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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2010
ISSUED MAY 25, 2011

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

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In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

Our procedures at the Southern University Law Center (Law Center) for the period July 1, 2009, through June 30, 2010, disclosed the following:

- Based on our audit, the Law Center's financial statements presented fairly, in all material respects, the respective financial position of the business-type activities of the Law Center and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

- The Law Center did not comply with Louisiana Policy and Procedure Memorandum 49 (PPM 49) when Law Center employees traveled internationally. As a result, overpayments totaling $23,994 were made for meal and lodging expenses.

This report is a public report and has been distributed to state officials. We appreciate the Law Center's assistance in the successful completion of our work.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 28, 2011

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Southern University Law Center, a campus within the Southern University System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Southern University Law Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern University Law Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Southern University Law Center are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Southern University System that is attributable to the transactions of the Southern University Law Center. They do not purport to, and do not, present fairly the financial position of the Southern University System as of June 30, 2010, 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.

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In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Southern University Law Center as of June 30, 2010, 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 accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of the Southern University Law Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages 7 through 18 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 45 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JPT:BH:EFS:THC:dl

SULC 2010

Management's Discussion and Analysis of the Southern University Law Center (Law Center), an institution in the Southern University System, discusses the Law Center's financial performance and presents a narrative overview and analysis of the Law Center's financial activities and statements for the fiscal year ended June 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the Law Center. The primary financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the Law Center.

FINANCIAL HIGHLIGHTS

The Law Center's net assets changed from $7,237,232 to $5,624,745 from June 30, 2009, to June 30, 2010. The decrease is caused in part by the third-year implementation of an accounting change mandated by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual other postemployment benefit obligation increased by $1,402,444 or 36.8% from June 30, 2009, to June 30, 2010.

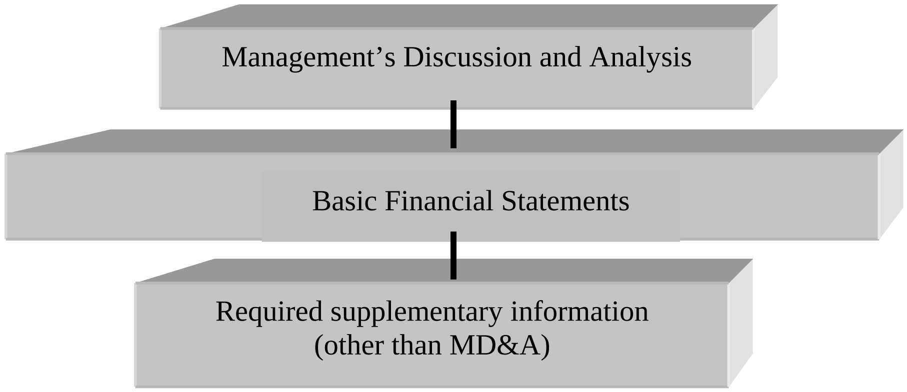
Based on comparative data for the fall semesters 2008 and 2009, the Law Center experienced an overall increase in enrollment. Enrollment increased from 531 to 598, an increase of 12.6%. The reasons for this change are attributed to an increase in the enrollment of the Law Center's first-year and part-time day and evening student.

The Law Center's operating revenues changed from $7,713,982 to $8,417,146, an increase of 9.1% from June 30, 2009, to June 30, 2010. The increase in operating revenues is attributed to the assessment of tuition increases approved by the Southern University's Board of Supervisors. Operating expenses, however, declined by 1.9% from $15,653,761 for the fiscal year ended June 30, 2009, to $15,363,967 for the fiscal year ended June 30, 2010. The decline in operating expenses is attributed to a reduction in programs and services resulting from state mandated initial and mid-year budget reductions in state appropriations. The Law Center's initial operating budget was reduced at the beginning of the fiscal year and again at mid-year resulting in an overall reduction in state funding of $2,068,010 for the 2009-10 fiscal year.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. Included under the category of non-operating revenues are American Recovery and Reinvestment Act funds, state appropriations, and gifts. Net nonoperating revenues (expenses) including capital appropriations and capital gifts and grants reflect a decrease of 13.5% from $7,660,696 in 2009 to $6,623,313 in 2010. Some of the decrease is directly attributed to a decline in state appropriation revenues of $2,068,010 or 28.3% from $7,294,956 in 2009 to $5,226,946 in 2010.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



This financial report consists of three sections: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the Law Center as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets (page 19) presents the current and noncurrent assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Law Center is improving or deteriorating.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the Law Center. The financial statement readers are also able to determine how much the Law Center owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the Law Center.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 21-22) presents information showing how the Law Center's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows (pages 23-24) presents information showing how the Law Center's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

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

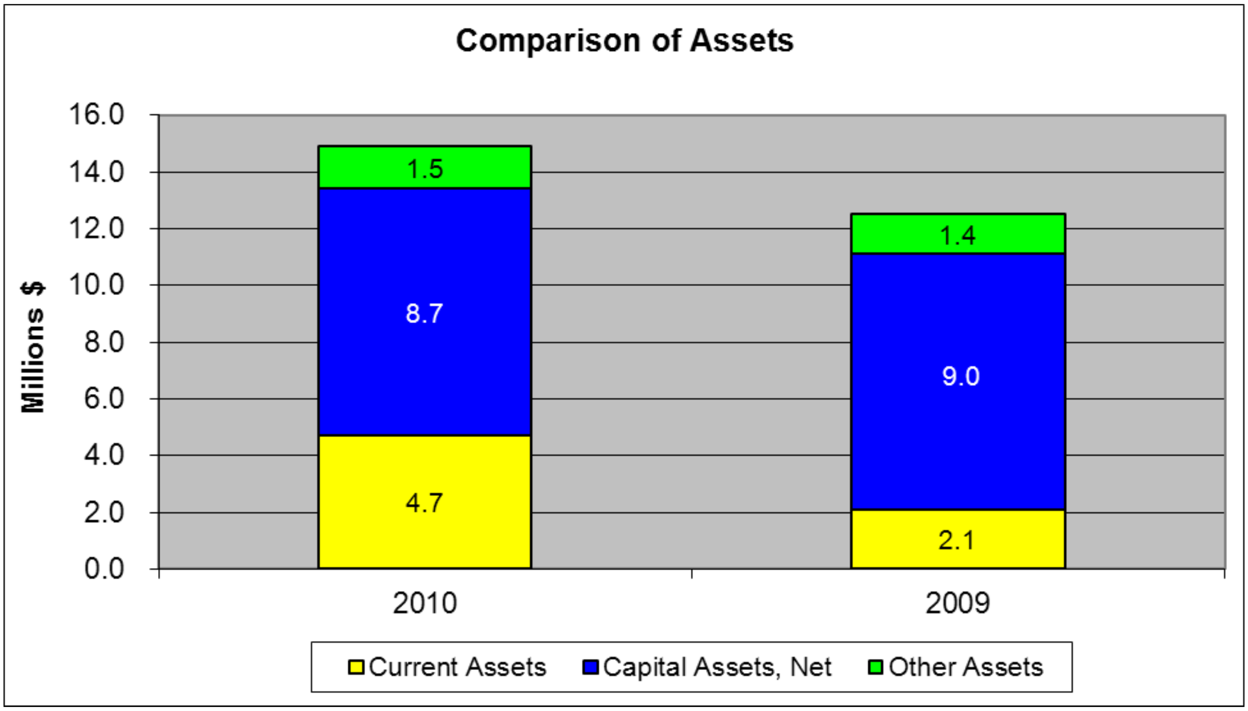
The financial statements for the Law Center are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned,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

