

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



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FINANCIAL STATEMENT AUDIT  
ISSUED MARCH 9, 2005

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**LEGISLATIVE AUDITOR  
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February 24, 2005

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, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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, 2004, 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.

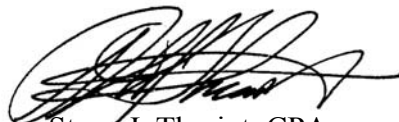
In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Paul M. Hebert Law Center as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-O to the basic financial statements, the Paul M. Hebert Law Center implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2005, 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 the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for the fiscal year ended June 30, 2004.

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, 2004**

**ASSETS**

Current Assets:

Cash and cash equivalents (note 2)	\$1,546,096
Investments (note 3)	95,093
Receivables (note 4)	136,214
Due from state treasury, net (note 10)	13,890
Deferred charges and prepaid expenses	108,175
Total current assets	<u>1,899,468</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents (note 2)	258,594
Investments (note 3)	1,583,124
Capital assets, net (note 5)	14,642,800
Total noncurrent assets	<u>16,484,518</u>
<b>Total assets</b>	<u><u>18,383,986</u></u>

**LIABILITIES**

Current Liabilities:

Accounts payable and accrued liabilities	280,604
Deferred revenues	179,717
Amounts held in custody for others	116,860
Compensated absences (note 9)	38,929
Total current liabilities	<u>616,110</u>

Noncurrent Liabilities:

Compensated absences (note 9)	774,742
Other noncurrent liabilities	21
Total noncurrent liabilities	<u>774,763</u>
<b>Total liabilities</b>	<u><u>1,390,873</u></u>

**NET ASSETS**

Investment in capital assets	14,642,800
Restricted for:	
Nonexpendable (note 11)	1,840,972
Expendable (note 11)	336,150
Unrestricted	173,191
<b>Total net assets</b>	<u><u>\$16,993,113</u></u>

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, 2004**

**OPERATING REVENUES**

Student tuition and fees	\$7,990,198
Less scholarship allowances	<u>(873,041)</u>
Net student tuition and fees	7,117,157
Federal grants and contracts	61,252
State and local grants and contracts	29,473
Sales and services of educational departments	149,966
Other operating revenues	<u>4,527</u>
<b>Total operating revenues</b>	<u><b>7,362,375</b></u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	7,598,282
Research	699,388
Public service	29,113
Academic support	2,568,430
Student services	933,172
Institutional support	2,168,816
Operation and maintenance of plant	1,284,293
Scholarships and fellowships	<u>411,508</u>
<b>Total operating expenses</b>	<u><b>15,693,002</b></u>

**Operating Loss** **(8,330,627)**

**NONOPERATING REVENUES**

State appropriations	7,825,487
Gifts	445,743
Investment income, net	<u>27,507</u>
<b>Nonoperating revenues</b>	<u><b>8,298,737</b></u>

(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, 2004**

<b>Loss Before Other Revenues, Expenses, Gains and Losses</b>	(\$31,890)
Capital appropriations	1,602,049
Capital gifts and grants	22,108
Additions to permanent endowments	135,060
Other additions, net	<u>79,557</u>
<b>Increase in Net Assets</b>	1,806,884
<b>Net Assets at Beginning of Year</b>	<u>15,186,229</u>
<b>Net Assets at End of Year</b>	<u><u>\$16,993,113</u></u>

(Concluded)

