

ANNUAL FINANCIAL REPORT
LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
JUNE 30, 2018

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2018

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Duplantier Hrapmann Hogan & Maher, LLP

INDEPENDENT AUDITOR'S REPORT

December 26, 2018

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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 (the Institute), as of and for the year ended June 30, 2018, 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, 2018, 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.

Emphasis of Matter

As disclosed in Note 8 to the financial statements, the Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard required the Institute to record its proportionate share of the OPEB liability related to its participation in a multiple-employer defined benefit OPEB plan. As a result of the adoption, the Institute's net position decreased by \$379,415, the collective total OPEB liability increased by \$426,893 and deferred outflow of resources was recorded in the amount of \$47,478 as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule - general fund, the schedule of employer's proportionate share of the collective total OPEB liability, the schedule of the employer's proportionate share of the net pension liability, and the schedule of the employer's pension contributions 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 schedule of professional services is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018, 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

New Orleans, Louisiana

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Management's Discussion and Analysis of the Louisiana State Law Institute, State of Louisiana's (Institute) financial performance presents a narrative overview and analysis of the Institute's financial activities for the year ended June 30, 2018. 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 increased by \$196,768 to \$(2,235,584) from June 30, 2017 to June 30, 2018.
- The general revenues of the Institute were \$1,131,401, which is an increase of \$113,140. The increase in general revenues is due to a 10% increase in the State appropriations.
- The total expenses of the Institute were \$934,633 which is a decrease of \$253,573. Travel expense and pension expense accounted for the largest portion of this decrease.

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 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.

The Statement of Net Position presents information on all of the Institute's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position 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. 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 and their availability for expenditure.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The Statement of Activities presents information showing how the Institute's net position 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 Institute'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 Financial Statements

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

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, progress in funding its obligations to provide other postemployment benefits, share of proportionate share of the net position liability, and pension contributions.

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

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	(Restated) <u>2017</u>	<u>Change</u>	<u>Percentage Change</u>
Assets:				
Current assets	\$ 485,349	\$ 277,188	\$ 208,161	75.1 %
Capital assets, net	<u>7,320</u>	<u>9,519</u>	<u>(2,199)</u>	(23.1) %
Total assets	<u>492,669</u>	<u>286,707</u>	<u>205,962</u>	
Deferred Outflows of Resources:	<u>265,928</u>	<u>480,105</u>	<u>(214,177)</u>	(44.6) %
Liabilities:				
Current liabilities	74,094	35,662	38,432	107.8 %
Long-term liabilities	<u>2,729,025</u>	<u>3,138,641</u>	<u>(409,616)</u>	(13.1) %
Total liabilities	<u>2,803,119</u>	<u>3,174,303</u>	<u>(371,184)</u>	
Deferred Inflows of Resources:	<u>191,062</u>	<u>24,861</u>	<u>166,201</u>	668.5 %
Net Position:				
Net investment in capital assets	7,320	9,519	(2,199)	(23.1) %
Unrestricted	<u>(2,242,904)</u>	<u>(2,441,871)</u>	<u>198,967</u>	(8.1) %
Total net position (deficit)	<u>\$ (2,235,584)</u>	<u>\$ (2,432,352)</u>	<u>\$ 196,768</u>	

Comparative Statements of Activities
For the years ended June 30, 2018 and 2017

	<u>2018</u>	(Restated) <u>2017</u>	<u>Change</u>	<u>Percentage Change</u>
General revenues:				
State appropriations	\$ 1,131,401	\$ 1,018,261	\$ 113,140	11.1 %
Total expenses	<u>934,633</u>	<u>1,213,738</u>	<u>(279,105)</u>	(23.0) %
Change in net position	<u>\$ 196,768</u>	<u>\$ (195,477)</u>	<u>\$ 392,245</u>	

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 personnel services, operating services, travel, other fees and services and professional services, but was over budget in the area of supplies. Total expenditures were \$180,763 less than budgeted amounts. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

ECONOMIC OUTLOOK

The Institute's fiscal year 2018 budget was approved with a 10% 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 Judge Guy Holdridge, 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, 2018

