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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2012
ISSUED MARCH 27, 2013

LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 18, 2013

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, 2012, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 of only that portion of the business-type activities of the Southern University System that is attributable to 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, 2012, 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.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the Southern University Law Center as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AT:AD:BDC:THC:dl

SULC 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the Southern University Law Center, an institution in Southern University and Agricultural & Mechanical (A&M) College System, hereafter referred to as the Law Center, discusses the Law Center's financial performance and presents a narrative overview and analysis of the Law Center's financial activities and statements for the year ended June 30, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of these institutions. The primary financial statements presented are the Statement of Net Assets; 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 $5,933,141 to $3,454,030 from June 30, 2011, to June 30, 2012. The decrease was caused in part by the provision for other postretirement benefits as required by Governmental Accounting Standards Board (GASB) Statement No. 45.

Based on comparative data for the Fall Semester 2010 and 2011, the Law Center experienced an overall enrollment increase. Actual enrollment increased from 718 to 729 from Fall 2010 to Fall 2011, an increase of 1.5%. Fourteenth day enrollment decreased from 718 to 706, by (1.7%).

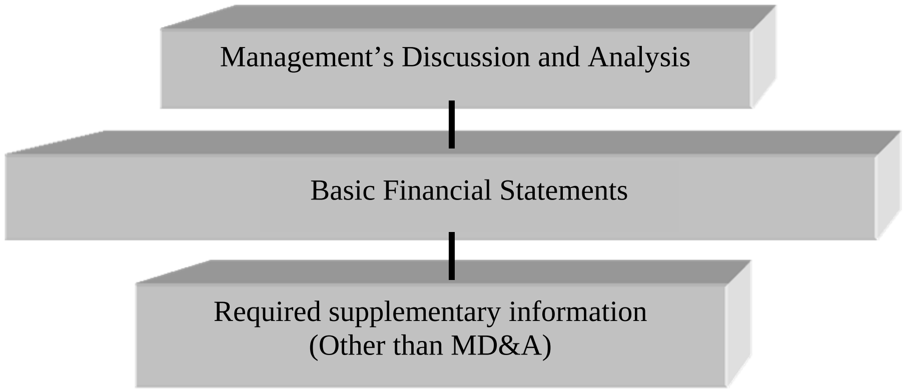
The Law Center's operating revenues changed from $10,913,611 to $11,036,490 from June 30, 2011, to June 30, 2012, an increase of 1.1%. The increase in operating revenues is attributed to the assessment of tuition increases approved by the Southern University's Board of Supervisors.

Operating expenses for the same period decreased by 0.4% from $16,120,670 to $16,055,222 for the years ended June 30, 2011 to June 30, 2012. The decrease in operating expenses is related to reductions in budget. The Law Center's initial operating budget was reduced by a mid-year and end of year budget reduction resulting in a reduction in state funding of approximately $406,183 for the 2011-2012 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 state appropriations, gifts, and net investment income. Net nonoperating revenues (expenses) reflect a net decrease of 34.5% from $7,123,824 in 2011 to $4,694,312 in 2012. The decrease in part is directly attributed to the decrease in the American Recovery and Reinvestment Act (ARRA) funds from $1,655,624 in 2011 to $0 in 2012.

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*.



These financial statements consist of three sections: Management's Discussion and Analysis, 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 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 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 presents information showing how the Law Center's cash changed as a result of the current year's 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 generally accepted accounting principles in the United States of America 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 debt, indicates the total equity in property, plant, and equipment that is owned by all of the Law Center. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net 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 is unrestricted net assets, which are available to the Law Center and can be used for any lawful purpose.

