SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
ISSUED DECEMBER 26, 2013

LOUISIANA LEGISLATIVE AUDITOR
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DARYL G. PURPERA, CPA, CFE

December 17, 2013

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SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Southern University Law Center (Law Center), a campus within the Southern University System (System), which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the Law Center'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.

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

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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 financial position of the business-type activities for the Law Center as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1-B, the accompanying financial statements of the Law Center are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the System that is attributable to the Law Center. They do not purport to, and do not, present fairly the financial position of the System as of June 30, 2013, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 the Management's Discussion and Analysis on pages 5 through 11 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 33 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the Law Center'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 Law Center's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the Southern University Law Center, an institution in Southern University and Agricultural & Mechanical (A&M) College System, hereafter referred to as the Law Center, discusses the Law Center's financial performance and presents a narrative overview and analysis of the Law Center's financial activities and statements for the year ended June 30, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of these institutions. The primary financial statements presented are the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the Law Center.

Based on comparative data for the fall semesters 2011 and 2012, the Law Center experienced an overall enrollment increase. Enrollment increased from 729 students in fall 2011 to 755 in fall 2012. The Law Center attributes the net increase in enrollment to the Law Center continuing to be a good overall value for a legal education.

FINANCIAL HIGHLIGHTS

The Law Center's net position reflects a decrease of $689,449 or 20% from $3,454,030 at June 30, 2012, to $2,764,581 at June 30, 2013. This decrease in total net position is partially attributable to the sixth year implementation of an accounting change mandated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which superseded GASB Statement No. 13, *Disclosure of Information on Post-employment Benefits Other Than Pension by State and Local Governmental Employer*s. The annual unfunded, other postemployment benefits (OPEB) expense increased by $1,022,771 or 13.5% from June 30, 2012 to June 30, 2013. The decrease in net position is also attributable to net capital asset changes and institutional charges.

The Law Center's operating revenues increased by $1,529,856 or 13.9%, changing from $11,036,490 at June 30, 2012 to $12,566,346 at June 30, 2013. The increase in operating revenues is attributed to a 10% increase in tuition and increases in enrollment.

State appropriated revenues reflect a decrease of $435,883 or 9.5% from $4,599,993 in 2012 to $4,164,110 in 2013. Included in this decrease are mid-year mandated budget cuts of $104,975.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the Law Center as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

BASIC FINANCIAL STATEMENTS

The Statement of Net Position presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between total assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Law Center is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Law Center's assets increased/decreased as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the Law Center's cash changed as a result of the current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the Law Center's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Law Center's financial statements are prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Law Center are included in the Statement of Net Position.

FINANCIAL ANALYSIS

Categories of Net Position

Net position is divided into three major categories. The first category, investment in capital assets, indicates the total equity in property, plant, and equipment that is owned by the Law Center. The next net position category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net position category is available for expenditure by the Law Center but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the funds. The final net position category is unrestricted, which is available to the Law Center and can be used for any lawful purpose.

The following schedule is prepared using the Law Center's Statement of Net Position which is presented on an accrual basis of accounting. Significant Statement of Net Position changes for 2013 include the following:

> The total assets of the Law Center decreased by $448,911 or 3.3%. This decrease is attributed to the use of resources to provide services to students and to improve programs and maintain facilities.
>
> The total liabilities of the Law Center increased by $240,538 or 2.3%. The consumption of assets follows the Law Center's philosophy to use available resources to acquire and improve all operations of the Law Center to better serve the instruction, research and public service mission of the Law Center.
>
> The net position for investment in capital assets reflects a negative change of $513,977 or 6.0%. This negative change is attributable to depreciation charge of $1,101,990 and asset acquisitions of $588,013.

