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LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #2

REPORT ON AUDIT OF
COMPONENT UNIT FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUN 19 2000



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COMPONENT UNIT FINANCIAL STATEMENTS



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March 1, 2000

**A Professional Accounting Corporation*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Gravity Drainage
District #2
Watson, Louisiana

We have audited the accompanying component unit only financial statements of the Livingston Parish Gravity Drainage District #2, a component unit of the Livingston Parish Council, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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.

In our opinion, the component unit financial statements referred to in paragraph one present fairly, in all material respects, the financial position of the Livingston Parish Gravity Drainage District #2, as of December 31, 1999 and 1998, and the results of operations for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 1, 2000, on our consideration of Livingston Parish Gravity Drainage District #2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Livingston Parish Gravity Drainage
District #2

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Livingston Parish Gravity Drainage District #2. Such information has been subjected to the auditing procedures applied in the examination of the component unit financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Respectfully submitted,

Harris A. Bougeois, LLP

COMPONENT UNIT FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

Livingston Parish Gravity Drainage
District #2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1999

ASSETS

	<u>GOVERNMENTAL FUND TYPE GENERAL</u>	<u>ACCOUNT GROUP GENERAL FIXED ASSETS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Cash and Cash Equivalents	\$ 60,841	\$ -	\$ 60,841
Investments	120,891	-	120,891
Sales Tax Receivables, Net of Collection Fees	19,796	-	19,796
Fixed Assets	<u>-</u>	<u>355</u>	<u>355</u>
Total Assets	<u>\$ 201,528</u>	<u>\$ 355</u>	<u>\$201,883</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts Payable	\$ <u>4,070</u>	\$ <u>-</u>	\$ <u>4,070</u>
Total Liabilities	4,070	-	4,070
Fund Equity:			
Investments in General Fixed Assets	-	355	355
Fund Balance:			
Unreserved - Undesignated	<u>197,458</u>	<u>-</u>	<u>197,458</u>
Total Fund Equity	<u>197,458</u>	<u>355</u>	<u>197,813</u>
Total Liabilities and Fund Equity	<u>\$ 201,528</u>	<u>\$ 355</u>	<u>\$201,883</u>

The accompanying notes constitute an integral part of this statement.

Livingston Parish Gravity Drainage
District #2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1998

ASSETS

	<u>GOVERNMENTAL FUND TYPE GENERAL</u>	<u>ACCOUNT GROUP GENERAL FIXED ASSETS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Cash and Cash Equivalents	\$ 26,540	\$ -	\$ 26,540
Investments	50,000	-	50,000
Sales Tax Receivables, Net of Collection Fees	18,368	-	18,368
Fixed Assets	<u>-</u>	<u>355</u>	<u>355</u>
Total Assets	<u>\$ 94,908</u>	<u>\$ 355</u>	<u>\$ 95,263</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts Payable	\$ <u>7,088</u>	\$ <u>-</u>	\$ <u>7,088</u>
Total Liabilities	7,088	-	7,088
Fund Equity:			
Investments in General Fixed Assets	-	355	355
Fund Balance:			
Unreserved - Undesignated	<u>87,820</u>	<u>-</u>	<u>87,820</u>
Total Fund Equity	<u>87,820</u>	<u>355</u>	<u>88,175</u>
Total Liabilities and Fund Equity	<u>\$ 94,908</u>	<u>\$ 355</u>	<u>\$ 95,263</u>

The accompanying notes constitute an integral part of this statement.

Livingston Parish Gravity Drainage
District #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GENERAL FUND

For the Year Ended December 31, 1999

Revenues:	
Taxes	\$ 131,214
Interest	<u>5,507</u>
Total Revenues	136,721
Expenditures:	
Accounting	1,592
Engineering Fees	20,088
Insurance	2,500
Payroll Taxes	14
Sales Tax Collection Fees	2,634
Telephone	75
Wages & Per Diem	<u>180</u>
Total Expenditures	<u>27,083</u>
Excess of Revenues Over Expenditures	109,638
Fund Balance at Beginning of Year	<u>87,820</u>
Fund Balance at End of Year	<u>\$ 197,458</u>

The accompanying notes constitute an integral part of this statement.

