PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2008
ISSUED MARCH 4, 2009

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 11, 2009

Independent Auditor's Report
on the Financial Statements

PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Paul M. Hebert Law Center, a campus within the Louisiana State University System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of management of the Paul M. Hebert Law Center. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 1-B, the accompanying financial statements of the Paul M. Hebert Law Center are intended to present the financial position and the respective changes in financial position and cash flows of only that portion of the business-type activities of the Louisiana State University System that is attributable to the transactions of the Paul M. Hebert Law Center. They do not purport to, and do not, present fairly the financial position of the Louisiana State University System or the State of Louisiana as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Paul M. Hebert Law Center as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-O to the financial statements, the Paul M. Hebert Law Center implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2009, on our consideration of the Paul M. Hebert Law Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by GASB. The Paul M. Hebert Law Center management did not include this information in the financial statements for fiscal year ended June 30, 2008. The Required Supplementary Information Schedule of Funding Progress for the Other Postemployment Benefits Plans is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the schedule and express no opinion on it.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2008

ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	$1,503,806
Investments (note 3)	175,803
Receivables (note 4)	201,212
Deferred charges and prepaid expenses	165,435
Total current assets	2,046,256
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents (note 2)	258,673
Investments (note 3)	2,272,653
Capital assets, net (note 5)	15,454,686
Total noncurrent assets	17,986,012
Total assets	20,032,268
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (note 7)	315,254
Deferred revenues	116,488
Amounts held in custody for others	126,182
Compensated absences (note 10)	48,256
Total current liabilities	606,180
Noncurrent Liabilities -	
Compensated absences (note 10)	979,130
Other postemployment benefits payable (note 8)	1,271,594
Total noncurrent liabilities	2,250,724
Total liabilities	2,856,904
NET ASSETS	
Investment in capital assets	15,454,686
Restricted for:	
Nonexpendable (note 11)	2,530,601
Expendable (note 11)	343,426
Unrestricted	(1,153,349)
Total net assets	$17,175,364

The accompanying notes are an integral part of this statement.

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PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2008

OPERATING REVENUES	
Student tuition and fees	$9,321,654
Less scholarship allowances	(1,149,919)
Net student tuition and fees	8,171,735
Federal grants and contracts	134,965
Sales and services of educational departments	160,883
Other operating revenues	3,555
Total operating revenues	8,471,138
OPERATING EXPENSES	
Educational and general:	
Instruction	9,764,348
Research	841,247
Public service	187,316
Academic support	3,647,848
Student services	1,268,279
Institutional support	2,790,088
Operation and maintenance of plant	2,040,999
Scholarships and fellowships	713,543
Total operating expenses	21,253,668
Operating Loss	(12,782,530)
NONOPERATING REVENUES	
State appropriations	9,884,294
Gifts	561,704
Investment income, net	197,960
Nonoperating revenues	10,643,958

(Continued)

The accompanying notes are an integral part of this financial statement.

PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets, 2008

Loss Before Other Revenues, Expenses, Gains and Losses	($2,138,572)
Capital gifts and grants	3,515
Additions to permanent endowments	221,280
Decrease in Net Assets	(1,913,777)
Net Assets at Beginning of Year	19,089,141
Net Assets at End of Year	$17,175,364

(Concluded)

The accompanying notes are an integral part of this financial statement.

PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2008

Cash flows from operating activities	
Student tuition and fees	$8,160,899
Grants and contracts	19,779
Sales and services of educational departments	182,792
Payments for employee compensation	(10,950,296)
Payments for benefits	(2,666,531)
Payments for utilities	(575,279)
Payments for supplies and services	(3,961,516)
Payments for scholarships and fellowships	(713,543)
Other receipts	1,484
Net cash used by operating activities	(10,502,211)
Cash flows from noncapital financing activities	
State appropriations	9,884,294
Gifts and grants for other than capital purposes	563,222
Net cash provided by noncapital financing sources	10,447,516
Cash flows from capital financing activities	
Capital grants and gifts received	3,515
Purchase of capital assets	(591,895)
Net cash used by capital financing activities	(588,380)
Cash flows provided by investing activities	
Interest received on investments	257,676
Net decrease in cash and cash equivalents	(385,399)
Cash and cash equivalents at the beginning of the year	2,147,878
Cash and cash equivalents at the end of the year	$1,762,479

(Continued)

The accompanying notes are an integral part of this financial statement.

PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2008

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($12,782,530)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,335,483
Changes in assets and liabilities:	
Increase in accounts receivable	(90,422)
Increase in deferred charges and prepaid expenses	(147,909)
Decrease in accounts payable and accrued liabilities	(93,294)
Decrease in deferred revenue	(26,025)
Increase in amounts held in custody for others	11,700
Increase in compensated absences	19,660
Increase in other postemployment benefits payable	1,271,594
Decrease in other liabilities	(468)
Net cash used by operating activities	($10,502,211)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and cash equivalents classified as current assets	$1,503,806
Cash and cash equivalents classified as noncurrent assets	258,673
Cash and cash equivalents at the end of the year	$1,762,479

(Concluded)

The accompanying notes are an integral part of this financial statement.

INTRODUCTION

The Paul M. Hebert Law Center (Law Center), a campus within the Louisiana State University (LSU) System, which is a component unit of the State of Louisiana, is a publicly supported institution of higher education under the management and supervision of the LSU Board of Supervisors; however, certain items such as the annual budget and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As a state university, operations of the Law Center's instructional programs are primarily funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the Law Center is the chancellor.

Student enrollment for the Law Center for the 2007 fall semester totaled 613. During fiscal year 2008, the Law Center had approximately 96 full-time and part-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 LSU 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) a 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) state appropriations provide a significant percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Law Center.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the LSU System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the LSU System and the state.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Law Center is considered a special-purpose government engaged only in business-type activities and accounted for in a single proprietary 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 recorded when an obligation has been incurred. All significant intra-campus transactions have been eliminated.

The Law Center has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Law Center has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The state appropriation made for the General Fund of the Law Center is an annual lapsing appropriation established by legislative action and 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. Budget revisions are granted by the Joint Legislative Committee on the Budget. 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 and other postemployment benefits are treated as budgeted expenditures to the extent that they are expected to be paid; and (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.

The original approved budgets and subsequent amendments approved are as follows:

Original approved budget	$19,693,306
Decrease - self-generated	(200,000)
Final budget	$19,493,306

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 AND INVESTMENTS

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and money market funds. 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.

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. In accordance with Louisiana Revised Statute (R.S.) 49:327, the Law Center is authorized to invest funds in direct U.S. government obligations, direct security repurchase agreements, and time certificates of deposit. 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 instrument or bond indenture. The majority of these investments are held by a private foundation and are reported at fair value on the balance sheet. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The Law Center's investments maintained by the foundation are authorized by policies and procedures established by the Board of Regents.

The Law Center uses an accounting system shared by seven LSU System campuses. Cash for the seven campuses is pooled. The Law Center's cash is allocated among the categories of deposits, credit risk, and collected bank balances proportionally based on its cash balance compared to the total cash for the seven campuses.

F. NONCURRENT RESTRICTED ASSETS

Cash and investments that are externally restricted for grants and endowments are classified as noncurrent restricted assets in the Statement of Net Assets.

G. CAPITAL ASSETS

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, which total $100,000 or more and which significantly increase the value or extend the useful life of the structure are 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 3 to 10 years for most movable property. Depreciation expense is charged directly to the various functional categories of operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. The Law Center uses the group or composite method for library book depreciation if the books are considered to have a useful life of greater than one year.

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees prior to 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. 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.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. Faculty with 12-month appointments who have over 10 years of state service, non-classified employees with over 10 years of state service, and classified employees regardless of years of state service accumulate leave without limitation. According to the LSU System leave schedule, faculty with 12-month appointments who have less than 10 years of state service and non-classified employees with less than 10 years of state service can only accumulate 176 hours of annual leave; sick leave is accumulated without limitation. Effective January 1, 1994, academic and unclassified employees were given the opportunity to elect to remain under the LSU System leave schedule or change to the Louisiana State Civil Service annual leave accrual schedule under which there is no limit on the accumulation of annual leave. Nine-month faculty members accrue sick leave but do not accrue annual leave; however, they are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and non-classified 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. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

K. NET ASSETS

The Law Center's net assets are classified as follows:

Invested in Capital Assets

Invested in capital assets represents the total investment in capital assets, net of accumulated depreciation.

Restricted Net Assets - Nonexpendable

Restricted nonexpendable net assets consist of endowment and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that 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.