Comparative Statement of Net Position
For the Fiscal Years as of
June 30, 2013 and 2012

	2013	2012	Change	Percentage Change
Assets				
Current assets	$3,665,471	$3,672,901	(7,430)	(0.2%)
Capital assets, net	7,985,836	8,499,813	(513,977)	(6.0%)
Other noncurrent assets	1,691,836	1,619,340	72,496	4.5%
Total assets	13,343,143	13,792,054	(448,911)	(3.3%)
Liabilities				
Current liabilities	964,096	1,811,682	(847,586)	(46.8%)
Long-term liabilities	9,614,466	8,526,342	1,088,124	12.8%
Total liabilities	10,578,562	10,338,024	240,538	2.3%
Net Position				
Investment in capital assets	7,985,836	8,499,813	(513,977)	(6.0%)
Restricted:				
Nonexpendable	1,478,750	1,422,500	56,250	4.0%
Expendable	2,604,610	2,230,276	374,334	16.8%
Unrestricted	(9,304,615)	(8,698,559)	(606,056)	7.0%
Total net position	$2,764,581	$3,454,030	(689,449)	(20.0%)

CHANGE IN NET POSITION

Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received and expenses paid by the Law Center for both operating and nonoperating purposes. The statement includes other revenues, gains, expenses, or losses that were realized or incurred by the Law Center during the fiscal year.

The operating revenues are received for providing goods and services to the various customers and constituencies of the Law Center. The operating expenses are those expenses incurred to acquire or produce the goods and services. The Law Center's operating revenues increased by $1,529,856 or 13.9%.

Nonoperating revenues decreased by $501,587 or 10.7%. This decrease is primarily attributable to a reduction in state funding.

State appropriations decreased from $4.6 to $4.2 million due to general reduction mandated by state government and subsequent mid-year budget cuts.

Comparative Statement of Revenues, Expenses,
and Changes in Net Position
For the Fiscal Years as of June 30, 2013 and 2012

	2013	2012	Change	Percentage Change
Operating revenues:				
Student tuition and fees, net	$8,758,147	$7,562,951	1,195,196	15.8%
Federal grants and contracts	3,724,791	3,274,031	450,760	13.8%
Other operating revenues	83,408	199,508	(116,100)	(58.2%)
Total operating revenues	12,566,346	11,036,490	1,529,856	13.9%
Nonoperating revenues:				
State appropriations	4,164,110	4,599,993	(435,883)	(9.5%)
Gifts	3,100	2,200	900	40.9%
Investment income	13,740	3,670	10,070	274.4%
Other nonoperating revenues	11,775	88,449	(76,674)	(86.7%)
Total nonoperating revenues	4,192,725	4,694,312	(501,587)	(10.7%)
Total revenues	16,759,071	15,730,802	1,028,269	6.5%
Operating expenses:				
Educational and general:				
Instruction	$5,921,776	$6,009,432	($87,656)	(1.5%)
Public Service	128,895	211,488	(82,593)	(39.1%)
Academic Support	3,315,375	3,136,335	179,040	5.7%
Student Services	1,408,914	1,266,954	141,960	11.2%
Institutional Support	3,274,277	3,255,186	19,091	0.6%
Operation and maintenance of plant	264,370	271,267	(6,897)	(2.5%)
Depreciation	1,101,990	1,204,302	(102,312)	(8.5%)
Scholarships and fellowships	525,093	700,258	(175,165)	(25.0%)
Total operating expenses	15,940,690	16,055,222	(114,532)	(0.7%)
Total expenses	$15,940,690	$16,055,222	($114,532)	(0.7%)
Income (loss) before additions and transfers	$818,381	($324,420)	$1,142,801	(352.3%)
Additions to permanent endowments	59,450	58,750	700	1.2%
Transfers to System	(1,567,280)	(2,213,441)	646,161	(29.2%)
Change in net position	(689,449)	(2,479,111)	1,789,662	(72.2%)
Net position at beginning of year	3,454,030	5,933,141	(2,479,111)	(41.8%)
Net position at end of year	$2,764,581	$3,454,030	($689,449)	(20.0%)

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2013, the Law Center has $7,985,836 investment in capital assets, net of accumulated depreciation. This amount includes land, buildings and improvements, equipment, and infrastructure (see table below). This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately $513,977 or 6% over the previous fiscal year. More detailed information about the Law Center's capital assets is presented in note 5 to the financial statements.

Capital Assets at Year-End
(Net of depreciation/amortization)

	2013	2012	Change	Percentage Change
Capital assets not being depreciated	NONE	NONE		
Other capital assets:				
Buildings	$11,770,114	$11,770,114	$0	0.0%
Equipment (including library books)	36,140,753	35,657,631	483,122	1.4%
Intangible assets	463,339	463,339	0	0.0%
Total other capital assets	48,374,206	47,891,084	483,122	1.0%
Total cost of capital assets	48,374,206	47,891,084	483,122	1.0%
Less - accumulated depreciation	(40,388,370)	(39,391,271)	(997,099)	2.5%
Capital assets, net	7,985,836	8,499,813	(513,977)	(6.0%)

The Law Center recorded library books of $517,138 as major capital additions for the 2013 fiscal year.

