R E P O R T

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2012

STATE OF LOUISIANA

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2012

TABLE OF CONTENTS

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

MICHAEL J. O'ROURKE, C.P.A.
DAVID A. BURGARD, C.P.A.
HENRY L. SILVIA, C.P.A.

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

December 19, 2012

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 the accompanying financial statements of the Louisiana State Law Institute, State of Louisiana as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Law Institute, State of Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Louisiana State Law Institute, State of Louisiana are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Law Institute, State of Louisiana as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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
www.dhhmcpa.com

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 19 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.

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 as a whole. The required supplementary information on page 20 is presented for purposes of additional analysis as required by the Governmental Accounting Standard Board (GASB) and is not a required part of the basic financial statements. The schedule on page 21 is presented for the purpose of additional analysis and is also not a required part of the financial statements of the Louisiana State Law Institute, State of Louisiana. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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, 2012

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, 2012. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

The Institute's net assets decreased by $44,629 primarily due to the accrual of other postemployment benefits.

The general revenues of the Institute were $979,111, which is an increase of $37,749.

The total expenditures/expenses of the Institute were $1,023,740, which is an increase of $3,235.

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 Assets (page 5) 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 6) presents information on how the Institute's net assets 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 ASSETS:

	June 30, 2012	June 30, 2011
Current assets	$ 25,889	$ 37,414
Capital assets	9,877	9,764
Total assets	35,766	47,178
Current liabilities	39,033	47,386
Long-term liabilities	604,201	562,631
Total liabilities	643,234	610,017
Invested in capital assets	9,877	9,764
Unrestricted (deficit)	(617,345)	(572,603)
Total net assets (deficit)	$ (607,468)	$ (562,839)

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY STATEMENTS OF ACTIVITIES:

	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011
General revenues:		
State appropriations	$ 979,111	$ 941,362
Total general revenues	979,111	941,362
Total revenues	979,111	941,362
Total expenditures/expenses	(1,023,740)	(1,020,505)
Change in net assets	$ (44,629)	$ (79,143)

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 $52,671 less than budgeted amounts. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

AUDITED FINANCIAL STATEMENTS:

Annually, the Institute is audited by a certified public accounting firm selected by the President of the Louisiana Senate and the Speaker of the House of Representatives. Copies of those audits are available for public inspection within the Legislative Auditor's office.

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 ASSETS
JUNE 30, 2012

	General Fund	Adjustments*		Statement of Net Assets
ASSETS:				
Cash in bank (Note 4)	$ 25,889	$ -		$ 25,889
Capital assets				
(net of allowance for depreciation) (Note 3)	-	9,877	(1)	9,877
TOTAL ASSETS	$ 25,889	9,877		35,766
LIABILITIES:				
Accounts payable	1,726	-		1,726
Accrued salaries and related benefits	11,418	-		11,418
Due to state treasury	25,889	-		25,889
OPEB payable (Note 9)	-	555,207	(2)	555,207
Compensated absences (Note 1)				
Current portion	-	4,899	(2)	4,899
Noncurrent portion	-	44,095	(2)	44,095
Total liabilities	39,033	604,201		643,234
FUND BALANCE/NET ASSETS:				
Unreserved (deficit)	(13,144)	13,144		-
TOTAL LIABILITIES AND FUND BALANCE	$ 25,889			
NET ASSETS (DEFICIT):				
Invested in capital assets		9,877		9,877
Unrestricted (deficit)		(617,345)		(617,345)
TOTAL NET ASSETS (DEFICIT)		$ (607,468)		$ (607,468)

*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, 2012

	General Fund	Adjustments*	Statement of Activities
EXPENDITURES/EXPENSES:			
Personnel services	$ 667,454	$ 41,569 (1)	$ 709,023
Travel	147,114	-	147,114
Operating services	20,421	-	20,421
Supplies	27,308	-	27,308
Professional services	84,394	-	84,394
Other fees and services	30,678	-	30,678
Capital outlay	4,915	(4,090) (2)	825
Depreciation	-	3,977 (2)	3,977
Total expenditures/expenses	982,284	41,456	1,023,740
GENERAL REVENUES:			
State appropriations	979,111	-	979,111
Excess of expenditures/expenses over revenues	(3,173)	3,173	-
Change in net assets	-	(44,629)	(44,629)
Fund Balance/Net Assets (Deficit):			
Beginning of Year	(9,971)	(552,868)	(562,839)
End of Year	$ (13,144)	$ (594,324)	$ (607,468)

*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, 2012

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 Assets 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Within the accompanying statements, the General Fund column of the Statement of Net Assets 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 Assets 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, 2012

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 Assets 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, 2012, 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 $48,994.

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

Balance, July 1, 2011	$ 60,839
Net Change	(11,845)
Balance, June 30, 2012	$ 48,994

The additions and reductions to compensated absences during the 2011-2012 fiscal year represent the net change during the year because the additions and deductions could not be readily determined.

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Assets:

Net assets comprise the various net earnings from revenues and expenses. Net assets are 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.

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, 2012, benefits paid to retirees totaled $36,456, which covered two retired employees, funded through the legislative appropriation.

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, 2012

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 25.6% and 23.7% 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, 2012, 2011 and 2010, which were equal to the required contributions for each year, were as follows:

June 30,	LASERS	TRSL	Total
2012	$ 42,753	$ 15,289	$ 58,042
2011	46,406	13,056	59,462
2010	50,185	10,143	60,328

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:

Assets of $1,000 or Greater	Cost	Allowance for Depreciation	Net Value
Balance, July 1, 2011	$ 47,157	$ (37,393)	$ 9,764
Acquisitions	4,090	--	4,090
Deletions	(1,137)	1,137	--
Depreciation	--	(3,977)	(3,977)
Balance, June 30, 2012	$ 50,110	$ (40,233)	$ 9,877

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, the carrying amount of the Institute's deposit was $25,889, and the bank balance was $51,654. 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, 2012 consist of unexpended appropriations due the State Treasurer, State of Louisiana, in the amount of $25,889.