Comparative Statement of Net Assets
For the Fiscal Years as of
June 30, 2012 and 2011

	2012	2011	Percentage Change
Assets			
Current assets	$3,672,901	$5,745,609	(36.1%)
Capital assets, net	8,499,813	8,797,076	(3.4%)
Other noncurrent assets	1,619,340	1,555,652	4.1%
Total assets	13,792,054	16,098,337	(14.3%)
Liabilities			
Current liabilities	1,811,682	2,844,073	(36.3%)
Noncurrent liabilities	8,526,342	7,321,123	16.5%
Total liabilities	10,338,024	10,165,196	1.7%
Net Assets			
Invested in capital assets	8,499,813	8,797,076	(3.4%)
Restricted:			
Nonexpendable	1,422,500	1,363,750	4.3%
Expendable	2,230,276	2,035,659	9.6%
Unrestricted	(8,698,559)	(6,263,344)	38.9%
Total net assets	$3,454,030	$5,933,141	(41.8%)

The above schedules are prepared using 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 decreased by $2,306,283, a decrease of approximately 14.3%. The total liabilities of the Law Center increased by $172,828 or 1.7%. 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 the 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 Law Center even though the Legislature does not receive, directly in return, goods and services for those revenues.

Comparative Statement of Revenues,
Expenses, and Changes in Net Assets
For the Fiscal Years Ended
June 30, 2012 and 2011

	2012	2011	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$7,562,951	$6,874,310	10.0%
Federal grants and contracts	3,274,031	3,999,131	(18.1%)
Other operating revenues	199,508	40,170	396.7%
Total operating revenues	11,036,490	10,913,611	1.1%
Nonoperating revenues:			
State appropriations	4,599,993	5,460,920	(15.8%)
ARRA revenues		1,655,624	(100.0%)
Gifts	2,200	21,300	(89.7%)
Investment income (loss)	3,670	24,678	(85.1%)
Other nonoperating revenues	88,449		100.0%
Total nonoperating revenues	4,694,312	7,162,522	(34.5%)
Total revenues	15,730,802	18,076,133	(13.0%)

	2012	2011	Percentage Change
Operating expenses:			
Educational and general:			
Instruction	$6,009,432	$5,268,835	14.1%
Public service	211,488	262,580	(19.5%)
Academic support	3,136,335	3,075,457	2.0%
Student services	1,266,954	1,310,848	(3.3%)
Institutional support	3,255,186	3,502,508	(7.1%)
Operation and maintenance of plant	271,267	197,892	37.1%
Depreciation	1,204,302	1,181,014	2.0%
Scholarships and fellowships	700,258	1,321,536	(47.0%)
Total operating expenses	16,055,222	16,120,670	(0.4%)
Other nonoperating expenses		38,698	
Total nonoperating expenses	NONE	38,698	(100.0%)
Total expenses	16,055,222	16,159,368	(0.6%)
Income (loss) before additions and transfers	(324,420)	1,916,765	(116.9%)
Additions to permanent endowment	58,750		
Transfers out	(2,213,441)	(1,797,004)	23.2%
Other revenues	(2,154,691)	(1,797,004)	19.9%
Change in net assets	(2,479,111)	119,761	(2,170.0%)
Net assets at beginning of year	5,933,141	5,813,380	2.1%
Net assets at end of year	$3,454,030	$5,933,141	(41.8%)

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a negative change for the year. Total net assets decreased by $2,479,111 or 41.8% in 2012. The overall decrease is attributable to authorization by the Board of Regents to expend funds during the Fiscal year 2011-2012 based on revenues earned in fiscal year 2010-2011 in the amount of $871,390 and the reporting of the annual charge for the Other Postemployment Benefits (OPEB) obligation of $1,111,002 required by implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, effective with the 2007-2008 fiscal year. The Law Center is in the fifth year of implementation of GASB Statement No. 45.

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 received Board approval to increase tuition and fees by 10% per semester and its out-of-state fee by $500 per semester.

- ARRA funds discontinued this fiscal year representing a decrease of $1,655,624 for 2012.

