

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED JANUARY 17, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Nine copies of this public document were produced at an approximate cost of \$24.57. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 3608 or Report ID No. 06301607 for additional information.

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December 4, 2006

Independent Auditor's Report
on the Financial Statements

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Court of Appeal, Third Circuit, a court within Louisiana state government, as of and for the year ended June 30, 2006, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Court of Appeal, Third Circuit. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 1-B to the financial statements, the accompanying special purpose financial statements present only the funds of the Court of Appeal, Third Circuit. As such, they present the appropriated and non-appropriated activity of the court that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activity of the court that is part of the General Fund of the State of Louisiana. The non-appropriated fund is an individual fund of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated fund. These procedures differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements. The effects on the financial statements of the variances between legal basis accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the accompanying special purpose financial statements referred to previously were not intended to and do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Court of Appeal, Third Circuit as of June 30, 2006, or changes in financial position for the year then ended.

In our opinion, the accompanying special purpose financial statements referred to previously present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Court of Appeal, Third Circuit as of June 30, 2006, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

As discussed in note 9 to the financial statements, in August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting damages sustained, it is unknown what economic impact the recovery will have on state and local governmental operations in Louisiana. While the Court of Appeal, Third Circuit did suffer damage from Hurricane Rita, the court was able to re-open on October 26, 2005. However, the long-term effects of these events on the court cannot be determined at this time. These financial statements do not include any adjustments that relate to these uncertainties.

During the fiscal year ended June 30, 2006, the Office of Legislative Auditor (OLA) provided certain nonaudit services for the State of Louisiana directed toward assisting the state Department of Military Affairs and the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) relative to their administration of the Federal Emergency Management Agency's (FEMA) Public Assistance program. The OLA provided Military Affairs and GOHSEP with assistance in reviewing documents submitted by applicants and reviewing the application and payment process to provide recommendations to those agencies for meeting their responsibilities for compliance with FEMA and state regulations. To maintain independence for audit purposes while providing these nonaudit services, the OLA has met the criteria and requirements set forth in *Government Auditing Standards: Temporary Exemptions and Guidance in Response to Hurricanes Katrina and Rita*, issued by the Government Accountability Office in November 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2006, on our consideration of the Court of Appeal, Third Circuit'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.

COURT OF APPEAL, THIRD CIRCUIT _____

This report is intended solely for the information and use of the court and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

Balance Sheet (Legal Basis), June 30, 2006

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash and cash equivalents (note 2)	\$156,358	\$480,342	\$636,700
Accounts receivable		9,175	9,175
	<u>\$156,358</u>	<u>\$489,517</u>	<u>\$645,875</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$12,092		\$12,092
Payroll payable	11,019		11,019
Total Liabilities	<u>23,111</u>	NONE	<u>23,111</u>
Fund Equity - fund balance - reserved (note 7)	<u>133,247</u>	<u>\$489,517</u>	<u>622,764</u>
	<u>\$156,358</u>	<u>\$489,517</u>	<u>\$645,875</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$156,358</u>	<u>\$489,517</u>	<u>\$645,875</u>

The accompanying notes are an integral part of this statement.

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**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Statement of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2006**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
REVENUES			
Filing and copy fees		\$157,399	\$157,399
Use of money and property - interest earnings		12,580	12,580
Other	\$53		53
Total revenues	<u>53</u>	<u>169,979</u>	<u>170,032</u>
EXPENDITURES			
Appropriated expenditures:			
Personal services	4,874,820		4,874,820
Travel and conventions	175,096		175,096
Operating supplies and services	1,013,780		1,013,780
Capital outlay	281,464		281,464
Non-appropriated expenditures:			
Personal services		44,503	44,503
Association dues		2,828	2,828
Travel and conventions		8,892	8,892
Operating supplies and services		13,908	13,908
Judges' Supplemental Compensation Fund		15,852	15,852
Total expenditures	<u>6,345,160</u>	<u>85,983</u>	<u>6,431,143</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(6,345,107)</u>	<u>83,996</u>	<u>(6,261,111)</u>
OTHER FINANCING SOURCES			
Transfer from Supreme Court	6,357,476		6,357,476
Total other financing sources	<u>6,357,476</u>	<u>NONE</u>	<u>6,357,476</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	12,369	83,996	96,365
FUND BALANCES AT BEGINNING OF YEAR	<u>120,878</u>	<u>405,521</u>	<u>526,399</u>
FUND BALANCES AT END OF YEAR	<u>\$133,247</u>	<u>\$489,517</u>	<u>\$622,764</u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The Court of Appeal, Third Circuit is a part of the State of Louisiana reporting entity within the judicial branch of government. The court is provided for in Article V, Sections 8 through 13 of the Louisiana Constitution of 1974 and Sections 311 through 392 of Title 13 of the Louisiana Revised Statutes of 1950. The court's operations are funded through an annual lapsing appropriation made by the Louisiana Legislature and from self-generated revenues authorized by Louisiana Revised Statute (R.S.) 13:352. In addition to the fees mandated by R.S. 13:352 relative to appeals, applications for writs, motions filed on unlodged appeals, and answers to appeals, the court, in compliance with R.S. 13:10.3(E) and in conformity with the Judges' Supplemental Compensation Fund, charged an additional fee of \$19. The total amount collected in connection with the Judges' Supplemental Compensation Fund is remitted to the Judicial Administrator's Office of the Supreme Court of Louisiana.