Livingston Parish Gravity Drainage
District #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GENERAL FUND

For the Year Ended December 31, 1998

Revenues:	
Taxes	\$ 114,482
Interest	<u>2,038</u>
Total Revenues	116,520
Expenditures:	
Accounting	1,675
Capital Outlay	355
Engineering Fees	61,080
Sales Tax Collection Fees	<u>2,253</u>
Total Expenditures	<u>65,363</u>
Excess of Revenues Over Expenditures	51,157
Fund Balances at Beginning of Year	<u>36,663</u>
Fund Balances at End of Year	<u>\$ 87,820</u>

The accompanying notes constitute an integral part of this statement.

Livingston Parish Gravity Drainage
District #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 1999

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	\$129,000	\$ 131,214	\$ 2,214
Interest	<u>4,500</u>	<u>5,507</u>	<u>1,007</u>
Total Revenues	133,500	136,721	3,221
Expenditures:			
Accounting	1,600	1,592	8
Engineering Fees	22,000	20,088	1,912
Insurance	3,000	2,500	500
Legal	200	-	200
Payroll Taxes	200	14	186
Sales Tax Collection Fees	2,600	2,634	(34)
Supplies	200	-	200
Telephone	-	75	(75)
Wages & Per Diem	2,000	180	1,820
Reserve Surplus Projects	<u>101,700</u>	<u>-</u>	<u>101,700</u>
Total Expenditures	<u>133,500</u>	<u>27,083</u>	<u>106,417</u>
Excess of Revenues Over Expenditures	-	109,638	109,638
Fund Balance at Beginning of Year	<u>87,820</u>	<u>87,820</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 87,820</u>	<u>\$ 197,458</u>	<u>\$109,638</u>

The accompanying notes constitute an integral part of this statement.

Livingston Parish Gravity Drainage
District #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 1998

	GENERAL FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Taxes	\$113,000	\$ 114,482	\$ 1,482
Interest	<u>1,700</u>	<u>2,038</u>	<u>338</u>
Total Revenues	114,700	116,520	1,820
Expenditures:			
Accounting	1,500	1,675	(175)
Capital Outlay	-	355	(355)
Engineering Fees	54,200	61,080	(6,880)
Legal	200	-	200
Sales Tax Collection Fees	2,100	2,253	(153)
Supplies	200	-	200
Contingencies	<u>56,500</u>	<u>-</u>	<u>56,500</u>
Total Expenditures	<u>114,700</u>	<u>65,363</u>	<u>49,337</u>
Excess of Revenues Over Expenditures	-	51,157	51,157
Fund Balances at Beginning of Year	<u>36,663</u>	<u>36,663</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 36,663</u>	<u>\$ 87,820</u>	<u>\$ 51,157</u>

The accompanying notes constitute an integral part of this statement.

Livingston Parish Gravity Drainage
District #2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999 and 1998

(1) Summary of Significant Accounting Policies -

Livingston Parish Gravity Drainage District #2 "the District" is a body corporate created by the Livingston Parish Council, as provided by Louisiana Revised Statutes. The District is governed by a board of five commissioners.

On January 18, 1997, an election was held whereby the voters of Livingston Parish Gravity Drainage District #2 approved an 1/2% sales and use tax beginning July 1, 1997 for the purpose of "constructing, improving and maintaining drainage facilities within and for the district and purchasing necessary equipment".

The District's taxes are collected by the Livingston Parish School Board and are remitted to the District monthly. The District pays the School board a fee for this service.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 30, 1999, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 14, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the funds and account groups maintained by the Gravity Drainage District #2 and do not present information on the Council and the general government services provided by that governmental unit.

Livingston Parish Gravity Drainage
District #2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1999 and 1998

(1) Summary of Significant Accounting Policies - (Continued) -

B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The account group is only concerned with the measurement of financial position. It is not involved with the measurement of results of operations. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the District are grouped, in the financial statements in this report, into one generic fund type and one broad fund category as follows:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 1999 and 1998, this is the only fund of the Livingston Parish Gravity Drainage District #2.

In addition to the generic fund type, the District maintains an account group. The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

General Fixed Asset Account Group - The fixed assets used in the governmental fund type operations of the District are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost. Donated assets are recorded at their fair market value at date of donation. At December 31, 1999 and 1998, there were no donated assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Livingston Parish Gravity Drainage
District #2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1999 and 1998

(1) Summary of Significant Accounting Policies - (Continued) -

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

D. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Appropriations, except encumbrances, lapse at the end of each year.

E. Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The Governmental Fund's budget is maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

Livingston Parish Gravity Drainage
District #2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1999 and 1998

(1) Summary of Significant Accounting Policies - (Continued) -

The actual results of operations are presented in accordance with GAAP and the Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Encumbrances are presented as a reservation for encumbrances on the Balance Sheet of the governmental fund. At December 31, 1999 and 1998, the District had no outstanding encumbrances.

F. Total Columns on Combined Statements

Total Columns on the Combined Statements is captioned (Memorandum Only) to indicate that it is presented only to facilitate financial analysis. Data in the columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

(2) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and cash equivalents totaling \$60,841 with a carrying amount of \$60,841 at December 31, 1999, and cash and cash equivalents totaling \$26,540 with a carrying amount of \$26,540 at December 31, 1998. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and cash equivalents at December 31, 1999 and 1998, with the related federal deposit insurance and pledged securities, if any.

Livingston Parish Gravity Drainage
District #2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1999 and 1998

(2) Cash and Cash Equivalents - (Continued) -

	DECEMBER 31, 1999		
	CONFIRMED BANK BALANCES	FDIC INSURANCE	BALANCE UNINSURED
Cash in Banks	\$ 60,841	\$100,000	\$ -
Certificates of Deposit - (Maturities Greater Than 90 Days)	<u>120,891</u>	<u>200,000</u>	<u>-</u>
Total	<u>\$181,732</u>	<u>\$300,000</u>	<u>\$ -</u>
Cash in Banks	\$ 26,540	\$100,000	\$ -
Certificates of Deposit - (Maturities Greater Than 90 Days)	<u>50,000</u>	<u>100,000</u>	<u>-</u>
Total	<u>\$ 76,540</u>	<u>\$200,000</u>	<u>\$ -</u>

(3) Changes in General Fixed Assets -

A summary of changes in general fixed assets is as follows:

	LAND	BUILDINGS	EQUIPMENT	TOTAL
Balance - January 1, 1998	\$ -	\$ -	\$ -	\$ -
Additions	-	-	355	355
Deletions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance - December 31, 1998	-	-	355	355
Additions	-	-	-	-
Deletions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance - December 31, 1999	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355</u>	<u>\$ 355</u>

Livingston Parish Gravity Drainage
District #2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1999 and 1998

(4) Changes in Long-Term Debt -

The Livingston Parish Gravity Drainage District #2 has no long-term debt transactions for the years ended December 31, 1999 and 1998.

(5) Leases -

The District has no outstanding capital or operating leases at December 31, 1999 or 1998.

(6) Litigation -

At December 31, 1999 and 1998, there is no litigation pending against the District.

(7) Compensated Absences, Pension Plan, and Other Postemployment Benefits -

At December 31, 1999 and 1998, the District has no plan or provision for compensated absences, pension plan or other post employment benefits.

OTHER SUPPLEMENTARY INFORMATION

Livingston Parish Gravity Drainage
District #2

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Beverly Thames (Appointed 12/13/94)	\$ -	\$ -
Charles Kemp (Appointed 12/13/94)	180	-
Joseph Didier (Appointed 12/13/95)	-	-
Gene Baker (Appointed 3/31/98)	-	-
Billy Tadlock (Resigned 9/1/98)	-	-
Ray Smith (Appointed 12/1/98)	-	-
	<u>\$ 180</u>	<u>\$ -</u>

See auditor's report.

Livingston Parish Gravity Drainage
District #2

SCHEDULE OF INSURANCE IN FORCE

December 31, 1999

<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>AMOUNT</u>	<u>EXPIRATION DATE</u>
Virginia Surety Company	Directors and Officers and Company Indemnity Policy	\$1,000,000	04/07/00
Louisiana Workers' Compensation Corporation	Worker's Compensation Policy	\$1,000,000	04/07/00

See auditor's report.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS



Hannis T. Bourgeois, L.L.P.

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March 1, 2000

Board of Commissioners
Livingston Parish Gravity Drainage
District #2
Watson, Louisiana

We have audited the component unit financial statements of the Livingston Parish Gravity Drainage District #2, a component unit of the Livingston Parish Council, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 1, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of management and the Office of the Legislative Auditor, State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Livingston Parish Gravity Drainage District #2 is a matter of public record.

Respectfully submitted,

Harris J. Bourgeois, LLP