DEBT ADMINISTRATION

Description	Amount
Compensated absences	$1,072,706
OPEB payable	8,575,027
Total	$9,647,733

See notes 8 and 11 for details relating to changes in and the composition of long-term liabilities.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The following currently known facts, decisions, or conditions are expected to have a significant effect on the Law Center's financial position or results of operations.

Despite the budgetary and economic challenges, the Law Center leadership has continued to maintain balanced operating budgets and sustain stable financial positions. The Law Center leadership projects that fiscal year 2013-14 will be another lean year. The Law Center received $1,800,000 from the overcollections fund, resulting in an overall one-time increase of $1,800,000 for the 2013-14 fiscal year. The Law Center has strategically positioned itself to implement approved budgetary measures to ensure that current operations are sustained and the mission and goals of the Law Center are preserved.

The Law Center has completed the application stage of the Southern Association of Colleges and Schools (SACS) accreditation process. Compilation of data for the compliance certification process is in progress.

All institutions of the Southern University System passed the LA GRAD Act in 2013 and implemented a 10% tuition increase in fiscal year 2014. The tuition increases were authorized under House Bill 1271-LA GRAD Act (Louisiana Granting Resources and Autonomy for Diplomas Act) which provided autonomy to Southern University System's governing board to approve tuition increases per certain performance standards and per legislative authority granted at the institutional level.

The long-term outlook for the Law Center remains strong and hopeful despite budgetary challenges. Environmental and economic risks continue to challenge the sustainability of institutional programs and services. However, the Law Center leadership will continue to make the necessary budgetary adjustments to ensure the long-term viability of the Law Center. Confidence remains positive that the Law Center will accomplish its mission and goals. The Law Center's strategic plan outlines realistic and measurable goals and objectives for long-term growth and stability. The Southern University System leadership remains confident that in the long-term, improved economic conditions, stabilized enrollment trends and continued autonomies provided by the LA Grad Act will allow the Southern University System to continue to achieve its goals and mission as a Historically Black College and University (HBCU) System of higher education in the State of Louisiana.

Contacting the Law Center's Management

The accompanying Law Center financial report is designed to provide residents, taxpayers, customers, investors and creditors with a general overview of the Law Center's finances and to show the System's accountability and oversight for the money it receives. If you have questions about this report or the need for additional financial information, contact the Associate Vice Chancellor for Financial Affairs, Mr. Terry Hall, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2552, e-mail at thall@sulc.edu.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Position
June 30, 2013

ASSETS	
Current assets:	
Receivables, net (note 4)	$483,330
Due from federal government	2,887,810
Due from state treasury	8,352
Due from other campuses	222,010
Deferred charges and prepaid expenses	63,969
Total current assets	3,665,471
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	1,328,083
Restricted investments (note 3)	363,753
Capital assets, net (note 5)	7,985,836
Total noncurrent assets	9,677,672
Total assets	13,343,143
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 6)	278,326
Deferred revenues (note 7)	559,674
Compensated absences (notes 8 and 12)	33,267
Other current liabilities	92,829
Total current liabilities	964,096
Noncurrent liabilities:	
Compensated absences (notes 8 and 12)	1,039,439
Other postemployment benefits payable (notes 11 and 12)	8,575,027
Total noncurrent liabilities	9,614,466
Total liabilities	10,578,562
NET POSITION	
Investment in capital assets	7,985,836
Restricted:	
Nonexpendable (note 13)	1,478,750
Expendable (note 13)	2,604,610
Unrestricted	(9,304,615)
TOTAL NET POSITION	$2,764,581

