

STATE OF LOUISIANA LEGISLATIVE AUDITOR

White Lake Preservation, Inc.
State of Louisiana
Baton Rouge, Louisiana

September 17, 2003



Financial and Compliance Audit Division

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WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Baton Rouge, Louisiana

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003
With Supplemental Financial Information

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.

September 17, 2003

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003
With Supplemental Financial Information

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OFFICE OF
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August 26, 2003

Independent Auditor's Report
on the Financial Statements

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the White Lake Preservation, Inc., a discrete component unit of the State of Louisiana, as of and for the year ended June 30, 2003. These financial statements are the responsibility of management of the White Lake Preservation, Inc. 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the White Lake Preservation, Inc., as of June 30, 2003, and the changes in financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in note 9 on page 14, a member of the Board of Directors is also the Vice Chairman of the Board for the bank used by White Lake Preservation, Inc.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2003, on our consideration of the White Lake Preservation, Inc.'s internal control over financial reporting and our tests of its compliance with certain laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDITOR

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Audit Report, June 30, 2003

Management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of White Lake Preservation, Inc. The Annual Fiscal Report to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

FVP:BQD:THC:ss

[WHITELK03]

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis of White Lake Preservation, Inc.'s financial performance presents a narrative overview and analysis of White Lake Preservation, Inc.'s financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

White Lake Preservation, Inc.'s assets exceeded its liabilities at the close of fiscal year 2003 by \$481,308. This is White Lake Preservation, Inc.'s first year of operation; therefore, a comparison to the prior year financial information is not possible.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including notes to the financial statements).

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for White Lake Preservation, Inc., as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the balance sheet; the statement of revenues, expenses, and changes in fund net assets; and the statement of cash flows.

The statement of net assets (page 7) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of White Lake Preservation, Inc., is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets (page 8) presents information showing how White Lake Preservation, Inc.'s assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The cash flow statement (page 9) presents information showing how White Lake Preservation, Inc.'s cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of June 30, 2003

Current assets	\$256,210
Capital assets, net	<u>248,975</u>
Total assets	505,185
Current liabilities	<u>23,877</u>
Net assets:	
Invested in capital assets	248,975
Unrestricted	<u>232,333</u>
Total net assets	<u><u>\$481,308</u></u>

Unrestricted net assets are those assets that do not have any limitations from legislative requirements, donor agreements, or grant requirements on what these amounts may be used for. Net assets of White Lake increased by \$481,308 from July 1, 2002, to June 30, 2003, its first year of operation. One major cause of this increase was capital contributions of equipment totaling \$257,603.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2003

Operating revenues	\$910,084
Operating expenses	<u>686,379</u>
Operating income	<u>223,705</u>
Capital contributions	<u>257,603</u>
Net increase in net assets	<u><u>\$481,308</u></u>

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Management's Discussion and Analysis (Concluded)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, White Lake Preservation, Inc., had \$248,975 invested in capital assets, net of accumulated depreciation, which included the following:

Donated equipment	\$257,603
Purchased equipment	<u>12,883</u>
Total	<u>270,486</u>
Less accumulated depreciation	<u>21,511</u>
Invested in capital assets	<u><u>\$248,975</u></u>

Debt

White Lake Preservation, Inc., had no outstanding bonds or notes at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

White Lake Preservation, Inc.'s management officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Number of days during hunting season will decrease during the next fiscal year
- Agricultural leases will increase \$1 per acre for each base acre as per contracts
- Alligator egg income will increase due to increase in total allowed harvested eggs

CONTACTING WHITE LAKE PRESERVATION, INC.'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of White Lake Preservation, Inc.'s finances and to show White Lake Preservation, Inc.'s accountability for the money it receives. If you have questions about this report or need additional financial information, contact White Lake Preservation, Inc., at 710 W. Prien Lake Road, Suite 202A, Lake Charles, Louisiana.

