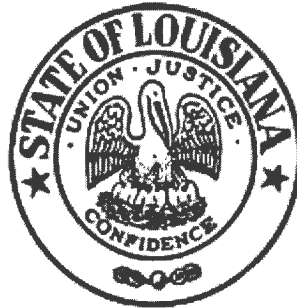


COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Lake Charles, Louisiana

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

December 24, 2003



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

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

December 24, 2003

**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		2
Special Purpose Financial Statements - All Appropriated and Non-Appropriated Funds:		
Balance Sheet (Legal Basis)	A	4
Statement of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis)	B	5
Notes to the Financial Statements		6
	Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based Solely on an Audit of the Special Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A	



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December 11, 2003

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, 2003. 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 discussed 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. Accordingly, the accompanying special purpose financial statements are not intended to and do not present the financial position and results of operation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Court of Appeal, Third Circuit at June 30, 2003, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

LEGISLATIVE AUDITOR

**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA**
Audit Report, June 30, 2003

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2003, on our consideration of the Court of Appeal, Third Circuit's internal control over financial reporting and our tests of its compliance with certain laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with the first name "Grover" and last name "Austin" clearly distinguishable.

Grover C. Austin, CPA
First Assistant Legislative Auditor

BG:EFS:PEP:ss

[3CCA03]

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

Balance Sheet (Legal Basis), June 30, 2003

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash and cash equivalents (note 2)	\$146,897	\$252,811	\$399,708
Due from other fund	6,893		6,893
Accounts receivable		15,925	15,925
	<u>153,790</u>	<u>268,736</u>	<u>422,526</u>
TOTAL ASSETS	<u>\$153,790</u>	<u>\$268,736</u>	<u>\$422,526</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$51,085		\$51,085
Due to other fund		\$6,893	6,893
Total Liabilities	<u>51,085</u>	<u>6,893</u>	<u>57,978</u>
Fund Equity - fund balances:			
Reserved for encumbrances	102,705		102,705
Reserved for continuing operations (note 7)		261,843	261,843
Total Fund Equity	<u>102,705</u>	<u>261,843</u>	<u>364,548</u>
	<u>153,790</u>	<u>268,736</u>	<u>422,526</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$153,790</u>	<u>\$268,736</u>	<u>\$422,526</u>

The accompanying notes are an integral part of this statement.

**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, 2003**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
REVENUES			
Filing and copy fees		\$158,703	\$158,703
Use of money and property - interest earnings		3,036	3,036
Other	\$2,413		2,413
Total revenues	<u>2,413</u>	<u>161,739</u>	<u>164,152</u>
EXPENDITURES			
Appropriated expenditures:			
Personal services	3,922,564		3,922,564
Travel and conventions	177,802		177,802
Operating supplies and services	940,452		940,452
Capital outlay	228,562		228,562
Non-appropriated expenditures:			
Personal services		38,581	38,581
Association dues		4,005	4,005
Travel and conventions		11,451	11,451
Operating supplies and services		13,104	13,104
Judges' Supplemental Compensation Fund		9,702	9,702
Other		143	143
Total expenditures	<u>5,269,380</u>	<u>76,986</u>	<u>5,346,366</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(5,266,967)</u>	<u>84,753</u>	<u>(5,182,214)</u>
OTHER FINANCING SOURCES			
Transfer from Supreme Court	5,369,672		5,369,672
Total other financing sources	<u>5,369,672</u>	<u>NONE</u>	<u>5,369,672</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	102,705	84,753	187,458
FUND BALANCES AT BEGINNING OF YEAR	NONE	177,090	177,090
FUND BALANCES AT END OF YEAR	<u>\$102,705</u>	<u>\$261,843</u>	<u>\$364,548</u>

The accompanying notes are an integral part of this statement.

**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

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, charges an additional fee of \$17. 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 Third Circuit is domiciled in Lake Charles and has 12 judges and 73 other employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for the establishment of governmental accounting principles and financial 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 considered 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

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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 funds. 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. Expenditures incurred in excess of the amount appropriated by the Louisiana 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.

**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

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 accounting principles generally accepted in the United States of America 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 recorded 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

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.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include interest-bearing demand deposits, money market accounts, and certificates 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

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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 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. In accordance with the appropriation act (Act 53 of 2002), amounts not expended or encumbered should be returned to the state General Fund on or before September 1, 2003. The general appropriation for fiscal year 2003 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 appropriation act also appropriates to the court any interest that it earns. The Judicial Budgetary Control Board approved the original budget of \$5,369,672. There were no amendments during the year.

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 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

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

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, 2003, computed in accordance with GASB Codification Section C60, is estimated to be \$278,466. 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

At June 30, 2003, the court has cash and cash equivalents (book balances) composed of the following:

Cash in demand deposits	\$172,142
Money market accounts	194,838
Certificates of deposit	<u>32,728</u>
Total	<u><u>\$399,708</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 \$741,742 at June 30, 2003, for which the court has control. These deposits are secured from risk by \$336,441 of federal deposit insurance (GASB Risk Category 1) and \$405,301 of pledged securities held in the name of the pledging fiscal agent bank in a holding bank (GASB Risk Category 3).

COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

3. PENSION PLANS

Substantially all employees of the court are members of the Louisiana Clerks Retirement and Relief Fund (LCRRF) and the Louisiana State Employees Retirement System (LASERS). The LCRRF and LASERS are statewide cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Both plans 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 retirement 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/or 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. For fiscal year 2003, the court is required to contribute 10% of covered salaries to LCRRF and 14.1% of covered salaries to LASERS. 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, 2003, 2002, and 2001, were \$67,610, \$64,682, and \$62,084, respectively, and to LASERS for the years ended June 30, 2003, 2002, and 2001, were \$260,800, \$252,696, and \$240,939, respectively, equal to the required contributions for each year for each retirement system.

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The court provides certain continuing health 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 the State of Louisiana's Office of Group Benefits whose monthly premiums are paid jointly by the employee and the court. The court's cost of providing retiree health care and life insurance benefits (court's portion of premiums) are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2003, the cost of retiree benefits totaled \$57,763.

**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA**

Notes to the Financial Statements (Concluded)

**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 state 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 COMMITMENTS

The Court of Appeal, Third Circuit has four operating leases for office space. Of these four, one is noncancelable and three can be terminated if the judge for whom the space was leased ceases to be judge for whatever reason. Total lease expenditures for fiscal year 2002-2003 amounted to \$57,000. The annual operating lease payments for the next three years are presented as follows:

Fiscal year:	
2003-2004	\$48,870
2004-2005	38,088
2005-2006	<u>13,044</u>
Total	<u>\$100,002</u>

7. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, the Non-Appropriated Fund - Fee Account has a reserve for continuing operations totaling \$261,843. 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 Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting 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 reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



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December 11, 2003

Report on Compliance and on Internal Control Over Financial Reporting
Based Solely on an Audit of the Special Purpose 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, 2003, and have issued our report thereon dated December 11, 2003. 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.

Compliance

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 and regulations, 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 that are required to be reported under *Government Auditing Standards*.

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 to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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 court's internal control over financial reporting and its operation that we consider to be material weaknesses.

LEGISLATIVE AUDITOR

**COURT OF APPEAL, THIRD CIRCUIT
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 11, 2003

Page 2

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,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

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[3CCA03]