

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

**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.

The accompanying financial statements represent activity of the court within the judicial branch of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements. Annually, the State of Louisiana issues general purpose financial statements. The general purpose 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 generally accepted accounting principles.

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 general purpose 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 LA-R.S. 13:382. Expenditures incurred in excess

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

Notes to the Financial Statements (Continued)

**2. 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 and LASERS are statewide cost-sharing, multiple-employer 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, post-annuit 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 Erickson Avenue, Suite 01, Baton Rouge, Louisiana 70816, or by calling (225)330-9900 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 932-0800.

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 Louisiana Revised Statute (LSA-R.S.) 11:100. Employees contribute 8.25 percent (LCRRF), 7.5 percent (LASERS), and 7.00 percent for the SSS of covered salaries. The state is required to contribute 11.5 percent of covered salaries to LCRRF, 13 percent of covered salaries to LASERS, and 7.00 percent of covered salaries to the SSS. The court's employer contribution is funded by the State of Louisiana through the annual appropriation to the court. The court's employer contribution to LCRRF for the years ended June 30, 1996, 1995, 1994, were \$24,324, \$26,510, and \$13,312, respectively, to LASERS for the years ended June 30, 1996, 1995, 1994, were \$89,293, \$85,923, and \$88,500, respectively, and to SSS for the years ended June 30, 1996, 1995, 1994, were \$57,027, \$65,100, and \$48,880, respectively, equal to the required contributions for each year for each retirement system.

**3. 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 an insurance company whose monthly premiums are paid jointly by the employee and the court. The court recognized the cost of providing these benefits (court's portion of premiums) as an expenditure when paid during the year. The court's cost 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, 1996, the cost of retiree benefits totaled \$15,300.

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

Notes to the Financial Statements  
As of and for the Year Ended June 30, 1999

**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 360 of Title 13 of the Louisiana Revised Statutes of 1950. The court's operations are funded through an annual lapping appropriation made by the Louisiana Legislature and from self-generated revenues authorized by Louisiana Revised Statute (LSA-R.S.) 13:352. In addition to the fees mandated by LSA-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 83 of the 1985 Session of the Louisiana Legislature and in conformity with the Judges' Supplemental Compensation Fund, charges an additional fee of \$14.00. 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, Calcasieu, Calumet, Claiborne, DeCade, East Carroll, Franklin, Jackson, Lincoln, Madison, Morehouse, Ouachita, Red River, Richland, Terrest, 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 9 judges and 50 other employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local government. These principles are found in the *Classification 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 generally accepted accounting principles as explained in the following notes.



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

**Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1999**

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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

December 11, 1999

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

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**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

**Albert J. Robinson, Jr., CPA**

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

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance (Legal Basis)  
For the Year Ended June 30, 1998**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL BUDGETARY CONTROL
<b>REVENUES</b>			
Fines/fees		\$88,000	\$88,000
Use of money and property - interest earnings	\$1,000	15,800	16,800
Miscellaneous		17,500	17,500
Total revenues	<u>1,000</u>	<u>121,300</u>	<u>122,300</u>
<b>EXPENDITURES</b>			
<b>Appropriated expenditures</b>			
Personnel services	1,877,600		1,877,600
Travel	116,800		116,800
Operating supplies and services	309,200		309,200
Capital outlay	251,412		251,412
Other charges	48,500		48,500
<b>Non-appropriated expenditures</b>			
Travel		2,540	2,540
Operating supplies and services		8,874	8,874
Capital outlay		12,043	12,043
Association dues		2,588	2,588
Judges' Supplemental Compensation Fund		7,797	7,797
Total expenditures	<u>2,593,512</u>	<u>34,842</u>	<u>2,628,354</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(2,592,512)</u>	<u>90,458</u>	<u>(2,502,054)</u>
<b>OTHER FINANCING SOURCES (FUNDS)</b>			
Transfer from Superior Court	2,436,423		2,436,423
Operating transfers in	\$1		\$1
Operating transfers out		(81)	(81)
Total other financing sources (uses)	<u>2,436,424</u>	<u>(81)</u>	<u>2,436,343</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>			
	<u>844</u>	<u>90,377</u>	<u>91,221</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			
	<u>80,000</u>	<u>428,860</u>	<u>508,860</u>
<b>FUND BALANCE AT END OF YEAR</b>			
	<u>80,844</u>	<u>519,237</u>	<u>600,081</u>

The accompanying notes are an integral part of this statement.

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

**G. 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.

**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, 1996.

The court has no encumbrances outstanding at June 30, 1995. 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 appropriation act appropriates to the court any interest that it earns. Budget revisions are granted by the Judicial Budgetary Control Board as provided by Act 1225 of 1995. The Judicial Budgetary Control Board approved a net increase of \$181,768 from the original appropriation of \$2,487,125.

