

R E P O R T

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2014

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 - 7
BASIC FINANCIAL STATEMENTS:	
Governmental Fund Balance Sheet/ Statement of Net Position.....	8
Statement of Governmental Fund Revenues, Expenditures and Changes in the Fund Balance/ Statement of Activities	9
Notes to the Financial Statements	10 - 21
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	22
Schedule of Funding Progress for Other Postemployment Benefit Plans.....	23
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Professional Services.....	24
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>	25 - 26
SUMMARY SCHEDULE OF FINDINGS	27 - 28



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INDEPENDENT AUDITOR'S REPORT

November 21, 2014

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 governmental activities and the major fund of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 2014, 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.

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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 governmental activities and the major fund of the Louisiana State Law Institute, State of Louisiana, as of June 30, 2014, 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 7 and 22 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 23 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 24 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 23 and other supplementary information on page 24 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 November 21, 2014, 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, 2014

Management's Discussion and Analysis of the Louisiana State Law Institute, State of Louisiana's financial performance presents a narrative overview and analysis of the Institute's financial activities for the year ended June 30, 2014. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. 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 \$11,287 primarily due to significant expenses attributed to personnel services.
- The general revenues of the Institute were \$1,031,783, which is an increase of \$59,117. The increase is due to the Institute fully drawing down the authorized appropriation from the state in the current year.
- The other financing sources of the Institute were \$71,799, which is an increase of \$71,799. The increase in other financing sources is due to interagency transfers that were received from the House of Representatives in the current year.
- The total expenditures/expenses of the Institute were \$1,114,869, which is an increase of \$115,414. Personnel services accounted for the largest portion of this increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three sections: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. Management's discussion and analysis is intended to serve as an introduction to the Institute's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional information to supplement the basic financial statements, such as required supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Institute's finances, in a manner similar to a private-sector business.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

The Statement of Net Position (page 8) presents information on all of the Institute's assets and liabilities. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Institute is improving or deteriorating. From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the Institute. The financial statement readers are also able to determine how much the Institute owes vendors and others. Finally, the Statement of Net Position provides a summary of the combined net position (assets minus liabilities) and their availability for expenditure.

The Statement of Activities (page 9) presents information showing how the Institute's assets changed during the most recent fiscal year. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions may be included that will not affect cash until future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Institute uses a single fund to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Senate's only fund, the general fund.

The Institute uses only one fund type, the governmental fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Institute's near-term financing requirements.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

Notes to the Financial Statements

The notes (pages 10-21) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Institute's budgetary comparison (page 22) and progress in funding its obligations to provide other postemployment benefits (page 23).

Following the required supplementary information is other supplementary information that further explains and supports the information in the financial statements (page 24).

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

**COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

ASSETS:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percentage Change</u>
Current assets	\$ 72,715	\$ 18,760	\$ 53,955	287.6%
Capital assets	<u>4,142</u>	<u>6,231</u>	<u>(2,089)</u>	(33.5%)
Total assets	<u>76,857</u>	<u>24,991</u>	<u>51,866</u>	207.5%

LIABILITIES:

Current liabilities	31,224	28,208	3,016	10.7%
Long-term liabilities	<u>691,177</u>	<u>631,040</u>	<u>60,137</u>	9.5%
Total liabilities	<u>722,401</u>	<u>659,248</u>	<u>63,153</u>	9.6%
Net investment in capital assets	4,142	6,231	(2,089)	(33.5%)
Unrestricted (deficit)	<u>(649,686)</u>	<u>(640,488)</u>	<u>(9,198)</u>	(1.4%)
Total net position (deficit)	<u>\$ (645,544)</u>	<u>\$ (634,257)</u>	<u>\$ (11,287)</u>	(1.8%)

**COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percentage Change</u>
General revenues:				
State appropriations	<u>\$ 1,031,783</u>	<u>\$ 972,666</u>	<u>\$ 59,117</u>	6.1%
Total general revenues	<u>1,031,783</u>	<u>972,666</u>	<u>59,117</u>	6.1%
Total revenues	1,031,783	972,666	59,117	6.1%
Total expenditures/expenses	1,114,869	999,455	115,414	11.5%
Other financing sources	<u>71,799</u>	<u>--</u>	<u>71,799</u>	100.0%
Change in net position	<u>\$ (11,287)</u>	<u>\$ (26,789)</u>	<u>\$ 15,502</u>	57.9%

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

BUDGET ANALYSIS

A comparison of budget to actual operations is a required supplemental schedule and is presented in the accompanying supplementary information. The Institute was under budget in the areas of operating services and professional services, but was over budget in the areas of personnel services, travel, supplies, other fees and services, and capital outlay. Total expenditures were \$9,147 greater than budgeted amounts. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

ECONOMIC OUTLOOK

The Institute's fiscal year 2015 Budget was approved with a 9.5% increase from the prior fiscal year.