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

OPERATING REVENUES	
Student tuition and fees	$9,069,717
Less scholarship allowances	(311,570)
Net student tuition and fees	8,758,147
Federal grants and contracts	3,724,791
Other operating revenues	83,408
Total operating revenues	12,566,346
OPERATING EXPENSES	
Educational and general:	
Instruction	5,921,776
Public service	128,895
Academic support	3,315,375
Student services	1,408,914
Institutional support	3,274,277
Operation and maintenance of plant	264,370
Depreciation (note 5)	1,101,990
Scholarships and fellowships	525,093
Total operating expenses	15,940,690
OPERATING LOSS	(3,374,344)
NONOPERATING REVENUES	
State appropriations	4,164,110
Gifts	3,100
Investment income	13,740
Other nonoperating revenues	11,775
Net nonoperating revenues	4,192,725
INCOME BEFORE ADDITIONS AND TRANSFERS	818,381
Additions to permanent endowment	59,450
Transfers to System	(1,567,280)
CHANGE IN NET POSITION	(689,449)
NET POSITION - BEGINNING OF YEAR	3,454,030
NET POSITION - END OF YEAR	$2,764,581

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$8,886,495
Grants and contracts	3,884,454
Payments to suppliers	(1,474,064)
Payments to employees	(9,033,376)
Payments for benefits	(2,642,926)
Payments for scholarships and fellowships	(526,093)
Other receipts	83,408
Net cash used by operating activities	(822,102)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	4,185,423
Gifts and grants for other than capital purposes	3,100
Private gifts for endowment purposes	59,450
Implicit loan reduction from other campuses	(1,223,596)
Direct lending receipts	17,700,185
Direct lending disbursements	(17,700,185)
Other payments	(2,143,518)
Net cash provided by noncapital financing activities	880,859
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(588,013)
Other sources	588,013
Net cash used by capital and related financing activities	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	13,739
Purchase of investments	(72,691)
Net cash used by investing activities	(58,952)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,328,278
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,328,083
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($3,374,344)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,101,990
Changes in assets and liabilities:	
Decrease in accounts receivable, net	215,414
Increase in prepaid expenses	(7,286)
Decrease in accounts payable	(10,548)
Increase in deferred revenue	165,809
Increase in compensated absences	64,092
Increase in other postemployment benefits payable	1,022,771
Net cash used by operating activities	($822,102)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Net increase in the fair value of investments	$13,241

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University Law Center (Law Center) is a separate institution within the Southern University System which is composed of several publicly supported institutions of higher education. The Southern University System is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The Southern University System is comprised of six agencies: Board and System Administration; Southern University and A&M College at Baton Rouge; Southern University Law Center; Southern University at New Orleans; Southern University at Shreveport; and Southern University Agricultural Research and Extension Center.

The Law Center offers a Jurist Doctorate degree (J.D.) through a full-time and a part-time day and evening program. In addition, the Law Center also offers a joint Jurist Doctorate and Master of Public Administration degree through the Law Center and the Southern University Nelson Mandela School of Public Policy and Urban Affairs. During the summer, fall, and spring semesters of the 2012-2013 fiscal year, the Law Center conferred 217 degrees and enrollment was approximately 1,784 students. The Law Center had 38 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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 Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Law Center is part of the System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Law Center as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements within the System amounts. The financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Law Center is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the Law Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) and inventories are recorded as expenditures at the time of purchase. The other funds of the Law Center, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

The System defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits and repurchase agreements. Under state law, the Law Center may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Law Center may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Position include all certificates of deposit, regardless of maturity. The Law Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. These terms are also used in preparing the Statement of Cash Flows. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

F. RESTRICTED CASH AND INVESTMENTS

Cash and cash equivalents and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as noncurrent restricted assets. Noncurrent restricted investments also include endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. All cash and university investments are classified as noncurrent assets in the Statement of Net Position.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the Law Center is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. Investments maintained in investment accounts in the Southern University System Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. There are no formally adopted policies to further limit interest rate risk, custodial credit risk, credit risk, concentration of credit risk, or foreign currency risk.

G. CAPITAL ASSETS

The Law Center follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the Law Center's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million is also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more will be capitalized and depreciated.

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and unclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System, but not for the Optional Retirement System.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

J. NONCURRENT LIABILITIES

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

K. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following components:

(a) *Investment in capital assets* consists of the Law Center's total investment in capital assets, net of accumulated depreciation. The Law Center does not have any outstanding debt obligations related to capital assets.

(b) *Restricted - nonexpendable* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(c) *Restricted - expendable* consist of resources that the Law Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) *Unrestricted* consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the Law Center and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Law Center's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

L. CLASSIFICATION OF REVENUES AND EXPENSES

The Law Center has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- *Operating revenue* includes activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances and most federal, state, and local grants and contracts and federal appropriations.

