

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

**Statement of Revenue, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 1996**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
REVENUES			
Filing and copy fees		\$174,587	\$174,587
Use-of-money and property - interest earnings	\$1,000	25,288	26,288
Total revenues	<u>1,000</u>	<u>199,875</u>	<u>200,875</u>
EXPENDITURES			
Appropriated expenditures:			
Personal services	2,091,556		2,091,556
Travel and conventions	75,895	3,007	77,893
Operating supplies and services	871,787	2,140	873,927
Capital outlay	75,487		75,487
Association dues		3,288	3,288
Non-appropriated expenditures:			
Judges' Supplemental Compensation Fund		15,700	15,700
Total expenditures	<u>3,117,625</u>	<u>21,335</u>	<u>3,138,960</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,116,625)</u>	<u>178,540</u>	<u>(3,037,294)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in:			
Supreme Court	2,882,278	488,711	4,113,629
Non-Appropriated Fund	80,718		80,718
Operating transfers out - Appropriated Fund		(58,712)	(58,712)
Total other financing sources (uses)	<u>2,963,006</u>	<u>429,999</u>	<u>4,113,629</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>NO BAL</u>	<u>608,739</u>	<u>608,739</u>
FUND BALANCES AT BEGINNING OF YEAR			
	<u>NO BAL</u>	<u>588,482</u>	<u>588,482</u>
FUND BALANCES AT END OF YEAR			
	<u>NO BAL</u>	<u>\$1,080,917</u>	<u>\$1,080,917</u>

The accompanying notes are an integral part of this statement.

**COURT OF APPEAL, FOURTH 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 from 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 lapping appropriation. Amounts not expended or encumbered should be returned to the state General Fund on or before September 1 each year.

The court has no encumbrances outstanding at June 30, 1999. 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 also appropriates to the court any interest that it earns.

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

Law clerks and secretaries employed by a particular judge are employees of that judge. As such, they are subject to the guidelines set forth by that particular judge.

Central staff are allowed 15 to 24 vacation days and 12 to 24 sick days each year depending on length of service. Vacation days may accrue to the maximum number of days earned in the current year. Sick days may accrue to twice the maximum number of days earned for the current year. The central staff also has a major medical leave policy which allows a maximum six-week disability period after one year of employment with documentation of the medical condition.

Employees of the clerk of court's office receive 23 vacation days each year. They earn no sick days. Vacation days do not accrue. The clerk of court's office also has a major medical leave policy which allows six weeks of leave with pay for maternity and major surgery.

LEGISLATIVE AUDITOR

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Internal Control Report
November 22, 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 specific internal control structure elements does not reduce to a relatively low level the risk that errors and/or 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. In our consideration of the internal control structure, we noted no matters that we consider to be a material weakness.

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 S. Kyle, CPA, CFE
Legislative Auditor

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EXHIBIT A

**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.

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

Upon termination of employment, all unused annual and sick leave is forfeited. There is no liability for unused leave payable at June 30, 1996.

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.

2. PENSION PLANS

Substantially all employees of the court are members of two statewide, public employee retirement systems (cost-sharing, multiple-employer plans). The clerk of court, deputy clerk of court, and their secretaries are members of the Louisiana Clerks Retirement and Relief Fund (LCRRF). Substantially all other employees and the judges of the Court of Appeal, Fourth Circuit are members of the Louisiana State Employees Retirement System (LASERS). Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service.

Contributions to the systems are funded through employee contributions and employer contributions. The employer contributions to LCRRF and LASERS for the year ended June 30, 1996, were \$24,625 and \$218,674, respectively. The total current-year payroll of the court was \$2,309,798, and its current-year payroll covered by the retirement systems was \$2,125,865. Aggregate pension cost for the year paid to LCRRF and LASERS was \$50,484 and \$355,033, respectively.

The employee contribution rate is established by state statute. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution, as set forth in LSA-R.S. 11:132. Employees contribute 9.25 percent of covered salaries for the LCRRF and 7.5 percent for the LASERS, and the state is required to contribute 11.5 percent to the LCRRF and 12 percent to the LASERS of covered salaries to the systems. The court's employer contribution is funded by the State of Louisiana through the annual appropriation to the court. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

**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 mortality

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

Circuit, as authorized by the Judicial Budgetary Control Board (JBCB), and is recognized in the amount authorized in the year the JBCB authorizes the transfer.

E. CASH

Cash is composed of \$1,107,508 in interest-bearing demand accounts and \$100 in petty cash.

Cash is 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 \$1,200,542 at June 30, 1995, for which the court has control. These deposits are secured from risk by \$100,000 of federal deposit insurance (GAAP Risk Category 1) and \$1,100,542 of pledged securities held in the name of the pledging fiscal agent bank in a holding bank (GAAP Risk Category 3).

F. GENERAL FIXED ASSETS

At the present time, the court maintains records only on its movable properties and does not account for land, buildings, and improvements used by the court. In addition, the court has not conducted an inventory of library books during the year and cannot determine the value assigned to those books as of June 30, 1995. At June 30, 1995, the inventory of library books was valued at \$263,907.

At June 30, 1995, the court has stewardship responsibility for \$994,690 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1995
Movable property	<u>2914,595</u>	<u>\$131,854</u>	<u>\$31,659</u>	<u>\$3014,800</u>

In accordance with USA-R.S. 39:321-332, the court has complied with the movable property statutes of the State of Louisiana.