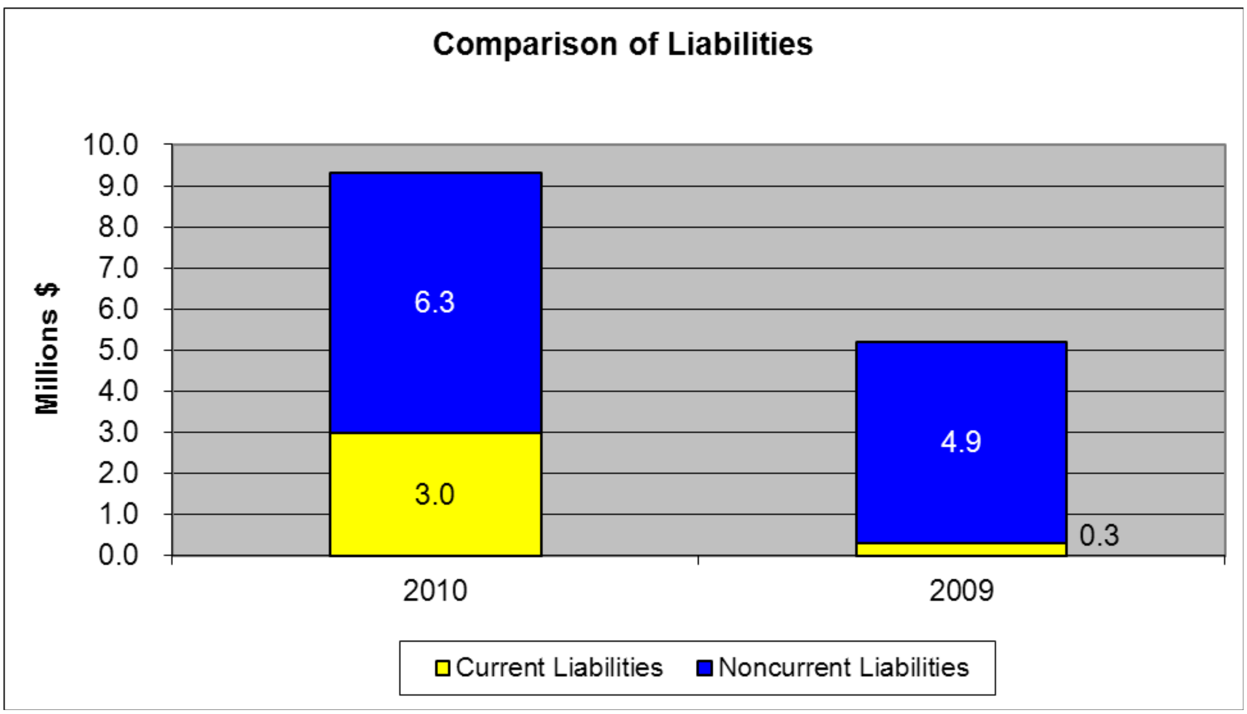
Categories of Net Assets

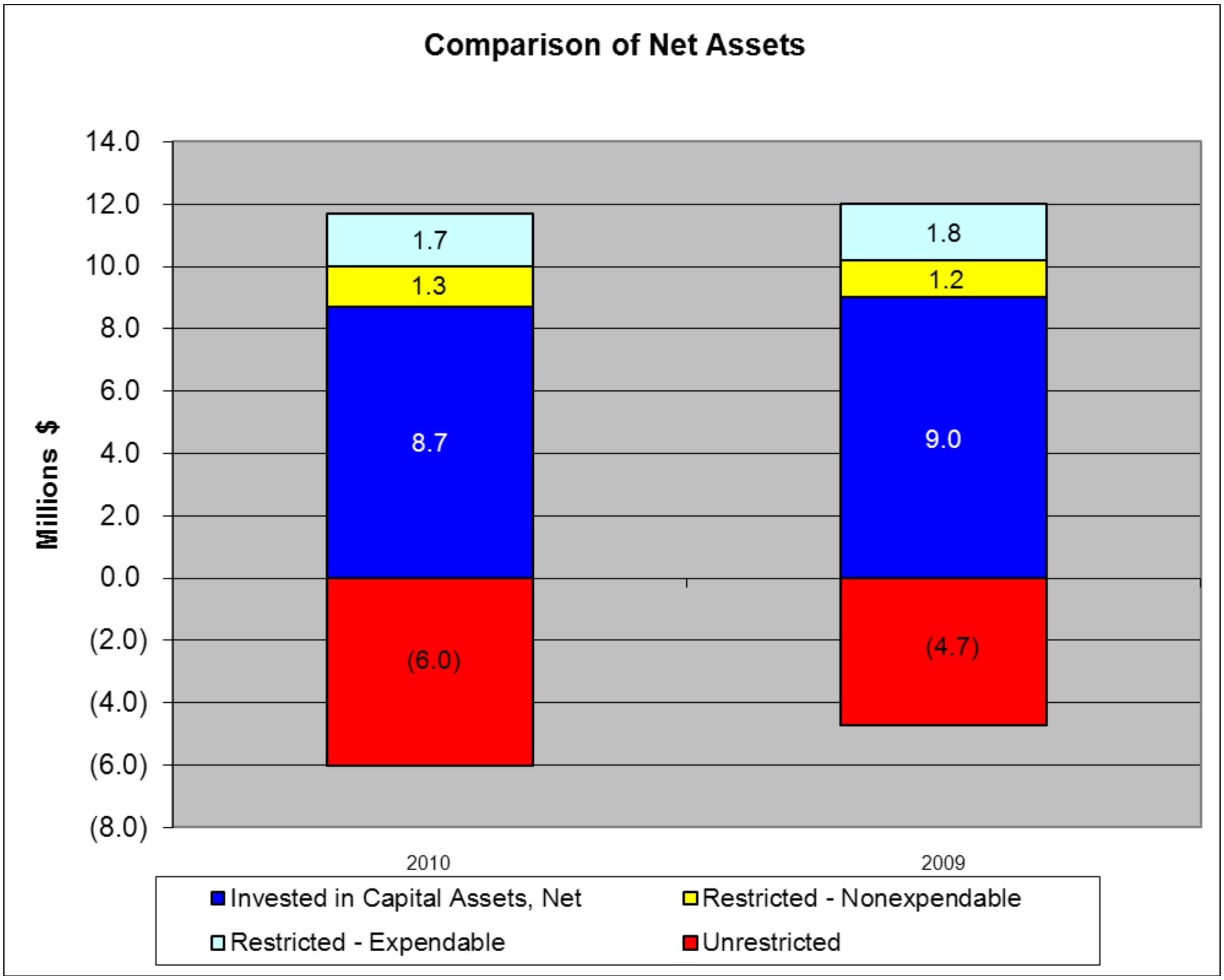
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by the Law Center. The next asset category, restricted net assets, is divided into two categories: nonexpendable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

Comparative Statement of Net Assets
For the Fiscal Years as of
June 30, 2010 and 2009

	2010	2009 (Restated)	Percentage Change
Assets			
Current assets	$4,747,470	$2,103,822	125.7%
Capital assets, net	8,675,181	8,958,667	(3.2%)
Other noncurrent assets	1,470,861	1,363,260	7.9%
Total assets	14,893,512	12,425,749	19.9%
Liabilities			
Current liabilities	2,956,244	273,121	982.4%
Noncurrent liabilities	6,312,523	4,915,396	28.4%
Total liabilities	9,268,767	5,188,517	78.6%
Net Assets			
Invested in capital assets	8,675,181	8,958,667	(3.2%)
Restricted:			
Nonexpendable	1,303,750	1,203,862	8.3%
Expendable	1,693,589	1,767,924	(4.2%)
Unrestricted	(6,047,775)	(4,693,221)	28.9%
Total net assets	$5,624,745	$7,237,232	(22.3%)


