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REPORT

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2004

STATE OF LOUISIANA

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA

JUNE 30, 2004

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

November 9, 2004

Honorable Donald E. Hines, Co-Chair
Honorable Joe R. Salter, 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, 2004, as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Law Institute'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 *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, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 9, 2004, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 3-4 and 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on page 15 for the year ended June 30, 2004 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information on page 15 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken 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, 2004

This annual report consists of a series of financial statements, and supporting schedules, intended to present the user with two views of the office, one short-term, one long-term. The Statement of Net Assets (page 5) and Statement of Activities (page 6) start with a fund view of the office, which provides a short-term view of operations; this General Fund is adjusted to a long-term view, recording the effect of long-term obligations and capital assets.

A budget comparison of actual to the final budget is included as required supplemental information. The reporting perspective of the comparison is short-term, reflecting the office's stewardship with the annual, lapsing appropriation.

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

	Current Year As of and for the Year Ended June 30, 2004	Prior Year As of and for the Year Ended June 30, 2003
Current assets	$ 13,199	$ 15,341
Capital assets	43,346	48,721
Total assets	56,545	64,062
Current liabilities	31,420	28,838
Long-term liabilities	49,628	51,908
Total liabilities	81,048	80,746
Invested in capital assets	43,346	48,721
Unrestricted (deficit)	(67,849)	(65,405)
Total net assets (deficit)	$ (24,503)	$ (16,684)

	Current Year As of and for the Year Ended June 30, 2004	Prior Year As of and for the Year Ended June 30, 2003
General revenues:		
State appropriation	$ 810,000	$ 842,062
Total general revenues	810,000	842,062
Total revenues	810,000	842,062
Total expenses	807,155	836,598
Total other financing uses	10,664	13,444
Change in net assets	$ (7,819)	$ (7,980)

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Law Institute's net assets decreased by $7,819 during fiscal year 2004, primarily caused by the effects of recording capital assets and compensated absences on the Statement of Net Assets.

A comparison of budget to actual operations is a required supplemental statement. Expenditures for the year were restricted to the amounts appropriated by the Louisiana Legislature.

Annually, the Louisiana State Law 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.

Questions regarding any of the information provided or requests for additional information should be addressed to 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
STATEMENT OF NET ASSETS
JUNE 30, 2004

	General Fund	Adjustments*	Statement of Net Assets
ASSETS			
Cash in bank	$ 13,199	$ -	$ 13,199
Capital assets (net of allowance for depreciation)	-	43,346 (1)	43,346
TOTAL ASSETS	13,199	43,346	56,545
LIABILITIES			
Accounts payable	2,535	-	2,535
Accrued salaries and related benefits	18,221	-	18,221
Due to state treasury	10,664	-	10,664
Compensated absences	-	49,628 (2)	49,628
Total liabilities	31,420	49,628	81,048
FUND BALANCE/NET ASSETS			
Unreserved (deficit)	(18,221)	18,221	-
TOTAL LIABILITIES AND FUND BALANCE	$ 13,199		
NET ASSETS (DEFICIT)			
Invested in capital assets		43,346	43,346
Unrestricted (deficit)		(67,849)	(67,849)
TOTAL NET ASSETS (DEFICIT)		$ (24,503)	$ (24,503)

*Explanation

(1) Capital assets, net of the depreciation allowance, are recorded on the statement of net assets, but not within the fund statements of the General Fund.

(2) Long-term liabilities, such as compensated absences, are recorded on the statement of net assets, but not within the fund statements of 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, 2004

	General Fund	Adjustments*	Statement of Activities
EXPENDITURES/EXPENSES:			
Personal services	$ 582,142	$ (2,280) (1)	$ 579,862
Travel	97,000	-	97,000
Operating services	19,644	-	19,644
Supplies	13,336	12,223 (2)	25,559
Professional services	62,438	-	62,438
Other fees and services	17,277	-	17,277
Capital outlay	12,223	(12,223) (2)	-
Depreciation	-	5,336 (2)	5,336
Loss on disposal of assets	-	39 (2)	39
Total expenditures/expenses	804,060	3,095	807,155
GENERAL REVENUES:			
State appropriations	810,000	-	810,000
Excess of revenues over expenditures	5,940	-	-
OTHER FINANCING USES:			
Transfer to the State Treasury, General Fund	(10,664)	-	(10,664)
Excess(deficiency) of revenues over expenditures and other financing uses	(4,724)	4,724	-
Change in net assets	-	(7,819)	(7,819)
Fund Balance/Net Assets (Deficit):			
Beginning of Year	(13,497)	-	(16,684)
End of Year	$ (18,221)	$ -	$ (24,503)

