements of the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Institute is authorized to transfer budget amounts between accounts in the General Fund. Revisions that alter total appropriations must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year end, and require that any amount not expended or encumbered at the close of the fiscal year be returned to the State General Fund.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgetary Practices: (Continued)

Encumbrance accounting is used during the year to reserve portions of the annual appropriation for unfilled purchase orders. Year-end encumbrances are not charged against the current year appropriation and are carried forward into the next budget year.

Leave Benefits:

Accumulated unpaid annual, sick and compensatory leave is reported in the Statement of Net Position and Statement of Activities within the accompanying financial statements. The Institute's employees accrue unlimited amounts of annual and sick leave at varying rates, as established by the Institute's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per work week. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2013, annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, totaled \$41,663.

The following are the changes in compensated absences during the year:

| <u>Balance July 01, 2012</u> | <u>Net Change</u> | <u>Balance June 30, 2013</u> |
|------------------------------|-------------------|------------------------------|
| \$ <u>48,994</u> | \$ <u>(7,331)</u> | \$ <u>41,663</u> |

The additions and reductions to compensated absences during the 2012-2013 fiscal year represent the net change during the year because the additions and deductions could not be readily determined.

Postemployment Benefits:

The Institute provides certain health care and life insurance benefits for retired employees. Substantially all of the Institute's employees may become eligible for those benefits if they reach normal retirement age while working for the Institute. These benefits for retirees and similar benefits for active employees are provided through the State's Office of Group Benefits Plan whose monthly premiums are paid jointly by the employee and the Institute. The Institute recognizes the cost of providing these benefits as expenditures in the year paid in the General Fund. For the year ended June 30, 2013, benefits paid to retirees totaled \$52,748, which covered four retired employees, funded through the legislative appropriation.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance:

During the fiscal year ended June 30, 2011, the Institute implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Fund balance is classified in the following components:

- *Nonspendable* includes fund balance amounts that cannot be spent either because it is in a nonspendable form (such as inventory) or because of legal or contractual constraints.
- *Restricted* includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers (such as grantors, bondholders, and higher levels of government) or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Institute, itself, using its highest level of decision-making authority. To be reported as *committed*, amounts cannot be used for any other purpose unless the Institute takes the same highest level action to remove or change the constraint.
- *Assigned* includes fund balance amounts that the Institute intends to use for a specific purpose that are neither considered restricted nor committed. Intent can be expressed by the Institute or by an official or body to which the Institute delegates the authority.
- *Unassigned* fund balance amounts include the residual amounts of fund balance which do not fall into one of the other components. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Institute considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balance are available, the Institute considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Institute has provided otherwise in its commitment or assigned actions. The Institute does not have a formal minimum fund balance policy.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Position:

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

- a) *Invested in capital assets*, consisting of the Institute's total investment in capital assets, net of accumulated depreciation.
- b) *Unrestricted*, consisting of resources derived from state appropriations. These resources are used for transactions relating to general operations of the Institute and may be used at its discretion to meet current expenses and for any purpose.

Adoption of New Accounting Policies:

During the fiscal year ended June 30, 2013, the Institute implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement redefined the residual of all other elements presented in the Statement of Net Position from "Net Assets" to "Net Position."

2. RETIREMENT SYSTEM:

Plan Description:

Substantially all employees of the Institute participate in the Louisiana State Employees' Retirement System (LASERS) or the Teachers' Retirement System of Louisiana (TRSL). TRSL is a cost-sharing, multiple-employer defined benefit plan, and LASERS is considered a single-employer defined benefit plan due to a material portion of its activity being with one employer, the State of Louisiana. Both pension plans are administered by separate Boards of Trustees. These plans provide retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits of both plans are guaranteed by the State of Louisiana under provisions of the Louisiana constitution of 1974. LASERS and TRSL issue publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600, or by writing to Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. RETIREMENT SYSTEM: (Continued)

Funding Policy:

Plan members of the Institute are required by state statute to contribute 7½% or 8% (depending on their date of hire) of their annual covered salary to LASERS or 8.0% of their annual covered salary to TRSL. The Louisiana State Law Institute (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 29.1% and 24.4% of annual covered payroll for LASERS and TRSL, respectively. The contribution requirements of plan members and the employer are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Institute's employer contributions to LASERS and TRSL for the years ended June 30, 2013, 2012 and 2011, which were equal to the required contributions for each year, were as follows:

| <u>June 30,</u> | <u>LASERS</u> | <u>TRSL</u> | <u>Total</u> |
|-----------------|---------------|-------------|--------------|
| 2013 | \$ 58,934 | \$ 15,693 | \$ 74,627 |
| 2012 | 42,753 | 15,289 | 58,042 |
| 2011 | 46,406 | 13,056 | 59,462 |

3. CAPITAL ASSETS:

The accompanying statements reflect furniture, fixtures and equipment used by the Institute and funded by the legislative appropriation in daily operations. Those assets are recorded at cost. Furniture, fixtures, and equipment with acquisition costs of \$1,000 or greater are capitalized and depreciated as follows:

| <u>Assets of \$1,000 or Greater</u> | <u>Cost</u> | <u>Allowance for Depreciation</u> | <u>Net Value</u> |
|-------------------------------------|------------------|---------------------------------------|----------------------|
| Balance, July 1, 2012 | \$ 50,110 | \$ (40,233) | \$ 9,877 |
| Acquisitions | -- | -- | -- |
| Deletions | (6,986) | 6,986 | -- |
| Depreciation | -- | (3,646) | (3,646) |
| Balance, June 30, 2013 | <u>\$ 43,124</u> | <u>\$ (36,893)</u> | <u>\$ 6,231</u> |

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. CAPITAL ASSETS: (Continued)

The depreciable assets are depreciated using the straight-line method of allocating asset costs over the following useful lives:

| | |
|--------------------------------|---------|
| Computer equipment | 5 years |
| Office furniture and equipment | 7 years |

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

4. CASH IN BANK:

Under State law, the Institute may deposit funds in an approved bank located in the State. Federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these public deposits. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

At June 30, 2013, the carrying amount of the Institute's deposit was \$5,760, and the bank balance was \$30,007. The entire bank balance was covered by federal depository insurance.

5. LITIGATION, CLAIMS AND SIMILAR CONTINGENCIES:

Losses arising from litigation, claims and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims and similar contingencies are not recognized in the accompanying financial statements.

6. OTHER COSTS:

The State of Louisiana, through other appropriations, provides office space, utilities and janitorial services for the office facilities, all of which are not included in the accompanying financial statements.

7. DUE TO OTHER GOVERNMENTAL UNITS:

Amounts due to other governmental units at June 30, 2013 consist of unexpended appropriations due the State Treasurer, State of Louisiana, in the amount of \$7,998.

8. USE OF ESTIMATES:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Institute employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the Institute. The Institute offers its employees the opportunity to participate in a medical coverage plan. The offering is from the State Office of Group Benefits (OGB) which also offers a life insurance plan. Information about these plans is presented below.

Plan Description:

The Institute's employees may participate in the State's Other Postemployment Benefit Plan (OPEB Plan), a cost-sharing, multiple-employer defined benefit plan but classified as an agent multiple-employer defined benefit OPEB Plan for financial reporting purposes since the plan is not administered as a formal trust. The OPEB Plan provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The Office of Group Benefits administers the plan. LRS 42:801-883 provides the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy:

The contribution requirements of plan members and the Institute are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The OGB offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, the Medical Home HMO (MH-HMO) Plan, and the Regional HMO Plan (available in 2012 only). The OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA). Retired employees who have Medicare Part A and Part B coverage also have access to OGB Medicare Advantage plans. Depending upon the plan selected, during fiscal year 2013, employee premiums for a single member receiving benefits range from \$83 to \$87 per month for employee-only coverage with Medicare or from \$134 to \$144 per month for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2013 range from \$145 to \$322 per month for those with Medicare or from \$427 to \$468 per month for those without Medicare.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy: (Continued)

The plan is currently financed on a pay as you go basis, with the Institute contributing anywhere from \$248 to \$261 per month for retiree-only coverage with Medicare or from \$851 to \$928 per month for retiree-only coverage without Medicare during the year ended June 30, 2013. Also, the Institute's contributions range from \$436 to \$966 per month for retiree and spouse with Medicare or \$1,300 to \$1,424 for retiree and spouse without Medicare during the year ended June 30, 2013

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays approximately one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees. Spouse life insurance is also available.