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2003**

ASSETS

Current assets:

Cash (note 2)	\$219,157
Prepaid items (note 3)	37,053
Total current assets	<u>256,210</u>

Noncurrent assets - capital assets, net
of depreciation (note 4)

	<u>248,975</u>
Total assets	<u>505,185</u>

LIABILITIES

Current liabilities:

Accounts payable	13,991
Payroll taxes payable	6,861
Deferred revenue	3,025
Total current liabilities	<u>23,877</u>

NET ASSETS

Invested in capital assets	248,975
Unrestricted	<u>232,333</u>
Total net assets	<u><u>\$481,308</u></u>

The accompanying notes are an integral part of this statement.

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES

Charges for services:	
Fund-raising hunting fees	\$261,821
Agricultural leases	175,638
Hunting leases	102,917
Trapping income	35,148
Alligator eggs	28,072
Seismic income	28,000
Lottery hunt fees	27,520
Surface leases	508
Lottery fishing fees	460
Total charges for services	<u>660,084</u>
Other operating revenues - contributions (note 8)	<u>250,000</u>
Total operating revenues	<u>910,084</u>

OPERATING EXPENSES

Salaries	216,284
Insurance	125,375
Contract labor	106,288
Repairs and maintenance	65,283
Material and supplies	53,146
Legal and professional	25,496
Fuel and automobile repairs	21,550
Depreciation	21,511
Travel and entertainment	15,261
Payroll taxes	15,071
Communications	7,252
Utilities	6,097
Office supplies	3,741
Rent	3,286
Other operating expenses	738
Total operating expenses	<u>686,379</u>

OPERATING INCOME	223,705
Capital contributions (note 8)	<u>257,603</u>
Change in net assets	481,308
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>NONE</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$481,308</u></u>

The accompanying notes are an integral part of this statement.

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2003**

Cash flows from operating activities:

Cash received from customers and users	\$663,109
Cash received from contributors	250,000
Payments to employees and for related payroll taxes	(224,494)
Payments to suppliers	(456,575)
Net cash provided by operating activities	<u>232,040</u>

Cash flows from capital and related financing activities:

Payments for capital acquisitions	<u>(12,883)</u>
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Net increase in cash 219,157

Cash at beginning of year NONE

Cash at end of year \$219,157

**Reconciliation of operating income to net cash
provided by operating activities:**

Operating income	\$223,705
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	21,511
Changes in assets and liabilities:	
(Increase) in prepaid items	(37,053)
Increase in accounts payable	13,991
Increase in payroll taxes payable	6,861
Increase in deferred revenue	3,025
Net cash provided by operating activities	<u><u>\$232,040</u></u>

Noncash investing, capital, and financing activities:

Contribution of capital assets	\$257,603
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The accompanying notes are an integral part of this statement.

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA**

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

INTRODUCTION

The White Lake Preservation, Inc., (Corporation) is a component unit of the State of Louisiana. The Corporation was created as a nonprofit corporation on June 18, 2003, primarily to manage approximately 71,130 acres donated to the state by BP America Production, Inc. (BP). Management of the Corporation is vested in a Board of Directors elected by the membership of the Corporation (the Board). The Corporation is organized exclusively for charitable, educational, and scientific purposes, including for such purposes as (1) ensure the protection of the natural resources of the property managed by the Corporation; (2) preserve, protect, and promote the biological diversity on the property managed by the Corporation; (3) undertake land and water management projects that enhance or restore natural wetland and upland habitats on the property; and (4) promote environmental education and research, to do all such other things as are incidental to the purposes of the Corporation or necessary or desirable in order to accomplish them, and otherwise engage in any lawful activity for which nonprofit corporations may be formed under the Louisiana Nonprofit Corporation Law.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB.