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, 2014

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Net Position</u>
ASSETS:			
Cash in bank (Note 4)	\$ 72,679	\$ -	\$ 72,679
Petty cash	36	-	36
Capital assets (net of allowance for depreciation) (Note 3)	<u>-</u>	<u>4,142 (1)</u>	<u>4,142</u>
TOTAL ASSETS	<u>\$ 72,715</u>	<u>4,142</u>	<u>76,857</u>
LIABILITIES:			
Accounts payable	5,608	-	5,608
Accrued salaries and related benefits	21,161	-	21,161
Payroll liabilities	4,455	-	4,455
OPEB payable (Note 8)	-	618,848 (2)	618,848
Compensated absences (Note 1)			
Current portion	-	7,233 (2)	7,233
Noncurrent portion	<u>-</u>	<u>65,096 (2)</u>	<u>65,096</u>
Total liabilities	<u>31,224</u>	<u>691,177</u>	<u>722,401</u>
FUND BALANCE/NET POSITION			
Unassigned	<u>41,491</u>	(41,491)	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,715</u>		
NET POSITION (DEFICIT):			
Net investment in capital assets		4,142	4,142
Unrestricted (deficit)		<u>(649,686)</u>	<u>(649,686)</u>
TOTAL NET POSITION (DEFICIT)		<u>\$ (645,544)</u>	<u>\$ (645,544)</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, 2014

	General Fund	<u>Adjustments*</u>	Statement of Activities
EXPENDITURES/EXPENSES:			
Personnel services	\$ 746,937	\$ 60,137 (1)	\$ 807,074
Travel	151,368	-	151,368
Operating services	17,517	-	17,517
Supplies	30,727	-	30,727
Professional services	77,500	-	77,500
Other fees and services	27,348	-	27,348
Capital outlay	1,246	(1,246) (2)	-
Depreciation	-	3,335 (2)	3,335
Total expenditures/expenses	<u>1,052,643</u>	<u>62,226</u>	<u>1,114,869</u>
GENERAL REVENUES:			
State appropriations	<u>1,031,783</u>	-	<u>1,031,783</u>
Excess (deficiency) of general revenues over expenditures/expenses	(20,860)	20,860	-
OTHER FINANCING SOURCES:			
Interagency transfers in	<u>71,799</u>	-	<u>71,799</u>
Total other financing sources	<u>71,799</u>	-	<u>71,799</u>
Excess of general revenues and other financing sources over expenditures/finances	50,939	(50,939)	-
Change in net position	-	(11,287)	(11,287)
Fund Balance/Net Position (Deficit):			
Beginning of Year	<u>(9,448)</u>	<u>(624,809)</u>	<u>(634,257)</u>
End of Year	<u>\$ 41,491</u>	<u>\$ (687,035)</u>	<u>\$ (645,544)</u>

*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, 2014

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 general purpose 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, 2014

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, 2014

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.

Compensated Absences:

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, 2014, 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 \$72,329.

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

<u>Balance July 01, 2013</u>	<u>Net Change</u>	<u>Balance June 30, 2014</u>
<u>\$ 41,663</u>	<u>\$ 30,666</u>	<u>\$ 72,329</u>

The portion of compensated absences due within one year is \$7,233. The additions and reductions to compensated absences during the 2013-2014 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, 2014, benefits paid to retirees totaled \$53,704, which covered four retired employees, funded through the legislative appropriation.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance:

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.

Noncurrent Liabilities:

Noncurrent liabilities include estimated amounts for accrued compensated absences and other postemployment benefits that will not be paid within the next fiscal year.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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) *Net investment 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:

For the year ended June 30, 2014, the following GASB statements were effective, but did not impact the financial statements of the Louisiana State Law Institute: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections*; GASB Statement No. 67, *Financial Reporting for Pension Plans*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

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, 2014

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 31.3% and 26.5% 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, 2014, 2013 and 2012, 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>
2014	\$ 91,123	\$ 18,480	\$ 109,603
2013	58,934	15,693	74,627
2012	42,753	15,289	58,042

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, 2013	\$ 43,124	\$ (36,893)	\$ 6,231
Acquisitions	1,246	--	1,246
Retirements	(3,233)	3,233	--
Depreciation	<u> --</u>	<u>(3,335)</u>	<u>(3,335)</u>
Balance, June 30, 2014	<u>\$ 41,137</u>	<u>\$ (36,995)</u>	<u>\$ 4,142</u>

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the carrying amount of the Institute's deposit was \$72,679, and the bank balance was \$97,933. 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. 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, 2014

8. 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. R.S. 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 R.S. 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 three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO (MH-HMO) Plan. 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, which are offered on a calendar year basis. During both years, there were two HMO plans offered by different companies. Depending upon the plan selected, during fiscal year 2014, employee premiums for a single member receiving benefits range from \$83 to \$96 per month for employee-only coverage with Medicare or from \$134 to \$148 per month for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2014 range from \$148 to \$316 per month for those with Medicare or from \$434 to \$459 per month for those without Medicare.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. 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 \$257 per month for retiree-only coverage with Medicare or from \$864 to \$911 per month for retiree-only coverage without Medicare during the year ended June 30, 2014.