- State mandated mid-year budget reductions of $406,183 in 2012. In addition, state mandated costs reductions measures were required to implement to proactively address the budget cuts and reduce operating costs to the extent possible.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Law Center reported combined total capital assets, net of depreciation at the June 30, 2012, of $8,499,813 as compared to $8,797,076 for fiscal year ending June 30, 2011, reflecting a net decrease of $297,263 or 3.4%.

Major additions during the year included audio video presentation equipment of $141,315.

The total amount of noncurrent liabilities at June 30, 2012, is $8,560,870 as shown below. Of this amount, $34,528 is reported as current and is expected to be paid within one year.

- Compensated absences - $1,008,614

- OPEB payable - $7,552,256

- Total noncurrent liabilities - $8,560,870

ECONOMIC OUTLOOK - SHORT-TERM

The Law Center is an American Bar Association Accredited Law School. In January 2011, the Law Center was unanimously admitted to the Membership of the American Association of Law Schools. The Law Center is currently in application stage of the Southern Association of Colleges and Schools (SACS) accreditation process after decoupling from the Baton Rouge campus in 2010 for purposes of SACS accreditation.

The declaration of financial exigency by Southern University Baton Rouge does not include the Law Center.

Management of the Law Center projects that its financial position will remain stable, despite impending budget cuts. The current economic downturn is a global and national concern and is not unique to the Southern University System. Management of the Law Center 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 Law Center's ongoing ability to react to known and unknown internal and external issues in a prompt and positive manner.

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 Southern University System leadership in improving its enrollment management programs and activities.

The Southern University Board of Supervisors approved tuition increases for the Law Center of 10% per implementation of the LA GRAD Act.

The Law Center has been required to increase its nonresident fee to the average of its peer institutions over a six-year period beginning with fiscal year ending 2011.

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 and is expected to continue. However, the Law Center's Administration feels that past enrollment trends must be reconsidered, taking in consideration the decrease in the state and national applicant pool and the stress this increase in enrollment is placing on the overall facility. The Law Center's Evening Division has been a stable source of growth in enrollment and revenues during a period of uncertainty due to dwindling revenues and a stagnant economy.

Contacting the LAW CENTER's Management

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

System Contact:

- Kevin Appleton, System Vice President for Finance and Business Affairs and Comptroller, Southern University and A & M College System, 4th Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5550

Campus Contacts:

- Terry Hall, Associate Vice Chancellor for Financial Affairs at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2552

- Freddie Pitcher, Jr., Chancellor at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 263, Baton Rouge, Louisiana 70813, phone number 225-771-2552

- John Pierre, Vice Chancellor for Institutional Accountability and Evening Division at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 250, Baton Rouge, Louisiana 70813, phone number 225-771-2552

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2012

ASSETS	
Current assets:	
Receivables, net (note 4)	$539,080
Due from federal government	3,047,473
Due from state treasury	29,665
Deferred charges and prepaid expenses	56,683
Total current assets	3,672,901
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	1,328,278
Restricted investments (note 3)	291,062
Capital assets, net (note 5)	8,499,813
Total noncurrent assets	10,119,153
Total assets	13,792,054
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 6)	288,743
Due to other campuses	1,001,586
Deferred revenues (note 7)	393,865
Compensated absences (notes 8 and 12)	34,528
Other current liabilities	92,960
Total current liabilities	1,811,682
Noncurrent liabilities:	
Compensated absences (notes 8 and 12)	974,086
Other postemployment benefits payable (notes 11 and 12)	7,552,256
Total noncurrent liabilities	8,526,342
Total liabilities	10,338,024
NET ASSETS	
Invested in capital assets	8,499,813
Restricted:	
Nonexpendable (note 13)	1,422,500
Expendable (note 13)	2,230,276
Unrestricted	(8,698,559)
TOTAL NET ASSETS	$3,454,030

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
For the Fiscal Year Ended June 30, 2012