In June 1999, GASB issued Statement Number 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*, and related standards. The financial statement presentation required by GASB 34 replaces the fund-group perspective previously required and provides a comprehensive, entity-wide perspective of the White Lake Preservation, Inc.'s assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The White Lake Preservation, Inc., is considered a discrete component unit of the State of Louisiana because the state has a cooperative endeavor agreement with the Corporation to operate, manage, and supervise all activities on the White Lake Property consistent with the "Conservation Purposes" in the act of donation by BP to the state. The accompanying financial statements present information only as

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

to the transactions of the White Lake Preservation, Inc. Annually, the State of Louisiana issues basic financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the White Lake Preservation, Inc., is treated as a special-purpose government engaged only in business-type activities. All activities of the White Lake Preservation, Inc., are accounted for within a single proprietary (enterprise) fund. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements of the White Lake Preservation, Inc., have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

GASB Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. White Lake Preservation, Inc., has elected to use the first option for reporting its activities. The Corporation applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB Opinions, and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

D. BUDGET PRACTICES

The White Lake Preservation, Inc., did not prepare an annual budget for the year ended June 30, 2003.

E. CASH

Cash consists of demand deposits.

F. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets, generally seven years for equipment and five years for vehicles.

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

**G. COMPENSATED ABSENCES AND
EMPLOYMENT RELATED BENEFITS**

Although White Lake Preservation, Inc., has three employees, these employees do not currently earn leave, pension, health, or life insurance benefits.

2. CASH

Cash (book balances) is composed of \$219,157 of demand deposits at June 30, 2003.

At June 30, 2003, the White Lake Preservation, Inc., has \$224,837 in deposits (collected bank balances) at two separate banks. These deposits are secured from risk by \$128,258 of federal deposit insurance (GASB Risk Category 1). At June 30, 2003, \$96,579 in deposits are unsecured (GASB Risk Category 3).

3. PREPAID ITEMS

Prepaid expenses at June 30, 2003, consist of payments for insurance of \$16,769 and a deposit of \$20,284 on the purchase of an airboat built to specification.

4. CHANGES IN CAPITAL ASSETS

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Equipment	NONE	\$270,486	NONE	\$270,486
Less accumulated depreciation	NONE	21,511	NONE	21,511
Capital assets net	NONE	\$248,975	NONE	\$248,975

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

5. LEASE OBLIGATIONS

The White Lake Preservation, Inc., leased office space on a month-to-month basis and has a postage machine leased on a month-to-month basis at June 30, 2003. Rental payments during the year ended June 30, 2003, totaled \$3,286.

6. LITIGATION AND CLAIMS

White Lake Preservation, Inc., is a defendant in litigation which seeks a declaratory judgment that a Cooperative Endeavor Agreement (CEA) between White Lake Preservation, Inc., and the State of Louisiana dated July 8, 2002, "must be authorized by the Louisiana Legislature or is otherwise unconstitutional." The litigation also seeks a declaratory judgment that the CEA "cannot convey jurisdiction over wildlife, aquatic life, the beds and bottoms of rivers, streams, bayous, lagoons, lakes and bays" within the confines of a tract of land known as the "White Lake Property" because the Louisiana Wildlife and Fisheries Commission has sole jurisdiction over such matters. Management plans to vigorously defend the Corporation from the allegations made against it in this lawsuit. After consulting with counsel representing the Corporation in connection with this lawsuit, it is the opinion of management and counsel that the disposition or ultimate determination of the lawsuit cannot be determined.

7. CONTINGENT LIABILITIES

In May 2003, the White Lake Preservation, Inc., submitted an application for tax exempt status to the Internal Revenue Service (IRS). The IRS has not responded to this request and, as of the date of this report, the Corporation's tax status is unknown. A potential tax liability for the period July 1, 2002, through June 30, 2003, has not been determined.

8. OPERATING AND CAPITAL CONTRIBUTIONS

The State of Louisiana and BP, the company that donated the White Lake property to the State of Louisiana, executed a Memorandum of Understanding (MOU) on July 8, 2002, that specified various terms the parties agreed to regarding the donation of the White Lake property to the state. One of the terms of this MOU states that BP will donate \$250,000 per year for five years to White Lake Preservation, Inc., to aid the corporation in having the necessary revenues to manage and provide oversight for the White Lake Property. BP has donated \$250,000 to White Lake Preservation, Inc., for the fiscal year ended June 30, 2003, which has been recorded in the financial statements as other operating revenues - contributions.