**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**

Employees of the court earn annual and sick leave at various rates, depending on their years of service, without limitation on the balance that can be accumulated. Accumulated annual and sick leave can be applied toward additional credited service for retirement purposes in accordance with the rules and regulations of the employee's retirement system. Employees are not compensated for unused annual or sick leave.

**K. 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.



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

**Notes to the Financial Statements (Continued)**

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 allocated 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.

**Expenditures**

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

COURT OF APPEAL, SECOND CIRCUIT  
STATE OF LOUISIANA

Special Purpose Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 1996

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**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by Government Auditing Standards, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.



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October 17, 1995

**Independent Auditor's Report on Internal Control Structure  
Based Solely on an Audit of the Special Purpose Financial Statements**

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

We have audited the special purpose financial statements of the Court of Appeal, Second Circuit as of and for the year ended June 30, 1995, and have issued our report thereon dated October 17, 1995.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Management of the Court of Appeal, Second Circuit is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of special purpose financial statements in accordance with legally prescribed procedures. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the special purpose financial statements of the Court of Appeal, Second Circuit for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk 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 structure. Accordingly, we do not express such an opinion.

LEGISLATIVE AUDITOR

COURT OF APPEAL, SECOND CIRCUIT  
STATE OF LOUISIANA  
Internal Control Report  
October 17, 1995  
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities 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 structure and its operation that we consider to be material weaknesses as defined previously.

Our comments on the internal control structure are intended for the information and use of the court and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

FACMAN:B

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DANIEL G. KYLE, PELE, CPA, CFE  
LEGISLATIVE AUDITOR

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October 17, 1996

**Independent Auditor's Report on Compliance With Laws and  
Regulations Material to the Special Purpose Financial Statements**

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

We have audited the special purpose financial statements of the Court of Appeal, Second Circuit as of and for the year ended June 30, 1996, and have issued our report thereon dated October 17, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws and regulations applicable to the Court of Appeal, Second Circuit is the responsibility of the court's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the court's compliance with certain provisions of laws and regulations. However, the objective of our audit of the special purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

Our comments on compliance with laws and regulations are intended for the information and use of the court and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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LEGISLATIVE AUDITOR

COURT OF APPEAL, SECOND CIRCUIT  
STATE OF LOUISIANA  
Audit Report, June 30, 1998

In our opinion, the 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 at June 30, 1998, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

In accordance with Government Auditing Standards, we have also issued a report dated October 17, 1998, on our consideration of the Court of Appeal, Second Circuit's internal control structure and a report dated October 17, 1998, on its compliance with laws and regulations.

In accordance with Louisiana Revised Statute 24:916, our report is intended for the information and use of the court and its management and should be used solely as intended by the foregoing statute. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



David G. Kyle, CPA, CFE  
Legislative Auditor

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COURT OF APPEAL, SECOND CIRCUIT  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

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 (book balances) are composed of the following:

Petty cash	\$100
Cash in demand accounts	413,241
Certificates of deposit	<u>350,000</u>
Total	<u>\$ 763,341</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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The court has deposit balances (collected bank balances) of \$800,300 at June 30, 1999, for which the court has control. These deposits are secured from risk by \$200,000 of federal deposit insurance (CASH Risk Category 1) and \$600,000 of pledged securities held in the name of the pledging fiscal agent bank in a holding bank (CASH Risk Category 3), leaving a balance of \$21,200 not secured at one bank at June 30, 1999.

**F. GENERAL FIXED ASSETS**

The court values its general fixed assets at historical cost at the time of acquisition. No depreciation has been provided on general fixed assets. The general fixed assets are not reflected within the accompanying special purpose financial statements. A summary of changes in general fixed assets follows:

	Balance July 1, 1998	Additions	Decreases	Balance June 30, 1999
Land	\$808,284			\$808,284
Buildings	3,275,240			3,275,240
Movable property	712,075	\$105,772		817,847
Library books	267,088	8,906		275,994
Total	<u>\$4,862,687</u>	<u>\$114,678</u>	<u>NCME</u>	<u>\$4,977,365</u>





CHARLES KYLL, PRESIDENT  
LEGISLATIVE ASSEMBLY

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October 17, 1999

**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, 1999, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Court of Appeal, Second Circuit. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These Standards require that we plan and perform our 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, 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. 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 generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

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

*Notes to the Financial Statements (Continued)*

**4. 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.

**5. RESERVED FOR CONTINUING OPERATIONS**

As shown on Statement A, the Non-Appropriated Fund - Fee Account has a reserve for continuing operations totaling \$521,389. These funds may be retained and used to defray the expenditures of the court as prescribed by LSA-R.S. 13:352.

**6. 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 this statewide plan are available in the financial statements of the State of Louisiana.