*Explanation

(1) Decrease in long term obligation for compensated absences

(2) Reclassify furniture, fixture and equipment purchases and record depreciation and loss on disposal of assets

See accompanying notes.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NATURE OF OPERATIONS:

The Louisiana State Law 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:

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental 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.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* the Louisiana State Law Institute presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the Institute.

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 component unit financial statements.

Fund Accounting:

The Louisiana State Law Institute uses fund accounting (separate sets 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 fund presented in the accompanying financial statements, and as described below, comprise the General Fund of the Louisiana State Law Institute:

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Accounting: (Continued)

Governmental Fund Type

General Fund. The General Fund is used to account for all of the Louisiana State Law Institute's general activities, including the acquisition of general fixed assets and accounting for long-term liabilities. It is used to account for all activities of the Law Institute.

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.

In accordance with *Statement of Governmental Accounting Standard* 34, the Louisiana State Law Institute presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the Louisiana State Law Institute. The Louisiana State Law Institute has no fiduciary funds or component units. The Louisiana State Law Institute has only a General Fund, supported by an appropriation from the State of Louisiana.

Within the accompanying statements, the General Fund column of the Statement of Net Assets and the Statement of Activities reports all activities of the Louisiana State Law Institute using the current financial resource 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. Using this methodology, the legislative appropriation is recorded during the year, and for the year, the appropriation is made. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences are recorded when paid.

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.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

The accompanying statements reflect furniture, fixtures, and equipment used by the Louisiana State Law 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 Louisiana State Law Institute by the State of Louisiana. Those assets are recorded with the annual financial statements of the State of Louisiana.

Budgetary Practices:

The Louisiana State Law Institute is required to submit to the Legislative Budgetary Control Council an estimate of the financial requirements for the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for her signature. The Institute is authorized to transfer budget amounts between accounts in the General Fund. Revisions, which 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 all unexpended or unencumbered funds must be returned to the State General Fund.

Encumbrances:

Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances are an allowable charge against the current-year appropriation. There were no encumbrances at year end.

Leave Benefits:

Accumulated unpaid annual, sick, and compensatory leaves are 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.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Leave Benefits: (Continued)

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per workweek. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2004, 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, total $49,628.

The following are the changes in compensated absences (general long-term obligation) during the year:

Balance, July 1, 2003	$ 51,908
Net Change	(2,280)
Balance, June 30, 2004	$ 49,628

Postretirement Benefits:

The Louisiana State Law 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 Group Benefit Program whose monthly premiums are paid jointly by the employee and the Institute. The costs of retiree health care and life insurance benefits are recognized as expenditures when paid. Currently, no benefits are paid to any retirees.

2. RETIREMENT SYSTEM:

Plan Description:

Substantially all employees of the Institute participate in the Louisiana State Employee's Retirement System (LASERS) or the Teacher's Retirement System of Louisiana (TRS), both of which are cost sharing, multiple-employer defined benefit pension plans administered by a separate Board 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 TRS 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, 2004

2. RETIREMENT SYSTEM: (Continued)

Funding Policy:

Plan members of the Louisiana State Law Institute are required by state statute to contribute 7.5% and 8.0% of their annual covered salary to LASERS and TRS, respectively, and the Institute (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 15.8% and 13.8% of annual covered payroll for LASERS and TRS, respectively. The contribution requirements of plan members and the employer are established by, 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 State of Louisiana through the annual legislative appropriation funds the employer contribution. The Institute's employer contributions to LASERS and TRS for the years ended June 30, 2004, 2003, and 2002, which were equal to the required contributions for each year, were as follows:

