

COURT OF APPEAL, SECOND CIRCUIT  
STATE OF LOUISIANA



---

FINANCIAL STATEMENT AUDIT  
ISSUED JANUARY 9, 2008

---

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

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

SENATOR EDWIN R. MURRAY, CHAIRMAN  
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM  
SENATOR WILLIE L. MOUNT  
SENATOR BEN W. NEVERS, SR.  
REPRESENTATIVE RICK FARRAR  
REPRESENTATIVE HENRY W. "TANK" POWELL  
REPRESENTATIVE T. TAYLOR TOWNSEND  
REPRESENTATIVE WARREN J. TRICHE, JR.

**LEGISLATIVE AUDITOR**

STEVE J. THERIOT, CPA

**DIRECTOR OF FINANCIAL AUDIT**

THOMAS H. COLE, CPA

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.

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. Six copies of this public document were produced at an approximate cost of \$15.96. 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.la.state.la.us](http://www.la.state.la.us). When contacting the office, you may refer to Agency ID No. 3565 or Report ID No. 07402446 for additional information.

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

---

TABLE OF CONTENTS

	Page
Independent Auditor’s Report on the Financial Statements .....	3
	<b>Statement</b>
Special Purpose Financial Statements - All Appropriated and Non-Appropriated Funds:	
Balance Sheet (Legal Basis).....	A.....5
Statement of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis).....	B.....7
Notes to the Financial Statements .....	9
	<b>Exhibit</b>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	A





STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

December 3, 2007

Independent Auditor's Report  
on the Financial Statements

**COURT OF APPEAL, SECOND CIRCUIT**

**STATE OF LOUISIANA**

Shreveport, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Court of Appeal, Second Circuit, a court within Louisiana state government, as of and for the year ended June 30, 2007, as listed in the foregoing table of contents. These financial statements are the responsibility of the Court of Appeal, Second Circuit'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 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, the accompanying special purpose financial statements present only the funds of the Court of Appeal, Second 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. The financial statements do not purport to, and do not, present fairly the financial position of the State of Louisiana as of June 30, 2007, or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States. 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 practices 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.

## COURT OF APPEAL, SECOND CIRCUIT

---

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the accompanying special purpose financial statements referred to previously 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, Second Circuit, as of June 30, 2007, or changes in financial position thereof for the year then ended. Furthermore, the court has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be, part of the financial statements.

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, Second Circuit as of June 30, 2007, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

During 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 losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the Court of Appeal, Second Circuit did not directly suffer any major effects of these two hurricanes, the long-term effects of these events on the Court of Appeal, Second Circuit cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of the Court of Appeal, Second Circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations 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 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.

This report is intended solely for the information and use of the court and its management 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,



Steve J. Theriot, CPA  
Legislative Auditor

KWB:WJR:PEP:dl

2CCA07

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

**Balance Sheet (Legal Basis), June 30, 2007**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>			
Cash and cash equivalents (note 2)	\$390,892	\$1,255,696	\$1,646,588
Accounts receivable	1,578	6,773	8,351
	<u>392,470</u>	<u>1,262,469</u>	<u>1,654,939</u>
TOTAL ASSETS	<u>\$392,470</u>	<u>\$1,262,469</u>	<u>\$1,654,939</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$111,213	\$1,429	\$112,642
Accrued liabilities	7,614		7,614
Total Liabilities	<u>118,827</u>	<u>1,429</u>	<u>120,256</u>
Fund Equity - fund balances - reserved for continuing operations (note 6)			
	273,643	1,261,040	1,534,683
Total Fund Equity	<u>273,643</u>	<u>1,261,040</u>	<u>1,534,683</u>
	<u>392,470</u>	<u>1,262,469</u>	<u>1,654,939</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$392,470</u>	<u>\$1,262,469</u>	<u>\$1,654,939</u>

The accompanying notes are an integral part of this statement.

---

This page is intentionally blank.

**COURT OF APPEAL, SECOND 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, 2007**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>			
Filing fees		\$85,977	\$85,977
Use of money and property - interest earnings	\$5,009	27,236	32,245
Miscellaneous		17,723	17,723
Total revenues	<u>5,009</u>	<u>130,936</u>	<u>135,945</u>
<b>EXPENDITURES</b>			
Appropriated expenditures:			
Personal services	3,389,062		3,389,062
Travel	107,651		107,651
Operating supplies and services	1,080,859		1,080,859
Capital outlay	59,860		59,860
Other charges	186,892		186,892
Non-appropriated expenditures			
Personal services		45,328	45,328
Travel		1,448	1,448
Operating supplies and services		9,113	9,113
Association dues		1,421	1,421
Judges' Supplemental Compensation Fund		7,984	7,984
Total expenditures	<u>4,824,324</u>	<u>65,294</u>	<u>4,889,618</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(4,819,315)</u>	<u>65,642</u>	<u>(4,753,673)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from Supreme Court	4,653,434		4,653,434
Total other financing sources	<u>4,653,434</u>	<u>NONE</u>	<u>4,653,434</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<u>(165,881)</u>	<u>65,642</u>	<u>(100,239)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>439,524</u>	<u>1,195,398</u>	<u>1,634,922</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$273,643</u>	<u>\$1,261,040</u>	<u>\$1,534,683</u>

The accompanying notes are an integral part of this statement.

---

This page is intentionally blank.