Restricted Net Assets - Expendable

Restricted expendable net assets include resources that the university system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets

Unrestricted net assets represent 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 and then toward restricted resources.

L. CLASSIFICATION OF REVENUES

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

Operating Revenue - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of educational departments; and (3) most federal, state, and local grants and contracts.

Nonoperating Revenue - Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

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 Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the Law Center and the amount that is paid by students and/or third parties making payments on the students' behalf.

N. ELIMINATING INTERFUND ACTIVITY

All activities among departments of the Law Center are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the Law Center implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*. However, Statement No. 50 had no impact on reporting for the Law Center.

P. 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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2008, the Law Center's petty cash and cash and cash equivalents (allocated book balances) of $1,762,479 are as follows:

Petty cash	$150
Certificates of deposit	1,322,630
Open-end mutual fund	439,699
Total	$1,762,479

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, the Law Center's deposits 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. These securities are held in the name of the system by a holding or custodial bank that is mutually acceptable to both parties.

The Law Center's allocated share of collected bank balances is $2,079,626 at June 30, 2008. These deposits are fully secured from risk by federal deposit insurance and pledged securities.

Disclosures required for the open-end mutual fund reported as cash equivalents are included in note 3.

3. INVESTMENTS

At June 30, 2008, the Law Center has investments totaling $2,448,456, all of which are investments held by the LSU Foundation, a private foundation whose financial statements are subject to audit by an independent certified public accountant.

Investments held by the private foundation in an external investment pool are managed in accordance with the terms outlined in management agreements executed between the LSU System and the foundation. The Law Center is a voluntary participant. The foundation holds and manages funds received by the Law Center as state matching funds for the Eminent Scholars Endowed Chairs and Endowed Professorship programs.

The LSU System's established investment policy follows the state law (R.S. 49:327), which authorizes the system to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. R.S. 49:327 limits credit risk with the types of investments allowed. The LSU System does not have policies to further limit credit risk.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Law Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For U.S. Treasury obligations and U.S. government agency obligations, the LSU System's investment policies generally require that issuers must provide the universities with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. The LSU System does not have policies to limit concentration of credit risk or interest rate risk.

The open-end mutual fund amount of $439,699, included in cash and cash equivalents, consists of funds invested in the Federated Investors Government Obligations Fund, which is rated Aaa by Moody's. The fund's holdings consist primarily of short-term U.S. Treasury and U.S. government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The fund minimizes interest rate risk with the purchase of short-term securities.

4. RECEIVABLES

Receivables, all of which are considered collectible and scheduled for collection within one year, are shown on Statement A as follows:

Student tuition and fees	$34,162
Contributions and gifts	23,298
Federal, state, and private grants and contracts	136,877
Sales and services/other	6,875
Total	$201,212

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets:				
Buildings	$20,639,358			$20,639,358
Less accumulated depreciation	(6,191,803)	($489,155)		(6,680,958)
Total buildings	14,447,555	(489,155)	NONE	13,958,400
Equipment	1,388,945	51,604	($61,926)	1,378,623
Less accumulated depreciation	(983,819)	(125,480)	61,926	(1,047,373)
Total equipment	405,126	(73,876)	NONE	331,250
Library books	6,997,804	511,255	(1,706,760)	5,802,299
Less accumulated depreciation	(5,623,175)	(720,848)	1,706,760	(4,637,263)
Total library books	1,374,629	(209,593)	NONE	1,165,036
Total capital assets	$16,227,310	($772,624)	NONE	$15,454,686
Capital asset summary:				
Capital assets, at cost	$29,026,107	$562,859	($1,768,686)	$27,820,280
Less accumulated depreciation	(12,798,797)	(1,335,483)	1,768,686	(12,365,594)
Capital assets, net	$16,227,310	($772,624)	NONE	$15,454,686

6. PENSION PLANS

Plan Description. Substantially all employees of the Law Center are members of two statewide, public employee retirement systems. Academic and unclassified employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified state employees are 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 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. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 years of service for TRSL and 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 for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee 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 R.S. 11:102. Employees contribute 8.0% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. In fiscal year 2008, the state contributed 16.6% of covered salaries to TRSL and 20.4% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university system. The Law Center's employer contributions to TRSL for the years ended June 30, 2008, 2007, and 2006, were $653,244; $544,988; and $533,195, respectively, and to LASERS for the years ended June 30, 2008, 2007, and 2006, were $182,331; $164,891; and $150,626, respectively, equal to the required contributions for each year.