June 30,	LASERS	TRS	Total
2004	$ 55,895	$ 7,468	$ 63,363
2003	51,764	7,004	58,768
2002	46,185	7,821	54,006

3. CAPITAL ASSETS:

The accompanying statements reflect furniture, fixtures, and equipment used by the Louisiana State Law 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, 2003	$ 60,868	$ (12,147)	$ 48,721
Acquisitions	--	--	--
Deletions	(8,383)	8,344	(39)
Depreciation	--	(5,336)	(5,336)
Balance, June 30, 2004	$ 52,485	$ (9,139)	$ 43,346

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

3. FURNITURE, FIXTURES AND EQUIPMENT: (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 Louisiana State Law 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, 2004, the carrying amount of the Louisiana State Law Institute's deposit was $13,199 and the bank balance was $41,113. The entire bank balance was covered by federal depository insurance (Category 1).

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, 2004 consists of unexpended appropriations due the State Treasurer, State of Louisiana, in the amount of $10,664.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 about amounts reported in the financial statements. Actual results could differ from those estimates.

SUPPLEMENTARY INFORMATION

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts Original and Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)		Actual Amounts GAAP Basis
REVENUES:					
State appropriations	$ 853,809	$ 810,000	$ -		$ 810,000
EXPENDITURES:					
Personal services	590,911	582,142	(2,280)	(1)	579,862
Travel	98,277	97,000	-		97,000
Operating services	31,900	19,644	-		19,644
Supplies	10,000	13,336	12,223	(2)	25,559
Professional services	83,500	62,438	-		62,438
Other fees and services	19,440	17,277	-		17,277
Capital outlay	19,781	12,223	(12,223)	(2)	-
Depreciation	-	-	5,336	(2)	5,336
Loss on disposal of assets	-	-	39	(2)	39
Total expenditures	853,809	804,060	3,095		807,155
Excess (deficiency) of revenues over expenditures	-	5,940	(3,095)		2,845
OTHER FINANCING USES:					
Transfer to the State Treasury, General Fund	-	(10,664)	-		(10,664)
Net change in fund balance	-	(4,724)	(3,095)		(7,819)
Fund balances - beginning	-	(13,497)	(3,187)		(16,684)
Fund balances - ending	$ -	$ (18,221)	$ (6,282)		$ (24,503)

Explanation of differences:

(1) Compensated absences are budgeted on a modified accrual basis.
Under generally accepted accounting principles these costs are recognized when the benefit is earned.

(2) Capital assets are recognized for budget purposes when purchased.
Under generally accepted accounting principles, such capital assets are recognized as long-lived assets and depreciation is recognized over the the life of the assets, as well as any gain or loss on disposal.

LOUISIANA STATE LAW INSTITUTE
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROFESSIONAL SERVICES
JUNE 30, 2004

A. N. Yiannopoulos	$	8,500
Saul Litvinoff		8,500
James A. Stuckey		4,250
Katherine S. Spaht		5,500
Thomas A. Harrell		5,500
Cynthia Samuel		2,500
Patrick H. Martin		4,250
Dane S. Ciolino		5,500
Kenneth Rigby		4,000
Lucy S. McGough		5,500
Cheney C. Joseph, Jr.		4,250
William R. Forrester, Jr.		4,188
	$	62,438

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 9, 2004

Honorable Donald E. Hines, Co-Chair
Honorable Joe R. Salter, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, Louisiana

Board of Trustees:

We have audited the financial statements of the Louisiana State Law Institute, State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana State Law Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana State Law Institute's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying Summary Schedule of Findings as Finding 04-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying Summary Schedule of Findings is a material weakness as defined above.

This report is intended for the information of 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, 2004

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Louisiana State Law Institute for the year ended June 30, 2004 was unqualified.

2. Internal Control
   Material weaknesses: See current year finding 04-01 below.
   Reportable conditions: See current year finding 04-01 below.

3. Compliance
   Noncompliance material to financial statements: none noted.

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

04-01 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 structure 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, 2004

SUMMARY OF PRIOR YEAR FINDINGS:

03-01 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 structure 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.

This finding was repeated in the current year and is reported in Finding 04-01.