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

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

**Statement of Cash Flows  
For the Year Ended June 30, 2004**

<b>Cash flows from operating activities</b>	
Student tuition and fees	\$7,033,342
Grants and contracts	76,371
Sales and services of educational departments	149,804
Payments for employee compensation	(9,278,174)
Payments for benefits	(1,818,200)
Payments for utilities	(401,468)
Payments for supplies and services	(2,752,289)
Payments for scholarships and fellowships	(411,508)
Other disbursements	(373)
Net cash used by operating activities	<u>(7,402,495)</u>
<b>Cash flows from noncapital financing activities</b>	
State appropriations	7,800,503
Gifts and grants for other than capital purposes	440,942
Net cash provided by noncapital financing sources	<u>8,241,445</u>
<b>Cash flows from capital financing activities</b>	
Capital appropriations received	1,601,955
Capital grants and gifts received	22,108
Purchase of capital assets	(2,484,315)
Other sources	79,557
Net cash used by capital financing activities	<u>(780,695)</u>
<b>Cash flows from investing activities</b>	
Interest received on investments	<u>73,464</u>
<b>Net increase in cash and cash equivalents</b>	131,719
<b>Cash and cash equivalents at the beginning of the year</b>	<u>1,672,971</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$1,804,690</u></u>

(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, 2004**

**Reconciliation of Operating Loss to Net Cash**

**Used by Operating Activities:**

Operating loss	(\$8,330,627)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	939,067
Changes in assets and liabilities:	
Increase in accounts receivable	(43,038)
Decrease in deferred charges and prepaid expenses	12,946
Increase in accounts payable and accrued liabilities	73,482
Decrease in deferred revenue	(30,999)
Decrease in amounts held in custody for others	(24,347)
Increase in compensated absences	5,900
Decrease in other liabilities	(4,879)

Net cash used by operating activities (\$7,402,495)

**Reconciliation of Cash and Cash Equivalents  
to the Statement of Net Assets**

Cash and cash equivalents classified as current assets	\$1,546,096
Cash and cash equivalents classified as noncurrent assets	258,594

**Cash and cash equivalents at the end of the year** \$1,804,690

(Concluded)

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

## INTRODUCTION

The Paul M. Hebert 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 2003 fall semester totaled 698. During fiscal 2003-2004, 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 the largest 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 (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 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 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. 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 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	\$15,801,918
Increases (decreases) - state General Fund	<u>(58,021)</u>
Final budget	<u><u>\$15,743,897</u></u>

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 United States 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 liabilities 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 university system's net assets are classified as follows:

**Invested in Capital Assets**

This represents the university system's 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 PRINCIPLE**

For the year ended June 30, 2004, the Law Center implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. The implementation of this new accounting standard required additional disclosures but had no impact on the reported amounts of investments, net assets, or changes in net assets.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2004, the Law Center's petty cash and cash and cash equivalents (allocated book balances) of \$1,804,690 are as follows:

Petty cash	\$150
Certificates of deposit	808,859
Open-end mutual fund	<u>995,681</u>
Total	<u><u>\$1,804,690</u></u>

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 or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

Of the Law Center's allocated share of collected bank balances of \$2,060,506 at June 30, 2004, no amounts were unsecured and uncollateralized.

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

**3. INVESTMENTS**

At June 30, 2004, the Law Center has investments totaling \$1,678,217, 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.

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## NOTES TO THE FINANCIAL STATEMENTS

The LSU System's established investment policy follows the state law (R.S. 49:327), which authorizes the system to invest funds in direct United States Treasury obligations, United States 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 \$995,681, included in cash and cash equivalents, consists of funds invested in the Federated Investors Government Obligations Fund, which is rated AAAM by Standard and Poors. 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:

	<u>Accounts Receivable</u>
Student tuition and fees	\$83,930
Contributions and gifts	383
Federal, state, and private grants and contracts	51,088
Sales and services/other	<u>813</u>
Total	<u><u>\$136,214</u></u>