The Court of Appeal, Third Circuit has appellate jurisdiction as authorized under Article V, Section 5 of the Louisiana Constitution, over the parishes of Acadia, Allen, Avoyelles, Beauregard, Cameron, Calcasieu, Catahoula, Concordia, Evangeline, Grant, Iberia, Jefferson Davis, Lafayette, LaSalle, Natchitoches, Rapides, Sabine, St. Martin, St. Landry, Vermilion, and Vernon. In addition, the court has supervisory jurisdiction, subject to the general supervisory jurisdiction of the Supreme Court of Louisiana, over all lower courts in all cases in which an appeal would extend to the court of appeal. The Court of Appeal, Third Circuit is domiciled in Lake Charles and has 12 judges and 75 other employees.

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. However, the accompanying financial statements have been prepared on a legal basis, which differs from accounting principles generally accepted in the United States of America as explained in the following notes.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The court is included within the State of Louisiana reporting entity because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the state has control and exercises authority over budget matters; (2) state appropriations provide the largest percentage of total revenues; and (3) the court primarily serves state residents. The accompanying financial statements present information only as to the transactions of the court within the judicial branch of state government.

Annually, the State of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits these basic financial statements.

C. FUND ACCOUNTING

The Court of Appeal, Third Circuit uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position and results of operations of its non-appropriated fund. This differs from the fund accounting of accounting principles generally accepted in the United States of America where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of accounting principles generally accepted in the United States of America.

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, capital assets, and long-term liabilities are reflected in the State of Louisiana's basic financial statements.

The funds presented in the special purpose financial statements are described as follows:

General Appropriation Fund

The General Appropriation Fund provides for the general administrative expenditures of the court.

Non-Appropriated Fund - Fee Account

The Fee Account is used to account for filing fees and other revenues received by the court, as provided by R.S. 13:352 and 13:10.3. Expenditures incurred in excess of the amount appropriated by the legislature (General Appropriation Fund) are funded from this account.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current year expenditures and the use of those resources by the court. This differs from accounting principles generally accepted in the United States of America in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Judicial Budgetary Control Board. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the court and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the court uses the following practices in recognizing revenues and expenditures:

Revenues

Self-generated revenues are recognized when earned. Interest income on time deposits is recorded when the time deposits have matured and the interest is available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Furthermore, any expenditure of a long-term nature for which funds have not been appropriated during the current year is not recognized in the accompanying financial statements.

Other Financing Sources (Uses)

The transfer from the Supreme Court represents the appropriation from the state General Fund and is recognized in the amount appropriated, to the extent withdrawn from the state treasury. Operating transfers are recognized when they become measurable and available.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits, money market accounts, and a certificate of deposit. Under state law, the court 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 court may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state-chartered credit unions.

F. LONG-TERM OBLIGATIONS

The court is not allowed by statute to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the court arising from lease commitments, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

G. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve fund balances, is employed by the court. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered.

H. BUDGET PRACTICES

The general appropriation made for the operations of the court is an annual lapsing appropriation. Amounts not expended or encumbered should be returned to the state General Fund on or before September 1, 2006. The general appropriation for fiscal year 2006 was expended or encumbered.

The accompanying financial statements do not present a budget comparison because the appropriated fund is budgeted in lump sum and the non-appropriated fund is not subject to budgetary control. The budget authorized by Act 56 of the 2005 Regular Session of the Legislature for the appropriated fund was \$6,537,250, which was subsequently reduced by \$179,774 by the Judiciary Budgetary Control Board, establishing a total budget of \$6,357,476.

I. JUDGES' SALARIES

The salaries of the judges are paid directly by the Supreme Court of Louisiana with warrants drawn on the state treasury and are not included in the expenditures of the accompanying financial statements.

J. LEAVE BENEFITS

The clerk of court, the director of central staff, and their respective staff earn annual and sick leave at various rates depending on their years of service. Employees participating in the Louisiana State Employees Retirement System can accumulate unused annual and sick leave without limitation. Upon termination, these employees are compensated for unused annual leave not to exceed 300 hours, but they are not compensated for unused sick leave. Unused annual leave in excess of 300 hours plus unused sick leave may be credited as service for purposes of computing retirement benefits for those employees who are members of the Louisiana State Employees Retirement System.

Other law clerks and secretaries employed by particular judges are employees of those judges. As such, they are subject to the guidelines set by the judge. There is no set policy for these employees. With respect to these employees of the judges, upon termination of employment with the court, all unused annual and sick leave is forfeited. Judges may elect to have their personal employees covered by the full provisions of the *Human Resource Manual*, which would then provide those employees with the same annual and sick leave as all other employees.