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.

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), an agent multiple-employer defined benefit OPEB Plan that 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. 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 2012, employee premiums for a single member receiving benefits range from \$85 to \$94 per month for employee-only coverage with Medicare or from \$138 to \$155 per month for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2012 range from \$150 to \$346 per month for those with Medicare or from \$441 to \$503 per month for those without Medicare.

The plan is currently financed on a pay as you go basis, with the Institute contributing anywhere from \$256 to \$281 per month for retiree-only coverage with Medicare or from \$878 to \$997 per month for retiree-only coverage without Medicare during the year ended June 30, 2012. Also, the Institute's contributions range from \$450 to \$1,038 per month for retiree and spouse with Medicare or \$1,342 to \$1,532 for retiree and spouse without Medicare during the year ended June 30, 2012.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Funding Policy: (Continued)

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 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.

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, 2011 was $89,600.

The following table presents the Institute's OPEB obligation for the year ended June 30, 2012. The table shows the components of the plan's annual OPEB cost for the year ended June 30, 2012, 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)	$ 89,600
Interest on Net OPEB Obligation	20,071
ARC Adjustment	(19,800)
Annual OPEB Cost (expense)	89,871
Contributions made	(36,456)
Increase in Net OPEB Obligation	53,415
Beginning Net OPEB Obligation July 1, 2011	501,792
Ending Net OPEB Obligation June 30, 2012	$ 555,207

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 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, 2012	$ 89,871	40.56%	$ 555,207
June 30, 2011	126,726	24.58%	501,792
June 30, 2010	142,921	19.48%	406,221

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 $1,581,200 for the OGB Plan was unfunded.

The funded status of the plan as determined by an actuary as of July 1, 2011, was as follows:

Actuarial accrued liability (AAL)	$ 1,581,200
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	$ 1,581,200
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 430,911
UAAL as a percentage of covered payroll	366.94%

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.

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, 2011
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% annual rate
Projected salary increases	5% per annum
Healthcare inflation rate	7.5 – 8.6% 5% ultimate

10. RECONCILIATION:

The Statement of Net Assets and Statement of Activities present the Institute's fund balance/net assets 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 assets. The amounts are reconciled as follows:

Fund Balance, June 30, 2012	$ (13,144)
Capital assets	9,877
Compensated absences	(48,994)
Other postemployment benefits payable	(555,207)
Net assets/(deficit), June 30, 2012	$ (607,468)

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

	Actual Amounts			Budgeted Amounts
	GAAP Basis	GAAP to Budget Differences Over (Under)	Budgetary Basis	Original and Final
REVENUES:				
State appropriations	$ 979,111	$ -	$ 979,111	$ 1,033,509
EXPENDITURES:				
Personnel services	667,454	(1,446) (1)	666,008	734,611
Travel	147,114	-	147,114	143,277
Operating services	20,421	-	20,421	40,931
Supplies	27,308	-	27,308	8,000
Professional services	84,394	-	84,394	83,250
Other fees and services	30,678	-	30,678	23,440
Capital outlay	4,915	-	4,915	-
Total expenditures	982,284	(1,446)	980,838	1,033,509
Excess (deficiency) of revenues over (under) expenditures	(3,173)	1,446	(1,727)	-
Net change in fund balance	(3,173)	1,446	(1,727)	-
Fund balances - beginning	(9,971)	9,972 (2)	1	-
Fund balances - ending	$ (13,144)	$ 11,418	$ (1,726)	$ -

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 Balances 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, 2012

	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	7/1/2011	$ -	$ 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%
Office of Group Benefits Plan	7/1/2009	$ -	$ 2,213,100	$ 2,213,100	0%	$ 473,692	467.20%

OTHER SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROFESSIONAL SERVICES
JUNE 30,2012

Gay Simpson	$ 21,190
Claire A. Popovich	8,079
L. David Cromwell	5,500
William F. Forrester, Jr.	5,500
Cheney C. Joseph, Jr.	5,500
Lucy S. McGough	5,500
Glenn G. Morris	5,500
Max Nathan, Jr.	5,500
Katherine S. Spaht	5,500
James A. Stuckey	5,500
A. N. Yiannopoulos	5,500
Cynthia Samuel	4,250
Kenneth Rigby	1,375
	$ 84,394

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.

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

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

MICHAEL J. O'ROURKE, C.P.A.
DAVID A. BURGARD, C.P.A.
HENRY L. SILVIA, C.P.A.

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)

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 19, 2012

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 the financial statements of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Louisiana State Law Institute is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Louisiana State Law Institute, State of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana State Law Institute, State of Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana State Law Institute, State of Louisiana's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (2012-01). 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.

Compliance and Other Matters

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

The Louisiana State Law Institute, State of Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Institute's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of Louisiana State Law Institute, State of Louisiana's management, the Legislative Auditor, and the Legislative Budgetary Control Council and is not intended to be and should not be used by anyone other than these specified parties. 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, 2012

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Louisiana State Law Institute for the year ended June 30, 2012 was unqualified.

2. Internal Control
   Material weaknesses: none noted
   Significant deficiency: See current year finding 2012-01

3. Compliance and Other Matters
   Noncompliance material to financial statements: none noted

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

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.

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, 2012

SUMMARY OF PRIOR YEAR FINDINGS:

2011-01 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 2012-01.