**COURT OF APPEAL, FOURTH 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 reassessment 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 including interest income on demand deposits are recorded when earned.

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 are not recognized in the accompanying financial statements.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) in the year the court is authorized to receive or make the transfers. In addition, transfers from the Supreme Court are included on the financial statements as other financing sources.

The transfer from the Supreme Court in the Appropriated Fund is the portion of the Court of Appeal, Fourth Circuit's state Central Fund appropriation, which is recognized in the amount appropriated, to the extent withdrawn from the State Treasury and transferred to the court.

The transfer from the Supreme Court in the Non-Appropriated Fund is the portion of the Supreme Court's surplus allocated to the Court of Appeal, Fourth



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November 22, 1996

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

**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
New Orleans, Louisiana**

We have audited the special purpose financial statements of the Court of Appeal, Fourth Circuit as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Court of Appeal, Fourth 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 executed in accordance with management's authorization and recorded properly to permit the preparation of special purpose financial statements in accordance with the legal basis of accounting. Because of inherent limitations in any internal control structure, errors and/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, Fourth Circuit for the year ended June 30, 1996, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

EXHIBIT A

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

Notes to the Financial Statements
As of and for the Year Ended June 30, 1988

INTRODUCTION

The Court of Appeal, Fourth 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 1874 and Sections 311 through 362 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 53 of the 1985 Session of the Louisiana Legislature and in conformity with the Judges' Supplemental Compensation Fund, charges an additional fee of \$14.50. 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, Fourth Circuit has appellate jurisdiction as authorized under Article V, Section 5 of the Louisiana Constitution, which encompasses the parishes of Orleans, St. Bernard, and Plaquemines. The Court of Appeal, Fourth 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 Fourth Circuit is located in New Orleans, Louisiana, and has 12 judges and 64 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 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 generally accepted accounting principles as explained in the following notes.

B. REPORTING ENTITY

The State of Louisiana has been determined to be the reporting entity under generally accepted accounting principles. 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

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Court of Appeal, Fourth Circuit
State of Louisiana
New Orleans, Louisiana

January 15, 1997



Financial and Compliance Audit Division

*Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor*

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

Balance Sheet (Legal Basis), June 30, 1996

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash (note 1-E)	\$8,338	\$1,101,208	\$1,109,546
Accounts receivable		8,428	8,428
Interfund receivable	25,248		25,248
TOTAL ASSETS	\$33,586	\$1,109,636	\$1,143,222
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$75,248	\$1,541	\$76,789
Payroll deductions payable	8,238		8,238
Interfund payable		25,248	25,248
Total Liabilities	83,486	26,789	110,275
Fund Equity - fund balance - reserve for continuing operations (note B)	NONE	1,082,817	1,082,817
TOTAL LIABILITIES AND FUND EQUITY	\$83,486	\$1,109,636	\$1,193,122

The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Audit Report, June 30, 1996

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, Fourth Circuit at June 30, 1996, 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 November 22, 1996, on our consideration of the Court of Appeal, Fourth Circuit's internal control structure and a report dated November 22, 1996, on its compliance with laws and regulations.

In accordance with Louisiana Revised Statute 24:515, 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,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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November 22, 1990

Independent Auditor's Report

**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
New Orleans, Louisiana**

We have audited the accompanying special purpose (legal basis) financial statements of the Court of Appeal, Fourth Circuit, a court within Louisiana state government, as of and for the year ended June 30, 1990, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Court of Appeal, Fourth 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. 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-C to the financial statements, the accompanying special purpose financial statements present only the funds of the Court of Appeal, Fourth 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, FOURTH CIRCUIT
STATE OF LOUISIANA

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1995

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**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA,
New Orleans, Louisiana**

**Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1966**

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 New Orleans offices of the Legislative Auditor.

January 15, 1967

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

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, Fourth 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 fund 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 LSA-R.S. 13:352. 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.

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

premiums are paid jointly by the employee and by the court. For the year ended June 30, 1985, the court recognized the cost of providing these benefits (court's portion of premiums) as an expenditure when paid during the year, which totaled \$24,485, of which \$475 represented the court's cost of providing retiree health care and life insurance benefits.

**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 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. LEASE AND RENTAL COMMITMENTS

Capital leases, which under generally accepted accounting principles would be an asset and liability of the court, are not reflected in the accompanying special purpose financial statements. For fiscal year 1985-86, the court had a capital lease by which it acquired computer and copier equipment. As of June 30, 1985, there was one future minimum lease payment of \$468 remaining under the capital lease, with \$464 representing the present value of the minimum lease payment and \$4 representing interest.

In addition to capital leases, the Court of Appeal, Fourth Circuit has a noncancelable operating lease for office space. The annual operating lease payment for fiscal year 1985-86 is \$419,212.

All lease agreements have non-appropriation escapatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Rental expenditures for fiscal year ended June 30, 1986, totaled \$422,981.

6. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, the Non-Appropriated Fund - Fee Account has a reserve for continuing operations totaling \$1,893,017. These funds may be retained and used to defray the expenditures of the court as prescribed by LSA-RS, 13:352.

7. 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.