Annual OPEB Cost:

The Institute's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2012 was \$85,100.

The following table presents the Institute's OPEB obligation for the year ended June 30, 2013. The table shows the components of the plan's annual OPEB cost for the year ended June 30, 2013, the actual amount contributed to the plan and changes in the plan's net OPEB obligation to the retiree health plan:

| | |
|--|-------------------|
| Annual required contribution (ARC) | \$ 85,100 |
| Interest on Net OPEB Obligation | 22,208 |
| ARC Adjustment | <u>(21,800)</u> |
| Annual OPEB Cost (expense) | 85,508 |
| Contributions made | <u>(51,338)</u> |
| Increase in Net OPEB Obligation | 34,170 |
| Beginning Net OPEB Obligation July 1, 2012 | <u>555,207</u> |
| Ending Net OPEB Obligation June 30, 2013 | <u>\$ 589,377</u> |

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Annual OPEB Cost: (Continued)

The Institute's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for the fiscal year ended June 30, 2013 and the two preceding fiscal years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| June 30, 2013 | \$ 85,508 | 60.04% | \$ 589,377 |
| June 30, 2012 | 89,871 | 40.56% | 555,207 |
| June 30, 2011 | 126,726 | 24.58% | 501,792 |

Funded Status and Funding Progress:

Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, neither the Louisiana State Law Institute, nor the State of Louisiana has ever made contributions to it. Since the plan has not been funded, the Institute's entire actuarial accrued liability of \$1,561,900 for the OGB Plan was unfunded.

The funded status of the plan as determined by an actuary as of July 1, 2012, was as follows:

| | |
|---|--------------|
| Actuarial accrued liability (AAL) | \$ 1,561,900 |
| Actuarial value of plan assets | -- |
| Unfunded actuarial accrued liability (UAAL) | \$ 1,561,900 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (annual payroll of active employee covered by the plan) | \$ 402,521 |
| UAAL as a percentage of covered payroll | 388.03% |

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Actuarial Methods and Assumptions: (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions is presented below:

| | |
|----------------------------|-----------------------------|
| Actuarial valuation date | July 1, 2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percentage of payroll |
| Amortization period | 30 years |
| Asset valuation method | none |
| Investment rate of return | 4.0% annual rate |
| Projected salary increases | 5.0% per annum |
| Healthcare inflation rate | 6.0 – 8.0% |
| | 4.5% ultimate |

10. RECONCILIATION:

The Statement of Net Position and Statement of Activities present the Institute's fund balance/net position from a fund perspective and an entity-wide perspective, using the current financial resources focus for the fund balance and the economic resources measurement focus for net position. The amounts are reconciled as follows:

| | |
|---------------------------------------|---------------------|
| Fund Balance, June 30, 2013 | \$ (9,448) |
| Capital assets | 6,231 |
| Compensated absences | (41,663) |
| Other postemployment benefits payable | <u>(589,377)</u> |
| Net position/(deficit), June 30, 2013 | <u>\$ (634,257)</u> |

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. RISK MANAGEMENT:

The Institute limits its exposure risk of loss through the Office of Risk Management, a statewide insurance program. Through the payment of premiums to the program, the Institute transfers the risk of loss from theft, torts, damage to and destruction of assets, workers' compensation, errors and omissions, and natural disasters.

12. DEFERRED COMPENSATION PLAN:

Certain employees of the Institute participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | Actual Amounts | | | Budgeted Amounts Original and Final |
|--|-------------------|--|--------------------|---|
| | GAAP Basis | GAAP to Budget Differences Over (Under) | Budgetary Basis | |
| REVENUES: | | | | |
| State appropriations | \$ 972,666 | \$ - | \$ 972,666 | \$ 1,033,509 |
| EXPENDITURES: | | | | |
| Personnel services | 631,356 | 244 (1) | 631,600 | 734,611 |
| Travel | 179,392 | - | 179,392 | 143,277 |
| Operating services | 15,931 | - | 15,931 | 40,931 |
| Supplies | 27,937 | - | 27,937 | 8,000 |
| Professional services | 82,687 | - | 82,687 | 83,250 |
| Other fees and services | 31,667 | - | 31,667 | 23,440 |
| Total expenditures | <u>968,970</u> | <u>244</u> | <u>969,214</u> | <u>1,033,509</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,696</u> | <u>(244)</u> | <u>3,452</u> | <u>-</u> |
| Net change in fund balance | 3,696 | (244) | 3,452 | - |
| Fund balances - beginning | <u>(13,144)</u> | <u>11,418 (2)</u> | <u>(1,726)</u> | <u>-</u> |
| Fund balances - ending | <u>\$ (9,448)</u> | <u>\$ 11,174</u> | <u>\$ 1,726</u> | <u>\$ -</u> |