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Net Position</u>
ASSETS:			
Cash in bank	\$ 485,349	\$ -	\$ 485,349
Capital assets (net of accumulated depreciation)	-	7,320 (1)	7,320
TOTAL ASSETS	<u>485,349</u>	<u>7,320</u>	<u>492,669</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	-	200,407 (2)	200,407
Deferred outflows of resources related to OPEB	-	65,521 (2)	65,521
Total deferred outflows of resources	-	<u>265,928</u>	<u>265,928</u>
LIABILITIES:			
Accounts payable	39,572	-	39,572
Accrued salaries and related benefits	28,831	-	28,831
OPEB liability	-	1,108,730 (2)	1,108,730
Compensated absences:			
Current portion	-	5,691 (2)	5,691
Noncurrent portion	-	22,762 (2)	22,762
Net pension liability	-	1,597,533 (2)	1,597,533
Total liabilities	<u>68,403</u>	<u>2,734,716</u>	<u>2,803,119</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	-	132,472 (2)	132,472
Deferred inflows of resources related to OPEB	-	58,590 (2)	58,590
Total deferred inflows of resources	-	<u>191,062</u>	<u>191,062</u>
FUND BALANCE/NET POSITION:			
Unassigned	416,946	(416,946)	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 485,349</u>		
NET POSITION:			
Net investment in capital assets		7,320	7,320
Unrestricted		(2,242,904)	(2,242,904)
TOTAL NET POSITION (DEFICIT)		<u>\$ (2,235,584)</u>	<u>\$ (2,235,584)</u>

***Explanations:**

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

The accompanying notes are an integral part of these financial statements.

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, 2018

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Personnel services	\$ 684,419	\$ (19,694) (1)	\$ 664,725
Travel	103,496	-	103,496
Operating services	22,352	-	22,352
Supplies	47,489	-	47,489
Professional services	69,980	-	69,980
Other fees and services	24,392	-	24,392
Depreciation	-	2,199 (2)	2,199
Total expenditures/expenses	<u>952,128</u>	<u>(17,495)</u>	<u>934,633</u>
GENERAL REVENUES:			
State appropriations	<u>1,131,401</u>	-	<u>1,131,401</u>
Total revenues	<u>1,131,401</u>	-	<u>1,131,401</u>
Excess (deficiency) of general revenues over expenditures/expenses	<u>179,273</u>	<u>(179,273)</u>	<u>-</u>
Change in net position	-	196,768	196,768
Fund Balance/Net Position (Deficit):			
Beginning of Year, as restated	<u>249,602</u>	<u>(2,681,954)</u>	<u>(2,432,352)</u>
End of Year	<u>\$ 428,875</u>	<u>\$ (2,664,459)</u>	<u>\$ (2,235,584)</u>

***Explanations:**

- (1) Revenues and expenses of long-term obligations for compensated absences, pension plans and other postemployment benefits reported in 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.

The accompanying notes are an integral part of these financial statements.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the Codification of the Governmental Accounting and Reporting Guidelines. The accompanying financial statements have been prepared in accordance with such principles.

The following is a summary of the 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 Institute has only a General Fund, supported by an appropriation from the State of Louisiana and self-generated funds. 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:

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

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

collected within 45 days of the end of the current fiscal period. Using this methodology, 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 incurred, as in accrual accounting. However, compensated absences, pension liabilities, and other postemployment benefits (OPEB) 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.

Deferred Outflows of Resources and Deferred Inflows of Resources:

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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.

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.

Furniture, fixtures, and equipment with acquisition costs of \$1,000 or greater are capitalized and 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

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.

LOUISIANA STATE LAW INSTITUTE
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

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 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 and any unused balance is paid to the employee upon resignation or retirement.

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. As further disclosed in Note 8 to the financial statements, the Institute implemented GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018.

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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, other postemployment benefits, and net pension liabilities that will not be paid within the next fiscal year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the

LOUISIANA STATE LAW INSTITUTE
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NOTES TO FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Noncurrent Liabilities: (Continued)

fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from LASERS's fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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 Principles:

For the year ended June 30, 2018, the Institute implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 85, Omnibus 2017.

2. PENSION PLAN:

Plan Description:

Employees of the Institute are members of the Louisiana State Employees' Retirement System (LASERS). The plan is administered by a board of trustees and is a cost-sharing, multiple-employer defined benefit pension plan. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The system issues annual, publicly-available financial reports that include financial statements and required supplementary information for the system. The report for LASERS may be obtained at www.lasersonline.org.