Comparison of Assets
Millions $
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
1.5
8.7
4.7
1.4
9.0
2.1
2010
2009
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
Millions $
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
6.3
3.0
4.9
0.3
2010
2009
Current Liabilities
Noncurrent Liabilities



These schedules are prepared from the Law Center's Statement of Net Assets which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The total assets of the Law Center increased by $2,467,763, an increase of approximately 19.9%. The total liabilities of the Law Center increased by $4,080,250 or 78.6%. The consumption of assets follows the Law Center's philosophy to use available resources to acquire and improve programs to better serve the instruction, research, and public service missions of these institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

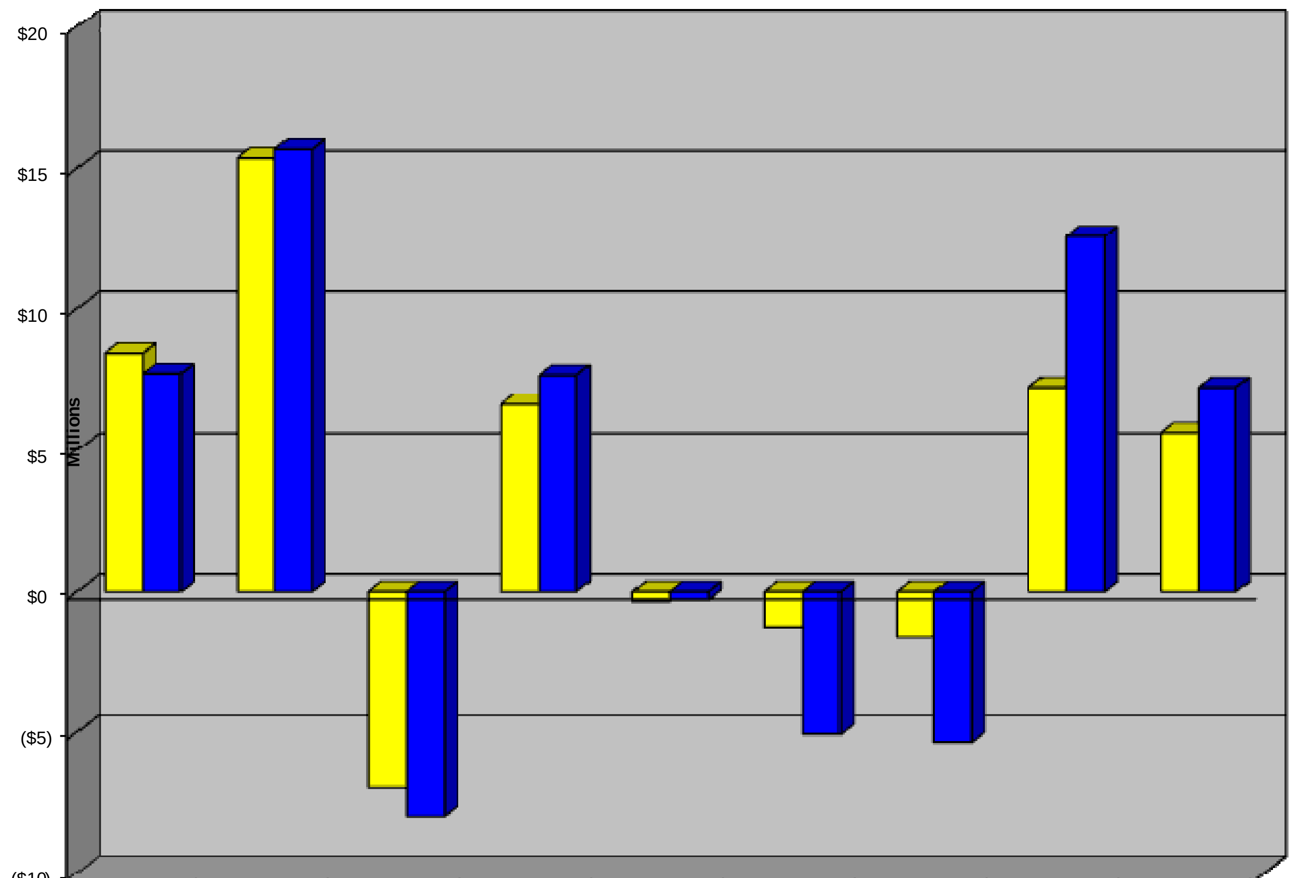
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the Law Center for both operating and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