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, gifts and contributions, investment income, and grants that do not have the characteristics of exchange transactions.

- *Operating expenses* generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

- *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services (tuition and fees) provided by the Law Center and the amount that is paid by students and/or third parties making payments on the students' behalf.

N. USE OF ESTIMATES

The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2013, the Law Center implemented the following accounting standards:

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* codifies certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before November 30, 1989, and do not conflict with current GASB pronouncements. The implementation of Statement No. 62 had no significant impact on the financial statements.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The implementation of Statement No. 63 primarily affected the replacement of the term “net assets” with “net position.”

2. CASH AND CASH EQUIVALENTS

At June 30, 2013, the Law Center has cash and cash equivalents (book balances) totaling $1,328,083 as follows:

Demand deposits	$1,328,083

These cash and cash equivalents are reported on the Statement of Net Position as follows:

Noncurrent assets - restricted	$1,328,083

Custodial credit risk is the risk that in the event of a bank failure, the Law Center’s deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. 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. The pledged securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2013, the Law Center has $1,328,083 in deposits (book balances) pooled with Southern University’s General Operating Account, which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2013, the Law Center has investments totaling $363,753 as follows:

	Fair Value June 30, 2013	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$100,432	2.32	
U.S. government agencies	72,824	3.84	
Government obligations	6,438	0.22	
Equities	96,722	Not Applicable	
Money market mutual fund	87,337	Not Applicable	
Subtotal - external investment pool	363,753		Not Rated
Total	$363,753		

These investments are reported on the Statement of Net Position as follows:

Noncurrent assets - restricted	$363,753

The investments are reported at fair value as required by GASB Statement No. 31. Investments totaling $363,753 are held by the Southern University System Foundation in an external investment pool and managed in accordance with the terms outlined in management agreements executed between the System and the Southern University System Foundation. The System is a voluntary participant. The Foundation holds and manages funds received by the university as state matching funds for the Endowed Chair and Endowed Professorships programs.

4. RECEIVABLES

Receivables as shown on Statement A, net of an allowance for doubtful accounts, are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$177,146		$177,146
Accrued interest receivable	24,351		24,351
Other	281,833		281,833
Total	$483,330	NONE	$483,330

There is no noncurrent portion of accounts receivable.

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets being depreciated:					
Buildings	$11,770,114				$11,770,114
Less accumulated depreciation	(5,481,500)	($209,752)			(5,691,252)
Total buildings	6,288,614	(209,752)	NONE	NONE	6,078,862
Equipment (including library books)	35,657,631	588,013		($104,891)	36,140,753
Less accumulated depreciation	(33,777,389)	(826,047)		104,891	(34,498,545)
Total equipment	1,880,242	(238,034)	NONE	NONE	1,642,208
Software	463,339				463,339
Less accumulated depreciation	(132,382)	(66,191)			(198,573)
Total software	330,957	(66,191)	NONE	NONE	264,766
Total capital assets being depreciated	$8,499,813	($513,977)	NONE	NONE	$7,985,836
Capital assets summary:					
Capital assets not being depreciated	NONE				NONE
Capital assets being depreciated	$47,891,084	$588,013		($104,891)	$48,374,206
Total cost of capital assets	47,891,084	588,013	NONE	(104,891)	48,374,206
Less accumulated depreciation	(39,391,271)	(1,101,990)	NONE	104,891	(40,388,370)
Capital assets, net	$8,499,813	($513,977)	NONE	NONE	$7,985,836

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the Law Center's payables and accruals at June 30, 2013:

Vendor payables	$278,015
Accrued salaries and payroll deductions	311
Total	$278,326

7. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2013:

Prepaid tuition and fees	$559,674

8. COMPENSATED ABSENCES

At June 30, 2013, employees of the Law Center have accumulated and vested annual leave, sick leave, and compensatory leave of $428,032; $643,970; and $704, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. PENSION PLANS

Plan Description. Substantially all employees of the Law Center are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified and unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information. The TRSL reports may be obtained online at www.trsl.org or by writing to the Teachers' Retirement System of Louisiana at Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446. The LASERS reports may be obtained online at www.lasersonline.org or by writing the Louisiana State Employees' Retirement System at Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the Law Center are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2013, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries (8% for LASERS employees hired after July 1, 2006). For fiscal year 2013, the state is required to contribute 24.4% of covered salaries to TRSL and 29.1% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2013, 2012, and 2011 were $858,147; $801,624; and $617,501, respectively, and to LASERS for the years ended June 30, 2013, 2012, and 2011 were $579,837; $524,788; and $437,805, respectively, equal to the required contributions for each year.

10. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 sets the contribution requirements of the plan members and the Law Center equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the Law Center are 24.4% of the covered payroll for fiscal year 2013. The participant's contribution of 8%, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $382,354 and $125,362, respectively, for the fiscal year ended June 30, 2013.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - Employees of the Law Center voluntarily participate in the State of Louisiana’s health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy’s website at www.doa.la.gov/osrap.

Funding Policy - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Law Center are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. OGB also offers the Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA) for active employees. OGB also offered the Regional HMO Plan for the first part of the fiscal year which ended December 31, 2012. Retired employees who have Medicare Part A and Part B coverage also have access to three OGB Medicare Advantage plans: the Peoples Health HMO-POS Plan, the Vantage HMO-POS Plan, and the Vantage Zero-Premium HMO-POS Plan. There is also a Health Exchange Plan which is not an OGB plan; however, OGB is partnering with Extend Health to offer access to multiple Medicare plans. There are no premiums to the state for the Vantage Zero-Premium HMO-POS Plan or the Health Exchange Plan. During calendar year 2012, OGB offered five Medicare Advantage plans: Humana HMO Plan, Peoples Health HMO-POS Plan, Vantage HMO-POS Plan, Humana PPO Plan, and United Healthcare PPO Plan.

Employees hired before January 1, 2002, pay approximately 25% of cost of medical coverage (except single retirees under age 65 pay approximately 25% of active employee cost). Employees hired on or after January 1, 2002, pay a percentage of the total contribution based on the following schedule:

Service	Employee Contribution Percentage	Employer Contribution Percentage
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

The following table shows the monthly premium rates in effect at June 30, 2013.

	PPO	HMO
Active		
Single	$576	$544
With Spouse	1,223	1,156
With Children	702	664
Family	1,290	1,219
Retired, No Medicare and Re-employed Retiree		
Single	$1,071	$1,015
With Spouse	1,892	1,793
With Children	1,193	1,131
Family	1,883	1,784
*Retired, with 1 Medicare		
Single	$348	$336
With Spouse	1,287	1,228
With Children	603	578
Family	1,715	1,634
*Retired, with 2 Medicare		
With Spouse	$626	$602
Family	775	746

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

The following table shows the Medicare Advantage Plans monthly premium rates in effect at June 30, 2013.

	Calendar Year 2013		Calendar Year 2012	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
People's Health (HMO Plan)	$234	$468	$167	$334
Vantage (HMO Plan)	$184	$369	$279	$558
Humana (HMO Plan)			$156	$312
Humana (PPO Plan)			$150	$300
United Health Care (PPO Plan)			$214	$428

OGB also provides eligible retirees and their spouses Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. Effective January 1, 2013, the total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty percent for retirees. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability - The Law Center's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2013 is $1,140,645.

The following schedule presents the components of the Law Center's OPEB cost for fiscal year 2013, the amount actually contributed to the plan, and changes in the Law Center's net OPEB obligation to the OPEB plan:

ARC	$1,140,645
Interest on net OPEB obligation	324,537
ARC adjustment	(310,035)
Annual OPEB cost	1,155,147
Contributions made - current year retiree premiums	(132,376)
Increase in net OPEB obligation	1,022,771
Beginning net OPEB obligation, June 30, 2012	7,552,256
Ending net OPEB obligation, June 30, 2013	$8,575,027

The Law Center's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2013, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$1,347,713	9.0%	$6,441,254
June 30, 2012	$1,241,679	10.5%	$7,552,256
June 30, 2013	$1,155,147	11.5%	$8,575,027

Funded Status and Funding Progress - During fiscal year 2013, neither the Law Center nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008, but was not funded, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the Law Center's entire actuarial accrued liability (AAL) of $16,627,111 was unfunded.