LOUISIANA STATE LAW INSTITUTE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. PENSION PLAN: (Continued)

Benefits Provided:

Retirement Benefits

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of rank-and-file members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending on their plan. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits under any one of six different options, throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with 12 years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

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2. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Retirement Benefits (Continued)

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

Deferred Retirement Benefits

State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors. Members eligible to retire and who do not choose to participate in DROP may elect to

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2. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Deferred Retirement Benefits (Continued)

receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that given date. The average rate so determined is to be reduced by a "contingency" adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

Disability Benefits

Generally active members of LASERS with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees. For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor's Benefits

Certain eligible surviving dependents of LASERS receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, two years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

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2. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Survivor's Benefits (Continued)

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation, and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60% of final average compensation to surviving spouse, regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions:

The employer contribution rates are established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of each plan are used for the payment of benefits for all classes of members within each system, regardless of their plan membership. Contribution rates for the year ended June 30, 2018, are as follows:

<u>Plan</u>	<u>Plan Status</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Appellate Law Clerks	Closed	7.50%	37.90%
Appellate Law Clerks hired on or before 7/1/06	Open	8.00%	37.90%
Alcohol Tobacco Control	Closed	9.00%	32.70%
Bridge Police	Closed	8.50%	36.50%
Bridge Police hired on or after 7/1/06	Closed	8.50%	36.50%
Corrections Primary	Closed	9.00%	33.20%
Corrections Secondary	Closed	9.00%	37.60%
Harbor Police	Closed	9.00%	6.10%
Hazardous Duty	Open	9.50%	38.30%
Judges hired before 1/1/11	Closed	11.50%	40.10%
Judges hired after 12/31/10	Closed	13.00%	39.60%
Judges hired on or after 7/1/15	Open	13.00%	39.60%
Legislators	Closed	11.50%	41.70%

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2. PENSION PLAN: (Continued)

Contributions: (Continued)

<u>Plan</u>	<u>Plan Status</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Optional Retirement Plan (ORP) before 7/1/06*	Closed	7.50%	37.90%
Optional Retirement Plan (ORP) on or after 7/1/06*	Closed	8.00%	37.90%
Peace Officers	Closed	9.00%	36.70%
Regular Employees hired before 7/1/06	Closed	7.50%	37.90%
Regular Employees hired on or after 7/1/06	Closed	8.00%	37.90%
Regular Employees hired on or after 1/1/11	Closed	8.00%	37.90%
Regular Employees hired on or after 7/1/15	Open	8.00%	37.90%
Special Legislative Employees	Closed	9.50%	43.70%
Wildlife Agents	Closed	9.50%	46.60%

* For ORP the projected employer contribution effort was calculated using the shared UAL portion of the contribution rate of 33.80% for 2018.

All Institute employees who are members of LASERS are in one of the Regular Plans and contributions are made at the applicable rates based on their hire date.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the Institute reported a liability of \$1,597,533 for its proportionate share of LASERS' net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Institute's proportion of the net pension liability for LASERS's was based on a projection of the Institute's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Institute's proportion for LASERS was 0.02270%. This reflects a decrease of 0.00212% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Institute recognized pension expense in the amount of \$130,665 for which there were no forfeitures.

At June 30, 2018, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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STATE OF LOUISIANA
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JUNE 30, 2018

2. PENSION PLAN: (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 6,311	\$ -
Differences between expected and actual experience	-	29,313
Net difference between projected and actual earnings on pension plan investments	51,949	-
Changes in proportion and differences between employer contributions and proportionate share of contributions		103,159
Employer contributions subsequent to the measurement date	142,147	
Total	<u>\$ 200,407</u>	<u>\$ 132,472</u>

During the year ended June 30, 2018, employer contributions totaling \$142,147 were made subsequent to the measurement date. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized in pension expense as follows:

Year Ending June 30:	
2019	(59,690)
2020	(3,148)
2021	20,789
2022	(32,163)
Total	<u>\$ (74,212)</u>

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. PENSION PLAN: (Continued)

Actuarial Assumptions:

The total pension liabilities for LASERS in the June 30, 2017, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Actuarial cost method	Entry Age Normal																		
Amortization approach	Closed																		
Actuarial assumptions:																			
Expected remaining service lives	3 years																		
Investment rate of return	7.70%																		
Inflation rate	2.75% per annum																		
Projected salary increases	<p>Salary increases were projected based on a 2009 - 2013 experience study of the System's members. The salary increase ranges for specific types of members are:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Member Type</th> <th style="text-align: center;">Lower Range</th> <th style="text-align: center;">Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">12.8%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
Member Type	Lower Range	Upper Range																	
Regular	3.8%	12.8%																	
Judges	2.8%	5.3%																	
Corrections	3.4%	14.3%																	
Hazardous Duty	3.4%	14.3%																	
Wildlife	3.4%	14.3%																	
Cost-of-living adjustments	Only those previously granted.																		
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality projected to 2015.</p> <p>Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																		
Termination and disability	Termination, disability and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																		

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2. PENSION PLANS: (Continued)

Actuarial Assumptions: (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69% for 2017. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0%	-0.24%
Domestic Equity	25%	4.31%
International Equity	32%	5.35%
Domestic Fixed Income	8%	1.73%
International Fixed Income	6%	2.49%
Alternative Investments	22%	7.41%
Global Tactical Asset Allocation	7%	2.84%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability for LASERS was 7.70%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and contributions from participating employers will be made at actuarially determined rates approved by PRSAC taking into consideration the recommendation of the pension plan's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. PENSION PLANS: (Continued)

Sensitivity of the Institute's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the Institute's proportionate share of the net pension liability of LASERS as of June 30, 2018 using the current discount rate of 7.70%, as well as what the Institute's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1.00% Decrease	Current Discount Rate	1.00% Increase
6.70%	7.70%	8.70%
\$ 2,005,521	\$ 1,597,533	\$ 1,250,646

Support of Non-employer Contributing Entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. LASERS does not receive support from non-employer contributing entities and as a result no revenue was recorded for the participation in LASERS for the year ended June 30, 2018.

Pension Plan Fiduciary Net Position:

Detailed information about the pension plans fiduciary net position is available in the separately issued financial report for LASERS.

Payable to the Pension Plan:

At June 30, 2018, the payable to LASERS was \$4,842 for June 2018 employee and employer legally required contributions.

3. CAPITAL ASSETS:

	Balance <u>July 01, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
Computer equipment	\$ 20,773	\$ -	\$ (7,662)	\$ 13,111
Office furniture and equipment	20,301	-	-	20,301
Less: accumulated depreciation	(31,555)	(2,199)	7,662	(26,092)
Total capital assets, net	\$ 9,519	\$ (2,199)	\$ -	\$ 7,320

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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, 2018, the carrying amount of the Institute's deposits was \$485,349, and the bank balance was \$487,998. The entire bank balance was covered by federal depository insurance and pledged securities.

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.

At June 30, 2018 the Institute was not involved in any lawsuits or threatened litigations.

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.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB):

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 offering is from the State Office of Group Benefits (OGB) which also offers a life insurance plan. Information about the plan is presented below.

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8. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

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 Office of Group Benefits administers the plan. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Government Accounting Standards Board (GASB) Statement No. 75 to pay related benefits. 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). A copy of the CAFR may be obtained from the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Benefits Provided:

The OPEB Plan provides benefits such as; death benefits, life insurance, disability, and long-term care that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. The OPEB plan does not provide termination benefits or termination payments for sick leave.

Contributions:

The contribution requirements of plan members and the employers are established and may be amended by LRS 42:801-883. Active employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving postemployment benefits. The retirees contribute to the cost of their postemployment benefits based on a service schedule. The plan is currently financed on a pay-as-you-go method. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. Contributions to the OPEB plan from the Institute were \$56,972 for the year ended June 30, 2018.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who began participation or rejoined the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer is based on the following schedule:

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8. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

Contributions: (Continued)

<u>Service</u>	<u>Employer Contribution Percentage</u>	<u>Retiree Contribution Percentage</u>
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees, subject to maximum values. The total monthly premium is approximately \$1 per thousand dollars of coverage of which the employer pays 50% of the individual retiree's premium.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB:

At June 30, 2018, the Institute reported a liability of \$1,108,730 for its proportionate share of the total OPEB liability. The OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The Institute's proportion of the total OPEB liability was based on a projection of the Institute's total OPEB liability relative to the projected total OPEB liability of all participating employers, actuarially determined. As of July 1, 2017, the Institute's proportion was 0.0128%.