The operating revenues are received for providing goods and services to the various customers and constituencies of the Law Center. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the Law Center. Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues. Pell grant revenues are considered nonoperating revenues and are reported in the Statement of Revenues, Expenses, and Changes in Net Assets as nonoperating federal grants.

Comparative Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2010 and 2009

	2010	2009 (Restated)	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$4,543,067	$3,994,358	13.7%
Federal grants and contracts	3,784,326	3,636,462	4.1%
Other operating revenues	89,753	83,162	7.9%
Total operating revenues	8,417,146	7,713,982	9.1%
Nonoperating revenues:			
State appropriations	5,226,946	7,294,956	(28.3%)
American Recovery and Reinvestment Act revenues	1,077,517		
Gifts	14,142	125,021	(88.7%)
Investment income (loss)	26,310	29,044	(9.4%)
Other nonoperating revenues	277,888	213,076	30.4%
Total nonoperating revenues	6,622,803	7,662,097	(13.6%)
Total revenues	15,039,949	15,376,079	(2.2%)
Operating expenses:			
Educational and general:			
Instruction	4,947,044	5,548,214	(10.8%)
Public service	476,179	425,248	12.0%
Academic support	2,207,117	2,679,566	(17.6%)
Student services	2,150,804	2,231,767	(3.6%)
Institutional support	3,407,758	3,141,135	8.5%
Operation and maintenance of plant	294,797	180,427	63.4%
Depreciation	1,136,134	762,615	49.0%
Scholarships and fellowships	744,134	484,275	53.7%
Other operating expenses		200,514	(100.0%)
Total operating expenses	15,363,967	15,653,761	(1.9%)
Nonoperating expenses - interest expense	1,043	1,401	(25.6%)
Total expenses	15,365,010	15,655,162	(1.9%)
Loss before other revenues	(325,061)	(279,083)	16.5%
Capital grants and gifts	1,553		
Additions to permanent endowment	100,000	100,000	0.0%
Other additions, net	(1,388,979)	(5,165,766)	(73.1%)
Other revenues	(1,287,426)	(5,065,766)	(74.6%)
Changes in net assets	(1,612,487)	(5,344,849)	(69.8%)
Net assets at beginning of year, restated	7,237,232	12,582,081	(42.5%)
Net assets at end of year	$5,624,745	$7,237,232	(22.3%)

Comparative Graph of Revenues, Expenses, and Changes in Net Assets For the fiscal Years Ended June 30, 2010 and 2009



	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating Revenue (Expenses)	Expenses, Gains, and Losses	Other Additions, Net	Increase (Decrease) in Net Assets	Net Assets at Beginning of Year	Net Assets at End of Year
2010	$8.4	$15.4	$(6.9)	$6.6	$(0.3)	$(1.3)	$(1.6)	$7.2	$5.6
2009	$7.7	$15.7	$(7.9)	$7.7	$(0.3)	$(5.1)	$(5.3)	$12.6	$7.2

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative change for the year. The net assets decreased by $1,612,487 or 22.3% in 2010 compared to a decrease of $5,344,849 or 42.5% in fiscal year 2009. This is largely attributable to the reporting of the annual Other Postemployment Benefits (OPEB) obligation as required by GASB 45, effective with the 2008 fiscal year. The Law Center is in the third year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The annual net change of $1,402,444 in the other postemployment obligation is reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets. Other highlights of the information that have a significant impact on the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- The Law Center implemented a three-year tuition and fee increase plan approved by the state legislature in 2008, with an effective implementation date beginning in fiscal year 2009. The approved $1,500 tuition increase will be implemented over a three-year period.

- The Law Center received Board approval to increase its out-of-state tuition by $500 per semester.

- State mandated initial and mid-year budget cuts of $2.1 million in 2010 required management to implement cost reduction measures to proactively address budget cuts and reduce operating costs. The 2010 budget reductions impacted the Law Center in the following ways: reductions in staff were enforced, vacant positions were frozen, cost reduction measures were implemented, outreach activities were scaled back, library and technology needs were reduced, and research capabilities were reduced. The management of the Law Center implemented restructuring plans and other cost savings measures to ensure sustainable operations were maintained and deficit spending was avoided. The Law Center leadership will continue to ensure that the mission, goals, and core values of the institution remain strong.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Law Center reported a combined total of capital assets, net of accumulated depreciation at the 2010 year-end of $8,675,181 as compared to $8,958,667 restated balance at the 2009 year-end, reflecting a decrease of 3.2%.

The total amount of long-term debt is $6,333,396 as detailed below. Of this amount, $20,873 is reported as current and is expected to be paid within one year.

- Compensated absences - $1,118,740
- OPEB payable - $5,214,656

For additional information concerning capital assets and debt amortization, refer to notes 5 and 11 through 13 in the notes to the financial statements.

ECONOMIC OUTLOOK - SHORT-TERM

The Law Center is an American Bar Association Accredited Law School. Subsequent to June 30, 2010, the Law Center was unanimously admitted to the Membership of the American Association of Law Schools. The Law Center is currently preparing to submit an application for Southern Association of Colleges and Schools (SACS) accreditation after decoupling from the Baton Rouge campus in 2010 for purposes of SACS accreditation.