The cost of current leave privileges is recognized as a current-year expenditure in the General Appropriation Fund when leave is actually taken. The liability for unused annual leave payable at June 30, 2006, computed in accordance with the GASB Codification Section C60, is estimated at \$354,512. The leave payable is not recorded in the accompanying financial statements.

K. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents (book balances) are composed of the following:

Cash in demand accounts	\$156,358
Interest-bearing demand deposits	114,592
Money market accounts	330,957
Certificate of deposit	<u>34,793</u>
 Total	 <u><u>\$636,700</u></u>

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits 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 court has deposit balances (collected bank balances) of \$1,035,411 at June 30, 2006, for which the court has control. These deposits are secured from risk by \$434,793 of federal deposit insurance and \$600,618 of pledged securities.

3. PENSION PLANS

Substantially all employees of the court are members of the Louisiana Clerks Retirement and Relief Fund (LCRRF) or the Louisiana State Employees Retirement System (LASERS). LCRRF is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS is considered a single-employer plan. LCRRF and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by LASERS are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. 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 Louisiana Clerks Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, Louisiana 70816, or by calling (225) 293-1162, and the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

The contribution requirements of plan members and the court 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 8.25% (LCRRF) and 7.5% (LASERS) of covered salaries. The court's contribution to LCRRF was 15.75% of annual covered payroll for the fiscal year ended June 30, 2006; 14.5% of annual covered payroll for the fiscal year ended June 30, 2005; and 11.5% for the fiscal year ended June 30, 2004. The contribution rate to LASERS was 19.1% of annual covered payroll for fiscal year ended June 30, 2006; 17.8% of annual covered payroll for fiscal year ended June 30, 2005; and 15.8% of annual covered payroll for the fiscal year ended June 30, 2004. The court's employer contribution is funded by the State of Louisiana through the annual appropriation to the court. The court's employer contributions to LCRRF for the years ended June 30, 2006, 2005, and 2004, were \$114,561, \$99,014, and \$82,278, respectively, and to LASERS for the years ended June 30, 2006, 2005, and 2004, were \$491,025, \$408,669, and \$315,750, respectively, equal to the required contributions for each year.

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The court provides certain continuing health care, dental care, and life insurance benefits for its retired employees. Substantially all of the court's employees become eligible for these benefits if they reach normal retirement age while working for the court. These benefits for retirees and similar benefits for active employees are provided through insurance companies whose monthly premiums are paid jointly by the employee and the court. The court's costs of providing retiree health care, dental care, and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2006, the cost of retiree benefits totaled \$122,847.

5. JUDGMENTS, CLAIMS, AND SIMILAR CONTINGENCIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriation and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

6. LEASE AND RENTAL COMMITMENTS

For the fiscal year ending June 30, 2006, the court's rental expenditures amounted to \$170,674 for judicial office space and \$53,549 for equipment. The annual rental payments for operating leases for future fiscal years are as follows:

Fiscal year:	
2007	\$81,702
2008	58,551
2009	35,400
2010	22,800
2011	<u>6,900</u>
Total	<u><u>\$205,353</u></u>

The court has no capital lease agreements for the fiscal year ended June 30, 2006.

7. FUND BALANCE RESERVES

The Appropriated Fund - General Appropriation has a reserved fund balance totaling \$133,247. The total encumbrance is to fund the expansion of the court's parking lot. These funds may be retained and used to defray the expenditures of the court as allowed by Act 56 of 2005.

The Non-Appropriated Fund - Fee Account has reserves for continuing operations of \$489,517. These funds may be retained and used to defray the expenditures of the court as prescribed by R.S. 13:352.

8. DEFERRED COMPENSATION PLAN

Certain employees of the court participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

9. HURRICANES KATRINA AND RITA

In August and September 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Although the damage to the court was not extensive, the Court of Appeal, Third Circuit has an estimated \$355,000 in expenses for storm preparations and damage repairs from Hurricane Rita. Detailed expenses and estimates were sent to the Federal Emergency Management Agency for possible reimbursement. Because of the severity of those two separate events and the resulting damages sustained by the state, it is unknown what economic impact recovery efforts will have on the state and the court.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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December 4, 2006

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

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the special purpose (legal basis) financial statements of the Court of Appeal, Third Circuit as of and for the year ended June 30, 2006, and have issued our report thereon dated December 4, 2006. Our report was modified to indicate that the financial statements present fairly the financial position and changes in financial position of the court on a legal basis rather than in conformity with accounting principles generally accepted in the United States of America. 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 Court of Appeal, Third Circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

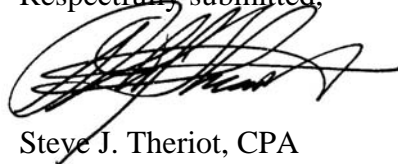
As part of obtaining reasonable assurance about whether the Court of Appeal, Third Circuit's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

COURT OF APPEAL, THIRD CIRCUIT

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 court and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steye J. Theriot, CPA
Legislative Auditor

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