Also, the Institute's contributions range from \$444 to \$948 per month for retiree and spouse with Medicare or \$1,327 to \$1,399 for retiree and spouse without Medicare during the year ended June 30, 2014.

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, 2013 was \$82,700.

The following table presents the Institute's OPEB obligation for the year ended June 30, 2014. The table shows the components of the plan's annual OPEB cost for the year ended June 30, 2014, 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)	\$ 82,700
Interest on Net OPEB Obligation	23,575
ARC Adjustment	<u>(23,100)</u>
Annual OPEB Cost (expense)	83,175
Contributions made	<u>(53,704)</u>
Increase in Net OPEB Obligation	29,471
Beginning Net OPEB Obligation July 1, 2013	<u>589,377</u>
Ending Net OPEB Obligation June 30, 2014	<u>\$ 618,848</u>

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. 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, 2014 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, 2014	\$ 83,175	64.57%	\$ 618,848
June 30, 2013	85,508	60.04%	589,377
June 30, 2012	89,871	40.56%	555,207

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 \$1,592,500 for the OGB Plan was unfunded.

The funded status of the plan as determined by an actuary as of July 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 1,592,500
Actuarial value of plan assets	<u> --</u>
Unfunded actuarial accrued liability (UAAL)	\$ 1,592,500
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employee covered by the plan)	\$ 432,165
UAAL as a percentage of covered payroll	368.49%

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, 2014

8. 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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	none
Investment rate of return	4.00% annual rate
Projected salary increases	3.00% per annum
Healthcare inflation rate	6.00 – 8.00%
	4.50% ultimate

9. 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, 2014	\$ 41,491
Capital assets	4,142
Compensated absences	(72,329)
Other postemployment benefits payable	<u>(618,848)</u>
Net position/(deficit), June 30, 2014	<u>\$(645,544)</u>

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. 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.

11. 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.

12. INTERAGENCY TRANSFERS:

Amounts received from other governmental units for the year ended June 30, 2014, consist of the following:

	<u>Personnel Services</u>
House of Representatives	\$ <u>71,799</u>
Total	\$ <u>71,799</u>

The amount due from the House of Representatives totaled \$-0- at year-end.

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, 2014

	Actual Amounts			Budgeted Amounts Original and Final
	GAAP Basis	GAAP to Budget Differences Over (Under)	Budgetary Basis	
REVENUES:				
State appropriations	\$ 1,031,783	\$ -	\$ 1,031,783	\$ 1,033,509
EXPENDITURES:				
Personnel services	746,937	(9,987) (1)	736,950	734,611
Travel	151,368	-	151,368	143,277
Operating services	17,517	-	17,517	40,931
Supplies	30,727	-	30,727	8,000
Professional services	77,500	-	77,500	83,250
Other fees and services	27,348	-	27,348	23,440
Capital outlay	1,246	-	1,246	-
Total expenditures	<u>1,052,643</u>	<u>(9,987)</u>	<u>1,042,656</u>	<u>1,033,509</u>
Excess (deficiency) of revenues over (under) expenditures	(20,860)	9,987	(10,873)	-
OTHER FINANCING SOURCES:				
Interagency transfers in	71,799	-	71,799	-
Total other financing sources	<u>71,799</u>	<u>-</u>	<u>71,799</u>	<u>-</u>
Net change in fund balance	50,939	9,987	60,926	-
Fund balances - beginning	(9,448)	11,174 (2)	1,726	-
Fund balances - ending	<u>\$ 41,491</u>	<u>\$ 21,161</u>	<u>\$ 62,652</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, 2014

	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	7/1/2013	\$ -	\$ 1,592,500	\$ 1,592,500	0%	\$ 432,165	368.49%
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%

OTHER SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROFESSIONAL SERVICES
JUNE 30, 2014

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
James A. Stuckey	5,500
Isabel Wingerter	5,500
Ronald J. Scalise	4,250
Andrea Carroll	<u>2,750</u>
	\$ <u><u>77,500</u></u>



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

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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

November 21, 2014

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 governmental activities and the major fund of the Louisiana State Law Institute, as of and for the year ended June 30, 2014, 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 November 21, 2014.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

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*.

Management's Response to Findings

Management's response to the finding identified is described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2014

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Louisiana State Law Institute for the year ended June 30, 2014 was unmodified.
2. Internal Control
Material weaknesses: none noted
Significant deficiency: See current year finding 2014-01
3. Compliance and Other Matters
Noncompliance material to financial statements: none noted

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

2014-01 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.

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.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF PRIOR YEAR FINDINGS:

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.

Status See Finding 2014-01.