The management of the Southern University System (System), of which the Law Center is an institution, projects the University's overall financial position will remain stable, despite impending budget cuts. The current economic downturn is a global concern and is not unique to the System. The State of Louisiana has advised of another forthcoming budget reduction for the 2011 fiscal year because of a decrease in state revenues. The management of the System has implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are preserved. Management will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external issues in a prompt and positive manner.

The System and Law Center are currently migrating from the SCT Plus Legacy administrative system to SunGard Higher Education (SGHE) Banner Unified Digital Campus (UDC) administrative system. The Banner Finance and HR modules of the comprehensive unified digital campus solution have been implemented and went live July 2010. The Finance and HR modules are hosted by the Baton Rouge campus. The Student module, consisting of admissions, registrar's office, financial aid, housing and student accounts receivable, is scheduled to go live in the spring of 2011. The "State of the Art" Banner System will add value to the System's administrative processes through improved efficiency and effectiveness of the administrative support services to our students, faculty, staff, and other constituencies.

ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The Law Center continues to take aggressive steps in its enrollment management and student retention programs and activities.

The approval of House Bill 1171 - LA GRAD Act (Louisiana Granting Resources and Autonomy for Diplomas Act) provided autonomy to the institutions' governing boards to approve tuition increases per certain performance standards. This approval provides flexibility to the System leadership in improving its enrollment management programs and activities.

The Southern University Board of Supervisors approved two tuition increases for the Law Center, 5% as allowed per legislative authority and 5% per implementation of the LA GRAD Act effective fall 2010.

CHANGES IN SOUTHERN UNIVERSITY SYSTEM MANAGEMENT

The System has experienced several changes in key management positions in fiscal years ending June 30, 2010 and 2011. Dr. Kassie Freeman was appointed Interim President in 2010 and Dr. Ronald R. Mason was later appointed System President after a national search with a five-year contract. Mr. Kevin Appleton will replace long-time Vice President for Finance and Business Affairs and Comptroller, Mr. Tolor White as the Chief Finance Officer for the System.

ECONOMIC OUTLOOK - LONG-TERM

The long-term outlook for the Law Center is good. The Law Center's enrollment and corresponding revenues have been on an upward trend over the past years, which is expected to continue. The Law Centers Evening Division has become a stable source of growth in enrollment and revenues during a period of uncertainty due to dwindling state revenues and a stagnant economy on both the state and national levels.

The limited availability of funding from the state and the anticipated withdrawal of the American Recovery and Reinvestment Act (ARRA) funding in fiscal year 2011-12 will pose a challenge for the Law Center. However, the management of the Law Center and the System remain optimistic that the economy will improve and our enrollment will continue to grow, allowing the System to continue to achieve its goals and mission as a Historically Black College and University System of higher education in the State of Louisiana.

CONTACTING THE LAW CENTER'S MANAGEMENT

The accompanying Law Center financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Law Center's finances and to show the Law Center's accountability and oversight for the money it receives. Questions about this report or the need for additional financial information can be addressed by contacting the following management personnel of the System:

System Contacts:

Kevin Appleton, System Vice President for
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Phone number 225-771-2506

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Baton Rouge, Louisiana 70813
Phone number 225-771-2552

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2010

ASSETS	
Current assets:	
Receivables, net (note 4)	$249,023
Due from federal government (note 4)	4,444,837
Due from state treasury	30,986
Deferred charges and prepaid expenses	22,624
Total current assets	4,747,470
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	1,285,192
Restricted investments (note 3)	185,669
Capital assets, net (note 5)	8,675,181
Total noncurrent assets	10,146,042
Total assets	14,893,512
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 6)	584,207
Due to other campuses	1,918,501
Deferred revenues (note 7)	432,663
Compensated absences (notes 8 and 13)	20,873
Total current liabilities	2,956,244
Noncurrent liabilities:	
Compensated absences (notes 8 and 13)	1,097,867
Other postemployment benefits payable (notes 11 and 13)	5,214,656
Total noncurrent liabilities	6,312,523
Total liabilities	9,268,767
NET ASSETS	
Invested in capital assets	8,675,181
Restricted for:	
Nonexpendable (note 14)	1,303,750
Expendable (note 14)	1,693,589
Unrestricted	(6,047,775)
TOTAL NET ASSETS	$5,624,745

The accompanying notes are an integral part of this statement.

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SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

OPERATING REVENUES	
Student tuition and fees	$4,808,557
Less scholarship allowances	(265,490)
Net student tuition and fees	4,543,067
Federal grants and contracts	3,784,326
Other operating revenues	89,753
Total operating revenues	8,417,146
OPERATING EXPENSES	
Educational and general:	
Instruction	4,947,044
Public service	476,179
Academic support	2,207,117
Student services	2,150,804
Institutional support	3,407,758
Operation and maintenance of plant	294,797
Depreciation (note 5)	1,136,134
Scholarships and fellowships	744,134
Total operating expenses	15,363,967
OPERATING LOSS	(6,946,821)
NONOPERATING REVENUES (Expenses)	
State appropriations	5,226,946
American Recovery and Reinvestment Act revenues (note 18)	1,077,517
Gifts	14,142
Investment income	26,310
Interest expense	(1,043)
Other nonoperating revenues	277,888
Net nonoperating revenues	6,621,760

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets, June 30, 2010

LOSS BEFORE OTHER REVENUES	($325,061)
Capital grants and gifts	1,553
Additions to permanent endowment	100,000
Other additions, net	(1,388,979)
DECREASE IN NET ASSETS	(1,612,487)
NET ASSETS - BEGINNING OF YEAR (Restated) (note 15)	7,237,232
NET ASSETS - END OF YEAR	$5,624,745

(Concluded)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$4,566,924
Grants and contracts	1,486,612
Payments to suppliers	(2,191,710)
Payments to employees	(8,052,698)
Payments for benefits	(1,562,590)
Payments for scholarships and fellowships	(516,250)
Other receipts	89,753
Net cash used by operating activities	(6,179,959)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	5,226,273
Gifts and grants for other than capital purposes	14,142
Private gifts for endowment purposes	100,000
Implicit loan from other campuses	1,918,501
American Recovery and Reinvestment Act	1,077,517
Other payments	(1,946,711)
Net cash provided by noncapital financing activities	6,389,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants and gifts received	1,553
Purchases of capital assets	(869,676)
Other sources	852,648
Net cash used by capital and related financing activities	(15,475)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	9,574
Interest received on investments	27,251
Purchase of investments	(10,784)
Net cash used by investing activities	26,041

(Continued)

The accompanying notes are an integral part of this statement.