OPERATING REVENUES	
Student tuition and fees	$7,865,910
Less scholarship allowances	(302,959)
Net student tuition and fees	7,562,951
Federal grants and contracts	3,274,031
Other operating revenues	199,508
Total operating revenues	11,036,490
OPERATING EXPENSES	
Educational and general:	
Instruction	6,009,432
Public service	211,488
Academic support	3,136,335
Student services	1,266,954
Institutional support	3,255,186
Operation and maintenance of plant	271,267
Depreciation (note 5)	1,204,302
Scholarships and fellowships	700,258
Total operating expenses	16,055,222
OPERATING LOSS	(5,018,732)
NONOPERATING REVENUES	
State appropriations	4,599,993
Gifts	2,200
Investment income	3,670
Other nonoperating revenues	88,449
Net nonoperating revenues	4,694,312
LOSS BEFORE ADDITIONS AND TRANSFERS	(324,420)
Additions to permanent endowment	58,750
Transfers to System	(2,213,441)
DECREASE IN NET ASSETS	(2,479,111)
NET ASSETS - BEGINNING OF YEAR	5,933,141
NET ASSETS - END OF YEAR	$3,454,030

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$7,575,893
Grants and contracts	4,591,804
Payments to suppliers	(1,988,049)
Payments to employees	(8,925,240)
Payments for benefits	(2,563,345)
Payments for scholarships and fellowships	(650,309)
Other receipts	199,508
Net cash used by operating activities	(1,759,738)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	5,474,039
Gifts and grants for other than capital purposes	2,200
Private gifts for endowment purposes	58,750
Implicit loan reduction from other campuses	(683,917)
Direct lending receipts	16,984,510
Direct lending disbursements	(16,984,510)
Other payments	(3,032,031)
Net cash provided by noncapital financing activities	1,819,041
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(907,039)
Other sources	907,039
Net cash used by capital and related financing activities	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	4,385
Purchase of investments	(21,828)
Net cash used by investing activities	(17,443)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,286,418
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,328,278
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($5,018,732)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,204,302
Changes in assets and liabilities:	
Decrease in accounts receivable, net	1,210,071
Increase in prepaid expenses	(23,431)
Decrease in accounts payable	(283,596)
Decrease in deferred revenue	(58,122)
Increase in compensated absences	98,768
Increase in other postemployment benefits payable	1,111,002
Net cash used by operating activities	($1,759,738)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Net increase in the fair value of investments	$3,078

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

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

The Law Center offers a Jurist Doctorate degree (J.D.) through a full-time and a part-time day and evening program. In addition, the Law Center also offers a joint Jurist Doctorate and Master of Public Administration degree through the Law Center and the Southern University Nelson Mandela School of Public Policy and Urban Affairs. During the summer, fall, and spring semesters of the 2011-2012 fiscal year, the Law Center conferred 170 degrees and enrollment was approximately 1,722 students. The Law Center had 37 full-time faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

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 established 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. All cash and 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. There are no formally adopted policies to further limit interest rate risk, custodial credit risk, credit risk, concentration of credit risk, or foreign currency risk.

G. CAPITAL ASSETS

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

H. DEFERRED REVENUES

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

I. COMPENSATED ABSENCES

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

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

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

J. NONCURRENT LIABILITIES

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

K. NET 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. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2012, the Law Center has cash and cash equivalents (book balances) totaling $1,328,278 as follows:

Demand deposits	$1,328,278

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

Noncurrent assets - restricted	$1,328,278

Custodial credit risk is the risk that in the event of a bank failure, the Law Center's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The pledged securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2012, the Law Center has $1,328,278 in deposits (book balances) pooled with Southern University's General Operating Account, which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2012, the Law Center has investments totaling $291,062 as follows:

	Fair Value June 30, 2012	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$69,098	1.9	
U.S. government agencies	115,144	4.7	
U.S. government obligations	6,171	0.3	
Equities	75,938	Not Applicable	
Money market mutual fund	24,711	Not Applicable	
Subtotal - external investment pool	291,062		Not Rated
Total	$291,062		

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

Noncurrent assets - restricted	$291,062

The investments are reported at fair value as required by GASB Statement No. 31. Investments totaling $291,062 are held by the Southern University System Foundation in an external investment pool and managed in accordance with the terms outlined in management agreements executed between the System and the Southern University System Foundation. The System is a voluntary participant. The Foundation holds and manages funds received by the university as state matching funds for the Endowed Chair and Endowed Professorships programs.