For the year ended June 30, 2018, the Institute recognized OPEB expense of \$48,760. As of June 30, 2018, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 58,590
Differences between employer contributions and proportionate share of contributions	8,549	-
Employer contributions subsequent to the measurement date	56,972	-
Total	<u>\$ 65,521</u>	<u>\$ 58,590</u>

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$56,972 will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

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8. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB: (Continued)

Year ending June 30:	
2019	\$ (14,380)
2020	(14,380)
2021	(14,380)
2022	(6,901)
Total	<u>\$ (50,041)</u>

Actuarial Assumptions:

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.80%
Salary Increases	Consistent with the pension valuation assumptions
Investment rate of return	3.13%, based on the S&P Municipal Bond 20-Year High Grade Rate Index
Healthcare Cost Trend	7% - 4.5%
Mortality Rates	For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2017 actuarial valuation to more closely reflect actual experience.

Discount Rate:

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB Plan is unfunded, the OPEB plan's fiduciary net position was not projected to be available to make all

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8. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

Discount Rate: (Continued)

projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate.

The discount rate used to measure the total OPEB liability increased to 3.13% in the July 1, 2017 valuation from 2.71% as of July 1, 2016. The discount rate in the current valuation reflects that the Standard & Poor's 20-year Municipal Bond Index rate was unchanged from the prior year.

Sensitivity of the Institute's Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate:

The following presents the Institute's proportionate share of the collective total OPEB liability, as well as what the Institute's proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
Proportionate Share of the Collective Total OPEB Liability	<u>\$ 1,301,872</u>	<u>\$ 1,108,730</u>	<u>\$ 956,362</u>

Sensitivity of the Institute's Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the Institute's proportionate share of the collective total OPEB liability, as well as what the Institute's proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Proportionate Share of the Collective Total OPEB Liability	<u>\$ 955,613</u>	<u>\$ 1,108,730</u>	<u>\$ 1,304,908</u>

Payables to the OPEB Plan:

As of June 30, 2018, the Institute reported a payable of \$-0- for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

9. 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.

10. CHANGES IN LONG-TERM LIABILITIES:

The following is a summary of the changes in the Institute's long-term liabilities for the year ended June 30, 2018:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due Within One Year
Compensated absences	\$ 40,382	\$ 17,461	\$ (29,390)	\$ 28,453	\$ 5,691
OPEB liability	1,157,489	63,140	(111,899)	1,108,730	-
Net pension liabilities	1,948,846	146,181	(497,494)	1,597,533	-
	<u>\$ 3,146,717</u>	<u>\$ 226,782</u>	<u>\$ (638,783)</u>	<u>\$ 2,734,716</u>	<u>\$ 5,691</u>

11. CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2017, The Louisiana State Law Institute adopted Governmental Accounting Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit other postemployment benefit plans (OPEB). This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

As a result of the adoption of the new accounting standard, the Institute's beginning net position decreased by \$379,415, collective total OPEB liability increased by \$426,893 and beginning deferred outflows of resources increased by \$47,478 for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Actual Amounts		Budgeted Amounts Original and Final	Variance with Final Budget	
	GAAP Basis	GAAP to Budget Differences Over (Under)			Budgetary Basis
REVENUES:					
State appropriations	\$ 1,131,401	\$ -	\$ 1,131,401	\$ 1,131,401	\$ -
EXPENDITURES:					
Personnel services	684,419	(1,490) (1)	682,929	786,503	(103,574)
Travel	103,496	-	103,496	179,277	(75,781)
Operating services	22,352	-	22,352	40,931	(18,579)
Supplies	47,489	-	47,489	8,000	39,489
Professional services	69,980	-	69,980	83,250	(13,270)
Other fees and services	24,392	-	24,392	33,440	(9,048)
Total expenditures	<u>952,128</u>	<u>(1,490)</u>	<u>950,638</u>	<u>1,131,401</u>	<u>(180,763)</u>
Excess of revenues over expenditures	179,273	1,490	180,763	-	180,763
Fund balances - beginning	249,602	25,903 (2)	275,505	-	275,505
Fund balances - ending	<u>\$ 428,875</u>	<u>\$ 27,393</u>	<u>\$ 456,268</u>	<u>\$ -</u>	<u>\$ 456,268</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 THE INSTITUTE'S PROPORTIONATE SHARE OF THE
COLLECTIVE TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

<u>Fiscal Year*</u>	<u>Proportion of the Collective Total OPEB Liability</u>	<u>Proportionate Share of Collective Total OPEB Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Proportionate Share of the Collective Total OPEB Liability as a % of Covered Employee Payroll</u>
2018	0.0128%	\$ 1,108,730	\$ 313,823	353%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended.