Explanation of differences:

- (1) Personnel services and related benefits are budgeted only to the extent expected to be paid, rather than on the modified accrual basis.
- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the budget. (See Note 1 for a description of the Louisiana State Law Institute's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because of the cumulative effect of transactions such as those described above.

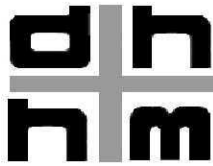
LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS
FOR THE YEAR ENDED JUNE 30, 2013

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|-------------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| Office of Group Benefits Plan | 7/1/2012 | \$ - | \$ 1,561,900 | \$ 1,561,900 | 0% | \$ 402,521 | 388.03% |
| Office of Group Benefits Plan | 7/1/2011 | \$ - | \$ 1,581,200 | \$ 1,581,200 | 0% | \$ 430,911 | 366.94% |
| Office of Group Benefits Plan | 7/1/2010 | \$ - | \$ 2,129,000 | \$ 2,129,000 | 0% | \$ 467,154 | 455.74% |

OTHER SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROFESSIONAL SERVICES
JUNE 30, 2013

| | |
|---------------------------|-------------------------|
| Gay Simpson | \$ 32,000 |
| L. David Cromwell | 5,500 |
| William F. Forrester, Jr. | 5,500 |
| Cheney C. Joseph, Jr. | 5,500 |
| Glenn G. Morris | 5,500 |
| Max Nathan, Jr. | 5,500 |
| Katherine S. Spaht | 5,500 |
| James A. Stuckey | 5,500 |
| Isabel Wingerter | 5,500 |
| Guy Holdridge | 3,500 |
| Ronald J. Scalise | <u>3,187</u> |
| | \$ <u><u>82,687</u></u> |



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
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CLIFFORD J. GIFFIN, Jr., CPA

A.J. DUPLANTIER JR, C.P.A. (1919-1985)
FELIX J. HRAPMANN, JR, C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR, C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S 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

December 26, 2013

Honorable John A. Alario, Jr., Co-Chair
Honorable Charles E. Kleckley, Co-Chair
Legislative Budgetary Control Council
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 Louisiana State Law Institute, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Louisiana State Law Institute's basic financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana State Law Institute'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 the Louisiana State Law Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana State Law Institute'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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana State Law Institute'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*.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Louisiana State Law Institute for the year ended June 30, 2013 was unmodified.
2. Internal Control
Material weaknesses: none noted
Significant deficiency: See current year finding 2013-01
3. Compliance and Other Matters
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

2013-01 Inadequate Segregation of Duties

Condition: The Institute is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and recordation) cycles.

Criteria: The processing of purchases and journal entries under the control of one person represents a failure to segregate the incompatible accounting activities.

Effect: The effect is such that errors, either intentional or unintentional, in the processing of purchases and journal entries could occur and not be detected in a timely manner and in the ordinary course of operations. Such an error was discovered in the current year during our testing of professional services. During the current year, the Institute made bi-weekly payments for professional services without reviewing the agreed-upon contract to verify that the disbursements were being made in accordance with the contract. As a result of not reviewing the contract prior to making the payments, the Institute overpaid \$3,000 for the professional services.

Cause: The size of the Institute and the limited number of employees do not permit an adequate segregation of incompatible duties.

Recommendation: Due to the size of the Institute's operations, it does not have sufficient staff to establish adequate segregation of duties. Management should consider if the cost associated with reducing this deficiency in the design or operation of the internal control is considered to be justified.

Auditee Response: Management has noted this condition and has determined that the cost necessary to establish adequate segregation of duties is not justifiable at this time. In response to the overpayments that were made during the year, management has taken the necessary steps to recoup the \$3,000 that was overpaid for professional services.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF PRIOR YEAR FINDINGS:

2012-01 Inadequate Segregation of Duties

Condition: The Institute is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and recordation) cycles.

Status See Finding 2013-01.