4. RECEIVABLES

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

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$139,685		$139,685
Accrued interest receivable	24,350		24,350
Other	375,045		375,045
Total	$539,080	NONE	$539,080

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, 2012, is as follows:

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets being depreciated:					
Buildings	$11,770,114				$11,770,114
Less accumulated depreciation	(5,271,748)	($209,752)			(5,481,500)
Total buildings	6,498,366	(209,752)	NONE	NONE	6,288,614
Equipment (including library books)	35,130,617	907,039		($380,025)	35,657,631
Less accumulated depreciation	(33,229,055)	(928,359)		380,025	(33,777,389)
Total equipment	1,901,562	(21,320)	NONE	NONE	1,880,242
Software	463,339				463,339
Less accumulated depreciation	(66,191)	(66,191)			(132,382)
Total software	397,148	(66,191)	NONE	NONE	330,957
Total capital assets being depreciated	$8,797,076	($297,263)	NONE	NONE	$8,499,813
Capital assets summary:					
Capital assets not being depreciated	NONE				NONE
Capital assets being depreciated	$47,364,070	$907,039		($380,025)	$47,891,084
Total cost of capital assets	47,364,070	907,039	NONE	(380,025)	47,891,084
Less accumulated depreciation	(38,566,994)	(1,204,302)	NONE	380,025	(39,391,271)
Capital assets, net	$8,797,076	($297,263)	NONE	NONE	$8,499,813

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the Law Center's payables and accruals at June 30, 2012:

Vendor payables	$218,639
Accrued salaries and payroll deductions	70,104
Total	$288,743

7. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2012:

Prepaid tuition and fees	$393,865

8. COMPENSATED ABSENCES

At June 30, 2012, employees of the Law Center have accumulated and vested annual leave, sick leave, and compensatory leave of $457,856; $550,115; and $643, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. PENSION PLANS

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

Funding Policy. The contribution requirements of plan members and the Law Center are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2012, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries (8% for LASERS employees hired after July 1, 2006). For fiscal year 2012, the state is required to contribute 23.7% of covered salaries to TRSL and 25.6% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2012, 2011, and 2010 were $801,624; $617,501; and $456,712, respectively, and to LASERS for the years ended June 30, 2012, 2011, and 2010 were $524,788; $437,805; and $394,018, 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 23.7% of the covered payroll for fiscal year 2012. 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 $424,631 and $143,335, respectively, for the fiscal year ended June 30, 2012.

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - Employees of 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 Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy’s website at www.doa.la.gov/osrap.

Funding Policy - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Law Center are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, the Medical Home HMO Plan, and the Regional HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA) for active employees. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans (three HMO plans and two PPO plans) during calendar years 2011 and 2012. The three HMO plans are Humana HMO Plan, Peoples Health HMO-POS Plan, and Vantage HMO-POS Plan. The two PPO plans are Humana PPO Plan and United Healthcare PPO Plan.

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

Service	Retiree Share	State Share
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

Effective January 1, 2012, the Plan changed from a fiscal year plan to a calendar year plan. On this date, the rates increased 5% for the PPO, HMO, and CDHP plans; 7% for the MHHP plan; and 0% for the fully insured HMO. For Medicare Advantage Plans, the rates increased by 0.67% for Humana PPO; 7.59% for Humana HMO; 45.22% for Peoples HMO; 8.14% for Vantage HMO; and 7.69% for United PPO. Shown on the following page are the total monthly premium rates in effect from January 1, 2012, through June 30, 2012.