## 5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Capital assets not being depreciated - construction in progress	\$10,272,333	\$1,440,286	NONE	\$11,712,619
Other capital assets:				
Buildings	\$5,726,318			\$5,726,318
Less accumulated depreciation	(4,622,737)	(\$116,326)		(4,739,063)
Total buildings	1,103,581	(116,326)	NONE	987,255
Equipment	943,676	24,072	(\$12,133)	955,615
Less accumulated depreciation	(681,790)	(91,610)	12,133	(761,267)
Total equipment	261,886	(67,538)	NONE	194,348
Library books	5,833,719	946,372	(407,052)	6,373,039
Less accumulated depreciation	(4,300,382)	(731,131)	407,052	(4,624,461)
Total library books	1,533,337	215,241	NONE	1,748,578
Total other capital assets	\$2,898,804	\$31,377	NONE	\$2,930,181
Capital asset summary:				
Capital assets not being depreciated	\$10,272,333	\$1,440,286		\$11,712,619
Other capital assets, at cost	12,503,713	970,444	(\$419,185)	13,054,972
Total cost of capital assets	22,776,046	2,410,730	(419,185)	24,767,591
Less accumulated depreciation	(9,604,909)	(939,067)	419,185	(10,124,791)
Capital assets, net	\$13,171,137	\$1,471,663	NONE	\$14,642,800

## 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 (TRSLA), and classified state employees are members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSLA 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. TRSLA 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 TRSLA 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% (TRSLA) and 7.5% (LASERS) of covered salaries. In fiscal year 2004, the state contributed 13.8% of covered salaries to TRSLA and 15.8% 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 TRSLA for the years ended June 30, 2004, 2003, and 2002, were \$439,487, \$419,385, and \$431,329, respectively, and to LASERS for the years ended June 30, 2004, 2003, and 2002, were \$149,477, \$129,730, and \$125,632, 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 TRSLA, was designed to aid universities in recruiting employees who may not be expected to remain in TRSLA 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 TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the Law Center are 13.8% of the covered payroll. The participant's contribution (8.0%), 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 TRSLA 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 TRSLA 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 TRSLA. 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 \$527,376 and \$305,814, respectively, for the year ended June 30, 2004.

**7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The Law Center provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Law Center's employees become eligible for these benefits if they reach normal retirement age while working for the Law Center. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the Law Center. The Law Center recognizes the cost of providing these benefits to retirees (Law Center's portion of premiums) as an expense when paid during the year. These retiree benefits totaled \$86,190 for the year ended June 30, 2004.

**8. 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, 2004.

**9. COMPENSATED ABSENCES**

At June 30, 2004, employees of the university have accumulated and vested annual and sick leave benefits of \$320,874 and \$492,797, respectively, which were 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, 2004:

Balance July 1, 2003	\$807,771
Additions	62,614
Reductions	<u>(56,714)</u>
Balance June 30, 2004	<u>\$813,671</u>
Amount due within one year	<u>\$38,929</u>

**10. DUE FROM STATE TREASURY**

As shown on Statement A, the Law Center has a net total of \$13,890 due from the state treasury at June 30, 2004. This amount consists of the following:

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## NOTES TO THE FINANCIAL STATEMENTS

<u>Description</u>	<u>Due (to)/ from</u>
State appropriations	\$14,340
Vendor refunds and canceled checks	<u>(450)</u>
Total	<u><u>\$13,890</u></u>

### 11. RESTRICTED NET ASSETS

The Law Center had the following restricted expendable net assets as of June 30, 2004:

<u>Account Title</u>	<u>Amount</u>
Student fees	\$168,024
Gifts	13,473
Endowment earnings	153,929
Other	<u>724</u>
Total	<u><u>\$336,150</u></u>

The Law Center's restricted nonexpendable net assets of \$1,840,972 as of June 30, 2004, are comprised entirely of endowment funds.

### 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, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.





**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 the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

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February 24, 2005

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, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 24, 2005. 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**

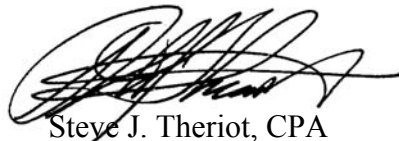
In planning and performing our audit, we considered the Paul M. Hebert Law Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## 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 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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