Statement C

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

NET INCREASE IN CASH AND CASH EQUIVALENTS	$220,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,064,863
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,285,192
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($6,946,821)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,136,134
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(2,542,146)
Decrease in prepaid expenses	11,125
Increase in accounts payable	514,182
Increase in deferred revenue	268,988
(Decrease) in compensated absences	(23,865)
Increase in other postemployment benefits payable	1,402,444
Net cash used by operating activities	($6,179,959)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Net increase in the fair value of investments	$1,210
Loss on disposal of capital assets	(17,028)

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

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

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

The Law Center offers a Jurist Doctorate degree (J.D.) through a full-time and a part-time day and evening program. A J.D. and Master of Public Administration joint degree is also offered by the Law Center and the Southern University Nelson Mandela School of Public Policy and Urban Affairs. During the summer, fall, and spring semesters of the 2009-2010 fiscal year, the Law Center conferred 134 degrees and student enrollment was approximately 1,290. The Law Center has 33 full-time and adjunct 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.

The Law Center applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Law Center has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Law Center has elected not to apply FASB pronouncements issued after the applicable date.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The Law Center is a part of the System, which is considered a discretely presented 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) the state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Law Center.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements within the System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the 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 (enterprise fund). Accordingly, the Law Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) inventories are recorded as expenditures at the time of purchase; and (5) carry forward of prior year funds is recognized as revenue in the current year. The other funds of the Law Center, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

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

F. RESTRICTED CASH AND INVESTMENTS

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

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

G. CAPITAL ASSETS

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

H. DEFERRED REVENUES

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

I. COMPENSATED ABSENCES

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

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

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

J. NONCURRENT LIABILITIES

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

K. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

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

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

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

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

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

L. CLASSIFICATION OF REVENUES AND EXPENSES

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

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

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

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

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

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2010, the Law Center implemented the following accounting standards:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The intangible assets should be recognized in the Statement of Net Assets only if it is considered identifiable. The implementation of Statement No. 51 did not identify any intangible assets by the Law Center.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement No. 53 requires the recognition, measurement, and disclosure of information regarding derivative instruments. The implementation of Statement No. 53 had no impact on the financial statements or notes.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of Statement No. 58 had no impact on the financial statements or notes.

O. 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.

P. ELIMINATING INTERFUND ACTIVITY

Activities among the Law Center and the Law Center's departments are eliminated for the purpose of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2010, the Law Center has cash and cash equivalents (book balances) totaling $1,285,192 as follows:

Demand deposits	$427,879
Time certificates of deposit	857,313
Total	$1,285,192

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

Noncurrent assets - restricted	$1,285,192
Total	$1,285,192

3. INVESTMENTS

At June 30, 2010, the Law Center has investments totaling $185,669 as follows:

	Fair Value June 30, 2010	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$36,748	3.9	
U.S. government agencies	86,805	4.5	
U.S. government obligations	4,049	7.7	
Equities	46,970	Not Applicable	
Money market mutual fund	11,097	Not Applicable	
Subtotal - external investment pool	185,669		Not Rated
Total	$185,669		

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

Noncurrent assets - restricted	$185,669
Total	$185,669

The investments are reported at fair value as required by GASB Statement No. 31.

Investments held by the Southern University System Foundation are in an external investment pool, which is not SEC registered, but is managed in accordance with the terms outlined in a management agreement executed between the System and the Southern University System Foundation. The System is a voluntary participant in the agreement and the fair value of the System's position in the pool is equal to the value of the pool shares.

The investments held by the private foundation totaling $185,669 are held pursuant to the Endowed Chairs for Eminent Scholars Program and Endowed Professorships Program. For these programs, the investment policy established by the Louisiana Board of Regents states that the overall average credit quality rating of the fixed income securities must be at least AA. In addition, the Board of Regents' investment policy states that investments in foreign stocks are limited to 15% of the fund. The System's investment policy limits its investments of fixed income securities in investments of federal government and agency issues and to corporate issues having credit ratings of A to AAA. There are no formally adopted investment policies regarding interest rate risk or custodial credit risk.

4. RECEIVABLES

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

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$121,601		$121,601
Federal grants and contracts	4,444,837		4,444,837
Accrued interest receivable	20,215		20,215
Other	107,207		107,207
Total	$4,693,860	NONE	$4,693,860

There is no noncurrent portion of accounts receivable.

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Prior Period Adjustments	Adjusted Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets not being depreciated - land		$5,868	$5,868			$5,868
Total capital assets not being depreciated	NONE	$5,868	$5,868	NONE	NONE	$5,868
Capital assets being depreciated:						
Buildings		$11,760,774	$11,760,774			$11,760,774
Less accumulated depreciation		(4,841,717)	(4,841,717)	($220,279)		(5,061,996)
Total buildings	NONE	6,919,057	6,919,057	(220,279)	NONE	6,698,778
Equipment		703,291	703,291	147,702	($28,380)	822,613
Less accumulated depreciation		(420,780)	(420,780)	(112,831)	11,352	(522,259)
Total equipment	NONE	282,511	282,511	34,871	(17,028)	300,354
Library books	$32,998,463		32,998,463	721,974	(96,610)	33,623,827
Less accumulated depreciation	(31,247,232)		(31,247,232)	(803,024)	96,610	(31,953,646)
Total library books	1,751,231	NONE	1,751,231	(81,050)	NONE	1,670,181
Total capital assets being depreciated	$1,751,231	$7,201,568	$8,952,799	($266,458)	($17,028)	$8,669,313
Capital assets summary:						
Capital assets not being depreciated		$5,868	$5,868			$5,868
Capital assets being depreciated	$32,998,463	12,464,065	45,462,528	$869,676	($124,990)	46,207,214
Total cost of capital assets	32,998,463	12,469,933	45,468,396	869,676	(124,990)	46,213,082
Less accumulated depreciation	(31,247,232)	(5,262,497)	(36,509,729)	(1,136,134)	107,962	(37,537,901)
Capital assets, net	$1,751,231	$7,207,436	$8,958,667	($266,458)	($17,028)	$8,675,181