	PPO	HMO	CPHP with HSA	Regional HMO Health Plan
Active				
Single	$619	$585	$481	$553
With Spouse	1,315	1,243	1,021	1,158
With Children	755	714	586	672
Family	1,387	1,310	1,077	1,221
Retired, No Medicare and Re-employed Retiree				
Single	$1,152	$1,092	N/A	$1,016
With Spouse	2,034	1,928	N/A	1,783
With Children	1,283	1,216	N/A	1,130
Family	2,025	1,919	N/A	1,775
*Retired, with 1 Medicare				
Single	$375	$361	N/A	$341
With Spouse	1,384	1,320	N/A	1,218
With Children	648	621	N/A	579
Family	1,844	1,757	N/A	1,618
*Retired, with 2 Medicare				
With Spouse	$673	$648	N/A	$600
Family	834	802	N/A	740

	Calendar Year 2012		Calendar Year 2011	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana (HMO Plan)	$156	$312	$145	$290
People's Health (HMO Plan)	167	334	115	230
Vantage (HMO Plan)	279	558	258	516
Humana (PPO Plan)	150	300	149	298
United Health Care (PPO Plan)	214	428	199	397

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

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. The monthly premium is reduced to less than $1 per thousand for retired employees age 70 and over. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability - The Law Center's annual Other Postemployment Benefits (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) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2012 is $1,227,719.

Normal cost	$592,397
Interest	47,220
Amortization of the UAAL	588,102
ARC	$1,227,719

The following schedule presents the components of the Law Center's OPEB cost for fiscal year 2012, the amount actually contributed to the plan, and changes to the Law Center's net OPEB obligation to the OPEB plan:

ARC	$1,227,719
Interest on net OPEB obligation	312,055
ARC adjustment	(298,095)
Annual OPEB cost	1,241,679
Contributions made - current year retiree premiums	(130,677)
Increase in net OPEB obligation	1,111,002
Beginning net OPEB obligation, June 30, 2011	6,441,254
Ending net OPEB obligation, June 30, 2012	$7,552,256

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, 2012, 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, 2010	$1,524,461	8.1%	$5,214,656
June 30, 2011	$1,347,713	9.0%	$6,441,254
June 30, 2012	$1,241,679	10.5%	$7,552,256

Funded Status and Funding Progress - Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2012, 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 $15,620,059 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2011, was as follows:

AAL	$15,620,059
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$15,620,059
Funded ratio	0%
Covered payroll (active plan members)	$7,164,962
UAAL as a percentage of covered payroll	218.0%

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, 2011, 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 7.5% and 8.6% 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. 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, 2012:

	Balance, June 30, 2011	Additions	Reductions	Balance, June 30, 2012	Amounts Due Within One Year
Compensated absences payable	$909,846	$98,768		$1,008,614	$34,528
OPEB payable	6,441,254	1,539,774	($428,772)	7,552,256	
Total long-term liabilities	$7,351,100	$1,638,542	($428,772)	$8,560,870	$34,528

13. RESTRICTED NET ASSETS

The Law Center has the following restricted net assets at June 30, 2012:

Nonexpendable - endowments	$1,422,500
Expendable:	
Gifts, grants, and contracts	$269,298
Students fees	936,737
Student loans	25,365
Endowment income	159,416
University plant projects	802,650
Debt service requirements	36,810
Total expendable	$2,230,276

Of the total net assets reported in the Statement of Net Assets as of June 30, 2012, a total of $1,507,708 is restricted by enabling legislation.

14. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2012, net appreciation of $131,068 is available to be spent, of which $20,000 is restricted to specific purposes. 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.

15. DEFERRED COMPENSATION PLAN

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

16. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2012, total operating lease expenditures was $47,727. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012.