## INTRODUCTION

The Court of Appeal, Second 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 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 unlogged appeals and answers to appeals, the court, in compliance with Act 63 of the 1985 Session of the Louisiana Legislature (R.S. 13:10.3) and in conformity with the Judges' Supplemental Compensation Fund, charges an additional fee of \$19.50. 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, Second Circuit has appellate jurisdiction as authorized under Article V, Section 5 of the Louisiana Constitution, which encompasses the parishes of Bienville, Bossier, Caddo, Caldwell, Claiborne, DeSoto, East Carroll, Franklin, Jackson, Lincoln, Madison, Morehouse, Ouachita, Red River, Richland, Tensas, Union, West Carroll, Winn, and Webster. The Court of Appeal, Second Circuit 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 Second Circuit is domiciled in Shreveport, Louisiana, and has nine judges and 52 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 the principles and standards mentioned previously 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 present information only as to the transactions of the court.

Annually, the State of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements. Those financial statements are audited by the Louisiana Legislative Auditor.

**C. FUND ACCOUNTING**

The Court of Appeal, Second 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 generally accepted accounting principles 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.

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed 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 generally accepted accounting principles 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 time deposits mature and 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. The transfer 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 cash on hand, demand deposits, and certificates of deposit. Under state law, the Court of Appeal, Second Circuit 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 by statute not allowed 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. 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, 2007. The general appropriation for fiscal year 2007 was expended or encumbered.

The accompanying financial statements do not present a budgetary 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 57 of the 2006 Regular Session of the Legislature for the appropriated fund was \$4,653,434. The appropriation act also appropriates to the court any interest that it earns. Budget revisions are granted by the Judicial Budgetary Control Board as provided by the act.

**H. 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.

**I. LEAVE BENEFITS**

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. 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.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current-year expenditure in the General Appropriation Fund when leave is actually taken. The liability for unused annual leave payable at June 30, 2007, computed in accordance with the GASB Codification Section C60, is

estimated to be \$253,429. The leave payable is not recorded in the accompanying financial statements.

**J. TOTAL COLUMNS ON STATEMENTS**

The total columns on the statements are captioned Memorandum Only (overview) 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:

Petty cash	\$100
Cash in demand accounts	646,488
Certificates of deposit	<u>1,000,000</u>
Total	<u><u>\$1,646,588</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. At June 30, 2007, the court has \$1,960,745 in deposits (collected bank balances), which is secured from risk by federal deposit insurance plus pledged securities held in the name of the court in a federal reserve bank.

**3. PENSION PLANS**

Substantially all employees of the court are members of the Louisiana Clerks Retirement and Relief Fund (LCRRF), the Louisiana State Employees Retirement System (LASERS), or the Social Security System (SSS). The LCRRF is a statewide cost-sharing, multiple-employer plan and LASERS is a statewide cost-sharing single-employer plan. Both plans are administered by separate boards of trustees and 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, permanent 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% to 8.0% (LASERS) of covered salaries. The court's contribution to LCRRF was 16.75% of annual covered payroll for the fiscal year ended June 30, 2007; 15.75% of annual covered payroll for the fiscal year ended June 30, 2006; and 14.5% of annual covered payroll for the fiscal year ended June 30, 2005. The contribution rate to LASERS was 19.1% of annual covered payroll for fiscal year ended June 30, 2007; 19.1% of annual covered payroll for fiscal year ended June 30, 2006; and 17.8% of annual covered payroll for the fiscal year ended June 30, 2005. 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, 2007, 2006, and 2005 were \$64,013; \$56,129; and \$50,580, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005 were \$399,498; \$374,386; and \$340,688, 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, life insurance, and dental 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 an insurance company whose monthly premiums are paid jointly by the employee and the court. Dental premiums are paid by the court. The court's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2007, the cost of benefits for 16 retirees totaled \$69,932.

#### **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. FUND BALANCE RESERVES**

The Appropriated Fund - General Appropriation has a reserved fund balance totaling \$273,643. The encumbrance is to cover the cost of a mold remediation project. These funds may be retained and used to defray the expenditures of the court as allowed by Act 57 of 2006.

The Non-Appropriated Fund - Fee Account has a reserve for continuing operations totaling \$1,261,040. These funds may be retained and used to defray the expenditures of the court as prescribed by R.S. 13:352.

**7. LEASE OBLIGATIONS**

Lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. Total lease expenditures for fiscal year 2006-2007 amounted to \$328,434. Of this amount, \$260,031 was mold remediation project expense.

The annual rental payments for noncancelable operating leases during the next three fiscal years are presented as follows:

<u>Nature of Operating Lease</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Photocopying equipment	\$27,909	\$7,548	\$3,882
Office space	<u>61,707</u>	<u>7,812</u>	<u>7,812</u>
Total	<u>\$89,616</u>	<u>\$15,360</u>	<u>\$11,694</u>

The court has no capital lease agreements for the fiscal year ended June 30, 2007.

**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.

This page is intentionally blank.

**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

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.

---





STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

December 3, 2007

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

**COURT OF APPEAL, SECOND CIRCUIT**  
**STATE OF LOUISIANA**  
Shreveport, Louisiana

We have audited the special purpose (legal basis) financial statements of the Court of Appeal, Second Circuit as of and for the year ended June 30, 2007, and have issued our report thereon dated December 3, 2007. 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, and an emphasis of a matter related to hurricanes Katrina and Rita. 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, Second Circuit'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 Court of Appeal, Second Circuit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court of Appeal, Second Circuit's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Court of Appeal, Second Circuit'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 court and its management 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,



Steve J. Theriot, CPA  
Legislative Auditor

KWB:WJR:PEP:dl

2CCA07