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the Law Center's payables and accruals at June 30, 2010:

Vendor payables	$324,895
Accrued salaries and payroll deductions	259,312
Total	$584,207

7. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2010:

Prepaid tuition and fees	$309,133
Grants and contracts	123,530
Total	$432,663

8. COMPENSATED ABSENCES

At June 30, 2010, employees of the Law Center have accumulated and vested annual leave, sick leave, and compensatory leave of $473,062; $644,256; and $1,422, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. PENSION PLANS

Plan Description. Substantially all employees of the Law Center are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. Both plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information 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% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. For fiscal year 2010, the state is required to contribute 15.5% of covered salaries to TRSL and 18.6% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2010, 2009, and 2008 were $456,712; $484,939; and $505,656, respectively, and to LASERS for the years ended June 30, 2010, 2009, and 2008 were $394,018; $359,039; and $342,386, respectively, equal to the required contributions for each year.

10. OPTIONAL RETIREMENT PLAN

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

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

R.S. 11:927 sets the contribution requirements of the plan members and the Law Center equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the Law Center are 15.5% of the covered payroll for fiscal year 2010. The participant's contribution of 8%, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $261,304 and $134,866, respectively, for the fiscal year ended June 30, 2010.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. Employees of the Law Center voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the State of Louisiana's 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. The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Law Center are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans which are offered on a calendar year basis. During calendar year 2009 and 2010, there were three HMO plans and two private fee-for-service (PFFS) plans offered by four companies.

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

Service	Contribution Percentage
Under 10 years	81%
10 - 14 years	62%
15 - 19 years	44%
20+ years	25%

Shown below are the total monthly premium rates in effect for the plan year 2009-10.

	PPO	EPO	HMO	Medical Home Health Plan
Active				
Single	$559	$581	$536	$532
With Spouse	1,187	1,234	1,139	1,130
With Children	681	709	654	649
Family	1,251	1,301	1,201	1,192
Retired No Medicare & Re-employed Retiree				
Single	$1,039	$1,081	$998	$990
With Spouse	1,835	1,909	1,762	1,748
With Children	1,158	1,204	1,111	1,102
Family	1,826	1,899	1,753	1,739
Retired with 1 Medicare				
Single	$338	$351	$324	$322
With Spouse	1,249	1,299	1,199	1,189
With Children	585	608	562	557
Family	1,664	1,730	1,597	1,584
Retired with 2 Medicare				
With Spouse	$607	$632	$583	$578
Family	752	782	722	716

	Medicare Advantage Plans - Calendar Year 2009				
	HMO			Private Fee-for-Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
Retired, with 1 Medicare					
Single	$137	$142	$178	$174	$270
Retired, with 2 Medicare					
With Spouse	$274	$284	$356	$348	$539

	Medicare Advantage Plans - Calendar Year 2010				
	HMO			Private Fee-for-Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
Retired, with 1 Medicare					
Single	$149	$142	$198	$165	$199
Retired, with 2 Medicare					
With Spouse	$298	$284	$396	$330	$397

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 monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability. The Law Center's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL). The total ARC for fiscal year 2010 is $1,517,578.

Normal cost	$735,510
Interest	58,368
Amortization of the UAAL	723,700
ARC	$1,517,578

The following schedule presents the components of the Law Center's annual OPEB cost for fiscal year 2010, the amount actually contributed to the plan, and changes in the Law Center's net OPEB obligation to the OPEB plan:

ARC	$1,517,578
Interest on net OPEB obligation	153,927
ARC adjustment	(147,044)
Annual OPEB cost	1,524,461
Contributions made	(122,017)
Increase in net OPEB obligation	1,402,444
Beginning net OPEB obligation, June 30, 2009	3,812,212
Ending net OPEB obligation, June 30, 2010	$5,214,656

The Law Center's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2010, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$2,003,762	4.8%	$1,908,162
June 30, 2009	2,093,805	9.1%	3,812,212
June 30, 2010	1,524,461	8.1%	5,214,656

Funded Status and Funding Progress. Act 910 of the 2008 Regular Session established the Post-employment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2010, neither the Law Center nor the State of Louisiana contributed to it. Since no contributions were made, the Law Center's entire actuarial accrued liability (AAL) of $19,149,932 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2009, was as follows:

AAL	$19,149,932
Actuarial value of plan assets	NONE
UAAL	$19,149,932
Funded ratio	0%
Covered payroll (active plan members)	$6,021,413
UAAL as a percentage of covered payroll	318.0%

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

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

In the July 1, 2009, OGB actuarial valuation, the projected unit credit actuarial cost method, was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 8.5% and 9.6% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

12. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The Law Center is involved in one lawsuit or claim against it at June 30, 2010, which is not handled by contracted attorneys. Lawsuits and claims not handled by contracted attorneys are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations.

The amount of settlements paid in the last three years did not exceed insurance coverage.

13. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the Law Center's long-term liabilities for the fiscal year ended June 30, 2010:

	Balance, June 30, 2009	Additions	Reductions	Balance, June 30, 2010	Amounts Due Within One Year
Compensated absences payable	$1,142,605		($23,865)	$1,118,740	$20,873
OPEB payable	3,812,212	$1,671,505	(269,061)	5,214,656	
Total long-term liabilities	$4,954,817	$1,671,505	($292,926)	$6,333,396	$20,873

14. RESTRICTED NET ASSETS

The Law Center has the following restricted net assets at June 30, 2010:

Nonexpendable - endowments	$1,303,750
Expendable:	
Gifts, grants, and contracts	$1,105,670
Endowment income	131,068
Student fees	398,837
Student loans	21,971
University plant projects	269
Debt service requirements	35,774
Total expendable	$1,693,589

Of the total net assets reported in the Statement of Net Assets as of June 30, 2010, a total of $1,026,496 is restricted by enabling legislation.

15. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B have been restated to reflect the following adjustments:

Net Assets at June 30, 2009	$29,684
Capital asset adjustment	7,207,436
Endowment adjustment	112
Net Assets at June 30, 2009, as restated	$7,237,232

16. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2010, net appreciation of donor restricted endowments is equal to $15,639, which is available to be spent for restricted purposes. The Law Center limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

17. DEFERRED COMPENSATION PLAN

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

18. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act expenses incurred in fiscal year 2010 consisted of the following program and amount:

Program - State Fiscal Stabilization Fund	$1,077,517
Total	$1,077,517

19. SUBSEQUENT EVENTS

The State of Louisiana has continued to experience decreases in state revenues that have resulted in decreased funding for the 2011 fiscal year. The Law Center has implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the Law Center are not negatively impacted. Management does not anticipate that the 2010-11 mandated budget cuts will significantly impact the Law Center's overall mission and goals. Management will continue to closely monitor available resources to ensure the Law Center's ongoing ability to react to known and unknown internal and external issues in a prompt manner.

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

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

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
For the Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	$22,376,415	$22,376,415	0%	$5,449,172	410.6%
July 1, 2008	NONE	24,673,136	24,673,136	0%	6,215,172	397.0%
July 1, 2009	NONE	19,149,932	19,149,932	0%	6,021,413	318.0%

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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, regulations, 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 significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 28, 2011

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

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Southern University Law Center (Law Center), a campus within the Southern University System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated April 28, 2011. 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 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 Law Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Law Center's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Law Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Noncompliance With Louisiana Travel Regulations Over International Travel

The Law Center did not comply with Louisiana Policy and Procedure Memorandum No. 49 (PPM 49) when Law Center employees traveled internationally.

Travel documentation was reviewed for five Law Center employees who traveled to London for the Summer Abroad program during the summers of 2009 and 2010. The following instances of noncompliance were noted:

- The employees were advanced the U.S. State Department rates for meals for the duration of their travel. The rates advanced to the travelers were $136 per day for the 2009 program and $139 per day for the 2010 program. Since no approval was obtained from the commissioner of administration, the allowable Tier IV meal per diem for international travel of $60 per day should have been used. This resulted in a total overpayment of $20,846 for meals. In addition, itemized receipts were not provided for meals by the travelers when they returned.

- Two employees were advanced actual lodging expenses in excess of the allowable TIER IV rate of $200. These employees did not qualify for lodging to be reimbursed on an actual basis. The employees were reimbursed a total of $15,624 over 65 nights, which resulted in an overpayment of $2,624.

- One employee qualified for lodging to be reimbursed on an actual basis. The employee was reimbursed actual lodging expenses for the duration of his/her travel. However, receipts or other supporting documents were not provided for three of the nights in accordance with PPM 49. Therefore, the employee should have been reimbursed the TIER IV rate of $200. The employee was reimbursed $1,124 for the three nights, which resulted in an overpayment of $524.

PPM 49 S1511 B. authorizes international travelers to be reimbursed the Tier IV area rates for meals and lodging, unless U.S. State Department rates are requested and authorized by the commissioner of administration before departure. Itemized receipts are required for reimbursement of meals and lodging claimed at the U.S. State Department rates. In addition, PPM 49 S1506 B.2 authorizes state officers to be reimbursed on an actual expense basis for lodging. Receipts or other supporting documents are required for each item claimed at the actual amount.

Law Center personnel failed to adhere to PPM 49 requirements. In addition, existing controls were not sufficient to prevent the noncompliance from occurring or to identify the noncompliance in a timely manner. Failure to comply with PPM 49 exposes travel transactions at the Law Center to possible noncompliance, errors, and/or fraud and abuse.

Law Center management should ensure through training that personnel have a proper understanding of the PPM 49 regulations and that control procedures are strengthened to identify noncompliance with those regulations. Management concurred with the finding and provided a plan of corrective action. However, in its response, management indicated that support was subsequently provided for the three nights' lodging cost.

Additional Comments: The support that was subsequently provided to the auditors was a copy of a credit card statement showing the charge for the three nights; however no actual hotel receipt was provided as required by PPM 49. Furthermore, there was no evidence that such documentation was reviewed before reimbursement to the employee (see Appendix A).

The Law Center's response to the finding identified previously is included in Appendix A. We did not audit the Law Center's response, and, accordingly, we express no opinion on it.

Other Reports

On April 20, 2011, an audit report of the basic financial statements of the Southern University System was issued by the Louisiana Legislative Auditor. The report disclosed a finding titled *Insufficient Control Over Leave Records*. That finding was related to the Baton Rouge campus not having adequate control procedures in place to ensure that employee leave records reflect accurate leave balances. The lack of adequate internal controls resulted in misstated leave balances and unapproved negative leave balances. The leave records of the Law Center are maintained by the Baton Rouge campus, which exposed the leave records of the Law Center to potential misstatements of leave records and created the possibility that leave could be advanced inappropriately.

This report is intended solely for the information and use of the Law Center, its board of directors, its management, others within the Southern University System, the Louisiana Board of Regents for Higher Education, 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JPT:BH:EFS:THC:dl

SULC 2010

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

Southern University Law Center

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Baton Rouge, Louisiana 70813-9294

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FAX (225) 771-2474

April 26, 2011

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

RE: Southern University Law Center
Response to FYE June 30, 2010 Audit Finding: Noncompliance with PPM49, S1511. International Travel

Dear Mr. Purpera:

Regarding the above referenced audit finding our response is as follows:

Audit Finding
Unauthorized U.S. State Department per diem rates were used for international travel, and incorrect supporting documentation procedures were used in relation to the same per diem rates, for the 2009 and the 2010 London Summer Studies Abroad Program. **Questioned Costs - $23,470**

Management Corrective Action Plan
Management will institute the following procedures to comply with PPM49:

- Management will ensure that U.S. State Department per diem rates which are intended to be used for travel reimbursement are authorized by the Commissioner of Administration, prior to the commencement of the related travel.

- Management will ensure that the appropriate documentation procedures, for international travel in PPM49 are followed, and that all required receipts or other supporting documentation are provided and filed with the Travel Expense Account report prior to any reimbursement. Supporting documentation was subsequently provided for the three nights of lodging expenses.

Thank you for your assistance.

Sincerely,

Freddie Pitcher, Jr.

Freddie Pitcher, Jr. (Judge Ret.)
Chancellor