17. SUBSEQUENT EVENTS

The State of Louisiana has continued to experience decreases in state revenues that have resulted in decreased funding for the 2012 fiscal year. The Southern University Law Center is closely monitoring its costs to ensure that current operations are sustained and the missions and goals are not negatively impacted. Management does not anticipate that any 2012-2013 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 for 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, 2012

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, 2009	NONE	$19,149,932	$19,149,932	0%	$6,021,413	318.0%
July 1, 2010	NONE	$16,969,645	$16,969,645	0%	$6,244,429	271.8%
July 1, 2011	NONE	$15,620,059	$15,620,059	0%	$7,164,962	218.0%

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 18, 2013

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

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

We have audited the 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, 2012, and have issued our report thereon dated March 18, 2013. 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

Management of the Law Center is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described on the following pages, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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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. We consider the following deficiencies to be material weaknesses.

Errors in Annual Financial Report

The Law Center overstated federal revenues and related receivables by $1.5 million on its annual financial report (AFR) for fiscal year 2012. This error occurred primarily because Law Center management did not record all federal revenues and receivables in the Banner accounting system and instead relied on manual entries to adjust the Banner system amounts for reporting purposes.

Good internal control over financial reporting should include (1) adequate procedures to record and process financial data needed to prepare an accurate and complete AFR and (2) a thorough review of the AFR so that any preparation errors can be detected and corrected before submitting the AFR. In the future, the Law Center should record all of its transactions in Banner and perform a thorough review of its AFR to minimize the risk of errors. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

Undeposited and Unmailed Checks

In January 2013, Law Center management discovered undeposited checks payable to the Law Center, as well as unmailed checks payable to various vendors, totaling more than $500,000, in the office of one of its employees.

The responsible employee was in a key accounting position, and the Law Center did not have controls to recognize that deposits were not being made or that checks were not being mailed. Our preliminary work indicates that while many of these undeposited and unmailed checks were ultimately voided and reissued, it was often months after the checks were originally written. Good internal control requires the immediate deposit of checks payable to the Law Center and the timely mailing of vendor checks. We recommend that the Law Center strengthen its controls over its receipts and disbursements to prevent future occurrences.

The responsible employee has since resigned and an investigation has been initiated by Southern University's Internal Audit staff. Investigative staff with the Legislative Auditor's Office will also participate in the investigation. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

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 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 Law Center and 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

AT:AD:BDC:THC:dl

SULC 2012

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

SOUTHERN UNIVERSITY LAW CENTER
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OFFICE OF THE CHANCELLOR
(225) 771-2552
FAX (225) 771-2474

March 18, 2013

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

Response to Audit Finding: Errors in Annual Financial Report

Dear Mr. Purpera:

We concur with the finding on Errors in Annual Financial Report

Correction Action
The Law Center is taking steps through acquiring additional personnel, training, and cross training to assure that it is in position to minimize risk of errors occurring in its Annual Financial Report (AFR). It is always management's intent to prepare and perform a thorough review of the AFR before its submission. The Law center's personnel issues and the time frame for preparing the AFR did not allow for the recording of our federal revenues in the Banner System. We realize that that recording all transactions in banner is the preferable procedure to recording manual adjusting entries and are confident that past errors will be avoided with our emphasis on staff training.

Persons Responsible for Correction Action
Associate Vice Chancellor for Finance
Comptroller

Proposed Completion date
June 30, 2013

Sincerely,

Freddie Pitcher, Jr.
Chancellor

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March 18, 2013

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

Response to Audit Finding: Undeposited and Unmailed Checks

Dear Mr. Purpera:

We concur with the finding on Undeposited and Unmailed Checks.

Correction Action
The Law Center had reassigned responsibilities for the receipt and deposit of checks and cash prior to the discovery of the undeposited and unmailed checks. Although the Law Center's staff is very limited, additional procedures are being put in place to create compensating controls, more separation of duties and internal check, with the intent of eliminating situations where substantial responsibility rest with one individual.

Persons Responsible for Correction Action
Associate Vice Chancellor for Finance
Comptroller

Proposed Completion date
March 31, 2013

Sincerely,

Freddie Pitcher, Jr.
Chancellor