Optional Retirement System

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program, which is administered by TRSL, was designed to aid universities in recruiting employees who may not be expected to remain in TRSL for 10 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.

Total contributions by the Law Center are 16.6% of the covered payroll. 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 the 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 obligations 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 $772,066 and $372,080, respectively, for the year ended June 30, 2008.

7. DISAGGREGATION OF ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, are as follows:

Activity	Amount
Vendors	$315,008
Other payables	246
Total	$315,254

8. OTHER POSTEMPLOYMENT BENEFITS

The LSU System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the LSU System's employees become eligible for these benefits if they reach normal retirement age while working for the LSU System.

The LSU System offers its employees the opportunity to participate in one of two medical coverage plans. One plan is from the State of Louisiana's Office of Group Benefits (OGB), which also offers a life insurance plan, and the other plan is with the LSU System Health Plan (Health Plan). Statement No. 45 of GASB promulgates the accounting and financial reporting requirement by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available would be subject to the provisions of this Statement. GASB Statement No. 45 is being implemented prospectively such that there is zero net OPEB obligation at transition. Information about each of these two plans is presented below.

Plan Descriptions

LSU System Health Plan

The LSU System offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage under its Health Plan that gives members a unique, consumer-driven health care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the Health Plan, members have a choice of selecting Option 1 or Option 2. Option 1, shown in the schedule of total monthly premium rates on page 22, is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements.

Employees in a limited number of other state agencies may also participate but that participation is not material and, as such, the plan is identified as a single-employer defined benefit healthcare plan that is not administered as a trust or equivalent arrangement.

The LSU System selects claim and pharmaceutical administrators to administer its program. Both claim and pharmacy administrators are selected through a formal Request for Proposals process followed by negotiations between the LSU System and qualified vendors.

The Health Plan originally began as a pilot program within OGB, the office that provides health benefits to state employees pursuant to the provisions of R.S. 42:851. The Health Plan does not issue a publicly available financial report, but it is included in the LSU System's audited financial report. This report may be obtained from the LSU System's Web site at http://www.lsusystem.lsu.edu/.

State OGB Plan

System employees may also participate in the state's other OPEB Plan, an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. OGB administers the plan. 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 of the OPEB Plan; however, it 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 Web site at www.doa.la.gov/osrap.

Funding Policy

LSU System Health Plan

While actuarially determined, the Health Plan rates must be approved by OGB under R.S. 42:851(B). The Health Plan's rates are in effect for one year and members have the opportunity to switch providers during the open enrollment period that usually occurs in April.

The Health Plan is financed on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions.

State OGB Plan

The contribution requirements of plan members and the LSU System 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 Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans: three HMO plans and three private fee-for-service (PFFS) plans.

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

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

Service	Contribution Percentage
Under 10 years	81%
10 - 14 years	62%
15 - 91 years	44%
20+ years	25%

Shown below are the total monthly premium rates in effect for plan year 2007-08.

	LSU System Health Plan		State OGB Plans				
						Medicare Advantage Plans	
	Option 1	Option 2	PPO	EPO	HMO	Humana FFS	Humana HMO
Active							
Single	$512.60	$443.22	$523.00	$543.96	$502.12	N/A	N/A
With Spouse	914.55	790.75	1,110.88	1,155.32	1,066.44	N/A	N/A
With Children	628.95	562.00	637.88	663.40	612.36	N/A	N/A
Family	1,093.36	956.54	1,171.56	1,218.44	1,124.72	N/A	N/A
Retired, No Medicare and Re-employed Retiree							
Single	$973.00	$889.33	$973.00	$1,011.88	$934.08	N/A	N/A
With Spouse	1,718.12	1,570.36	1,718.12	1,786.84	1,649.36	N/A	N/A
With Children	1,083.80	986.25	1,083.80	1,127.12	1,040.48	N/A	N/A
Family	1,709.84	1,558.52	1,709.84	1,778.24	1,641.44	N/A	N/A
Retired, with 1 Medicare							
Single	$298.23	$257.85	$316.40	$329.04	$303.72	$176.00	$138.00
With Spouse	1,029.97	890.57	1,169.04	1,215.80	1,122.24	N/A	N/A
With Children	566.51	509.85	547.64	569.56	525.76	N/A	N/A
Family	1,461.40	1,277.65	1,557.68	1,619.96	1,495.32	N/A	N/A
Retired, with 2 Medicare							
With Spouse	$520.43	$450.00	$568.72	$591.44	$545.96	$352.00	$276.00
Family	706.69	617.84	704.16	732.32	676.00	N/A	N/A

Life Insurance Premiums

Retiree pays 50 cents for each $1,000 of life insurance.