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a % of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2018	0.02270%	\$ 1,597,533	\$ 421,389	379.1%	62.5%
2017	0.02482%	\$ 1,948,846	\$ 477,171	408.4%	57.7%
2016	0.02494%	\$ 1,695,956	\$ 523,052	324.2%	62.7%
2015	0.02354%	\$ 1,472,118	\$ 289,285	508.9%	65.0%
2014	0.01042%	\$ 759,349	\$ 202,218	375.5%	58.6%

The schedule is intended to report information for ten years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE FIVE YEARS ENDED JUNE 30, 2018

Fiscal <u>Year</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Employer's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2018	\$ 143,521	\$ 142,147	\$ 1,374	\$ 378,684	37.5%
2017	\$ 150,857	\$ 151,007	\$ (150)	\$ 421,389	35.8%
2016	\$ 176,184	\$ 176,184	\$ -	\$ 477,171	36.9%
2015	\$ 194,872	\$ 194,872	\$ -	\$ 523,052	37.2%
2014	\$ 91,123	\$ 91,123	\$ -	\$ 289,285	37.2%

The schedule is intended to report information for ten years. Additional years will be displayed as they become available.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FIVE YEARS ENDED JUNE 30, 2018

1. SCHEDULE OF THE INSTITUTE'S PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OPEB LIABILITY:

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

2. CHANGES IN BENEFIT TERMS:

Pension Plan

During the measurement periods ended June 30, 2016 and June 30, 2017, a 1.5% cost of living adjustment (COLA) was granted by LASERS. There were no changes to benefit terms for any of the remaining years presented.

OPEB Plan

There were no changes of benefit terms for the OPEB Plan during any of the years presented.

3. CHANGES OF ASSUMPTIONS:

Pension Plan

Amounts reported in the actuary valuation dated June 30, 2017 for LASERS reflect an adjustment in the discount rate, inflation rate and salary increases used to value the projected benefit payments attributed to past periods of service. The discount rate for LASERS was decreased by 0.05% to 7.70% in 2017. Other changes were as follows:

Valuation Date	June 30, 2017	June 30, 2016
Inflation Rate	2.75%	3.00%
Projected Salary Increase	2.80% - 14.30%	3.00% - 14.50%

OPEB Plan

The discount rate changed from 2.71% to 3.13% during the July 1, 2017 valuation.

SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROFESSIONAL SERVICES
JUNE 30, 2018

Gay Simpson	\$ 31,980
Andrea Carroll	5,500
L. David Cromwell	2,500
Mark Davis	500
William F. Forrester, Jr.	1,500
Karen Hallstrom	5,500
Guy Holdridge	2,500
Luz Molina	1,500
Glenn G. Morris	3,500
Christopher Odinet	1,500
Patrick Ottinger	1,500
Ronald Scalise	2,500
Stephen Sklamba	2,500
Katherine Spaht	2,500
Robert Thibeaux	1,500
J. Randall Trahan	1,500
Charles Weems	<u>1,500</u>
	<u><u>\$ 69,980</u></u>



Duplantier
Hrapmann
Hogan &
Maher, LLP

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

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

December 26, 2018

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Honorable John A. Alario, Jr., Co-Chair
Honorable Taylor F. Barras, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, Louisiana

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

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(1919-1985)
Felix J. Hrapmann, Jr., CPA
(1919-1990)
William R. Hogan, Jr., CPA
(1920-1996)
James Maher, Jr., CPA
(1921-1999)

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, 2018, and the related notes to the financial statements, which collectively comprise the Louisiana State Law Institute's basic financial statements, and have issued our report thereon dated December 26, 2018.

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Internal Control Over Financial Reporting

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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.

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American Institute of
Certified Public Accountants
Society of LA CPAs

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

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

New Orleans, Louisiana

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Louisiana State Law Institute for the year ended June 30, 2018 was unmodified.
2. Internal Control
Material weaknesses: none noted
Significant deficiency: See current year finding 2018-01
3. Compliance and Other Matters
Noncompliance material to financial statements: none noted

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

2018-01 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 PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY OF PRIOR YEAR FINDINGS:

2017-01 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 2018-01.