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

AAL	$16,627,111
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$16,627,111
Funded ratio (actuarial value of plan assets /AAL)	0%
Covered payroll (active plan members)	$6,792,616
UAAL as a percentage of covered payroll	244.8%

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

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

In the July 1, 2012, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

12. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the Law Center's long-term liabilities for the fiscal year ended June 30, 2013:

	Balance, June 30, 2012	Additions	Reductions	Balance, June 30, 2013	Amounts Due Within One Year
Compensated absences payable	$1,008,614	$93,644	(29,552)	$1,072,706	$33,267
OPEB payable	7,552,256	1,465,182	($442,411)	8,575,027	
Total long-term liabilities	$8,560,870	$1,558,826	($471,963)	$9,647,733	$33,267

13. RESTRICTED NET POSITION

The Law Center has the following restricted net position at June 30, 2013:

Nonexpendable - endowments	$1,478,750
Expendable:	
Gifts, grants, and contracts	$633,437
Student fees	934,505
Student loans	26,804
Endowment income	175,857
University plant projects	796,778
Debt service requirements	37,229
Total expendable	$2,604,610

Of the total net position reported in the Statement of Net Position as of June 30, 2013, a total of $1,527,274 is restricted by enabling legislation.

14. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2013, net appreciation of $134,268 is available to be spent, of which $40,000 is restricted to specific purposes. The donated portion of the endowments is reported in restricted net position - nonexpendable in the Statement of Net Position; the endowment income is reported in restricted net position - expendable.

15. DEFERRED COMPENSATION PLAN

Certain employees of the Law Center participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report of the Plan, available from the Louisiana Legislative Auditor's website at www.lla.la.gov.

16. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2013, total operating lease expenditures was $75,740. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013.

Schedule of Funding Progress for the Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2010	NONE	$16,969,645	$16,969,645	0%	$6,244,429	271.8%
July 1, 2011	NONE	$15,620,059	$15,620,059	0%	$7,164,962	218.0%
July 1, 2012	NONE	$16,627,111	$16,627,111	0%	$6,792,616	244.8%

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 17, 2013

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*

Independent Auditor's Report

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Southern University Law Center (Law Center), a campus within the Southern University System (System), which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the Law Center's basic financial statements, and have issued our report thereon dated December 17, 2013. Our report was modified to include an emphasis of a matter paragraph regarding financial statement comparability.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Law Center'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 Law Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Law Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

Errors in Annual Financial Report

For the second consecutive year, the Law Center had numerous errors in federal revenues and receivables in its Annual Financial Report (AFR), resulting in a material net $846,432 understatement of these accounts. Because the Law Center has been without a Comptroller for most of fiscal year 2013, management continued to use manual accounting entries rather than use the functionality of the Banner accounting system employed by the other Southern University System (System) campuses. The resulting errors increased the time and effort necessary for the auditors to complete their work. The inadequate review also increases the risk that additional errors may remain undetected.

Good internal control requires Law Center management to record its entries in Banner and to perform a thorough review of its completed AFR before submitting to the System. Accordingly, we continue to recommend that the Law Center record its entries in Banner and perform a thorough review of its AFR. We also recommend that the Law Center continue its efforts to retain staff necessary to adequately perform accounting functions. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Law Center's financial statements are free from 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*.

Law Center's Response to Finding

The Law Center's response to the finding identified in this report is attached in Appendix A. The Law Center'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 result 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.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:BDC:THC:ch

SULC 2013

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendations

SOUTHERN UNIVERSITY LAW CENTER
261 A. A. LENOIR HALL
POST OFFICE BOX 9294
BATON ROUGE, LOUISIANA 70813-9294

OFFICE OF THE CHANCELLOR
(225) 771-2552
FAX (225) 771-2474

December 12, 2013

Mr. Daryl G. Purpera, CPA, CFE
Louisiana legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Response to Audit Finding: Errors in Annual Financial Report

Dear Mr. Purpera:

We concur with the finding on Errors in Annual Financial Report

Correction Action

It is always management's intent to prepare and perform a thorough review of the AFR before its submission. Limited staff at the Law center and the time frame for preparing the AFR did not allow for the recording of our federal revenues in the Banner System. We realize that recording all transactions in banner is the preferable procedure to recording manual adjusting entries. The Law center and the system is actively seeking personnel to perform its accounting and financial processes.

Persons Responsible for Correction Action

Associate Vice Chancellor for Finance
Comptroller

Proposed Completion date

June 30, 2014

Sincerely,

Freddie Pitcher, Jr.

Freddie Pitcher, Jr. (Judge Ret.)
Chancellor - SULC