Retiree pays 88 cents for each $1,000 of spouse life insurance.

Annual OPEB Cost and Net OPEB Obligation

(a) The following table shows the components of the each plan's annual OPEB cost for the year ending June 30, 2008, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan.

	LSU System Health Plan	State OGB Plan
Annual required contribution - annual OPEB cost (expense)	$399,000	$1,035,547
Employer contributions	63,514	99,439
Increase in net OPEB obligation	335,486	936,108
Net OPEB obligation - beginning of year	NONE	NONE
Net OPEB obligation - end of year	335,486	936,108
Percentage of OPEB cost contributed	15.9%	9.6%

Funded status and funding progress. The funded status of the plan as of July 1, 2007, was as follows:

	LSU System Health Plan	State OGB Plan
Actuarial accrued liability (AAL)	$3,748,000	$12,787,243
Actuarial value of plan assets	NONE	NONE
Unfunded actuarial accrued liability (UAAL)	$3,748,000	$12,787,243
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Annual covered payroll (active plan members)	$5,533,741	$2,683,115
UAAL as a percentage of covered payroll	67.7%	476.6%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Furthermore, actuarial determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions are presented below:

	LSU System Health Plan	State OGB Plan
Actuarial valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years	30 years
Asset valuation method	None	None
Actuarial assumptions:		
Investment rate of return	5% annual rate	4% annual rate
Projected salary increases	4% per annum	5% per annum
Healthcare inflation rate	11.0% initial	9.5 - 10.6% initial
	6.0% ultimate	5.0% ultimate

9. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid by either private insurance companies or through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation. The Law Center is not involved in any lawsuits at June 30, 2008.

10. COMPENSATED ABSENCES

At June 30, 2008, employees of the Law Center have accumulated and vested annual, sick, and compensatory leave benefits of $410,415; $616,853; and $118, respectively, which are computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

The following is a summary of the increases and decreases in compensated absences for the year ended June 30, 2008:

Balance, July 1, 2007	$1,007,726
Additions	153,007
Reductions	(133,347)
Balance, June 30, 2008	$1,027,386
Amount due within one year	$48,256

11. RESTRICTED NET ASSETS

The Law Center's restricted nonexpendable net assets of $2,530,601 as of June 30, 2008, were comprised entirely of endowment funds.

The Law Center had the following restricted expendable net assets as of June 30, 2008:

Account Title	Amount
Student fees	$64,227
Gifts	13,508
Endowment earnings	265,691
Total	$343,426

Of the total restricted net assets reported on Statement A for the year ended June 30, 2008, $9,617 is restricted by enabling legislation.

12. 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 for the Plan, available from the Louisiana Legislative Auditor's Web site at www.lla.la.gov.

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REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the
Other Postemployment Benefits Plans

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

PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the
Other Postemployment Benefits Plans
Fiscal Year Ended June 30, 2008

<u>LSU System Health Plan</u>

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit Method (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, 2007	NONE	$3,748,000	$3,748,000	0.0%	$5,533,741	67.7%

<u>State OGB Plan</u>

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit Method (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, 2007	NONE	$12,787,243	$12,787,243	0.0%	$2,683,115	476.6%

Note to the Schedule:

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is presented.

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on an 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
STEVE J. THERIOT, CPA

February 11, 2009

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance With *Government Auditing Standards*

PAUL M. HEBERT LAW CENTER
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the basic financial statements of the Paul M. Hebert Law Center, a campus within the Louisiana State University System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Paul M. Hebert Law Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Paul M. Hebert Law Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Paul M. Hebert Law Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Paul M. Hebert Law Center's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Paul M. Hebert Law Center and its management, the LSU Board of Supervisors, others within the entity, and the Louisiana Legislature 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.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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