Another term of the MOU was that BP would donate movable property to White Lake Preservation, Inc. To meet this term, BP executed two separate donation agreements dated July 8, 2002, and September 16, 2002. These assets are recorded in the financial statements as capital contributions at the estimated fair value of the assets at the date of donation.

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

9. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is also the Vice Chairman of the Board of Directors of Plaquemine Bank and Trust Company, Plaquemine, Louisiana. White Lake Preservation, Inc., maintains a "nonprofit account" in Plaquemine Bank and Trust Company, with an average book balance of approximately \$294,000.

The White Lake Preservation, Inc., purchased supplies of approximately \$6,500 from Lougon's Shopping Center for the year ended June 30, 2003. The owner of Lougon's Shopping Center is a brother of an employee of White Lake Preservation, Inc.

**WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
SUPPLEMENTAL FINANCIAL INFORMATION
As of and for the Year Ended June 30, 2003**

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

The annual fiscal report presents the financial position of the White Lake Preservation, Inc., as of June 30, 2003, and the results of its changes in fund net assets and its cash flows for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

**STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.**

**COMPONENT UNIT FINANCIAL REPORT
(Compiled)**

JUNE 30, 2003

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

June 30, 2003

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STATE OF LOUISIANA

Annual Financial Statements
Fiscal Year Ending June 30, 2003

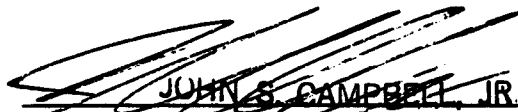
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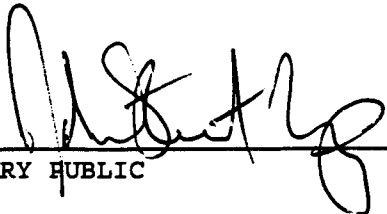
Division of Administration
Office of Statewide Reporting and
Accounting Policy
PO Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
PO Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, John S. Campbell, Jr., Treasurer of White Lake Preservation, Inc. who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of White Lake Preservation, Inc. at June 30, 2003, and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and prescribed before me, this 25th day of August, 2003.


JOHN S. CAMPBELL, JR.
Signature of Agency Official



NOTARY PUBLIC

Prepared by: JOHN S. CAMPBELL, JR.
Title: Treasurer
Telephone No.: (225) 389-3221
Date: August 25, 2003

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

June 30, 2003

BOARD OF DIRECTORS

Donald R. "Boysie" Bollinger
John S. Campbell, Jr.
Senator Fred Hoyt
Bert Jones
E. Anne "Annie" Smith
Bernard E. "Bernie" Boudreaux
Glenn A. DaGian
James H. Jenkins, Jr.
Josephe Oran Richard

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
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Barbara Hutson Gonzales, CPA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Tina Demarest Barrett, CPA, CVA
Mollie C. Broussard, CPA



Billy D. Fisher, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Joe G. Peshoff II, CPA, CVA

Charles P. Quirk, CPA, Retired
Otray J. Woods Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Judson J. McCann Jr., CPA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF ACCOUNTANTS

Board of Directors
White Lake Preservation, Inc.
Baton Rouge, Louisiana

We have compiled the accompanying general purpose financial statements of White Lake Preservation, Inc. (a nonprofit organization), a component unit of the State of Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying general purpose financial statements of White Lake Preservation, Inc. and, accordingly, do not express an opinion or any other form of assurance on them.

We previously issued a compilation report dated July 10, 2003 on the June 30, 2003 financial statements, the financial statements are restated as a result of the audit adjustments proposed by the independent auditor.

We are not independent with respect to White Lake Preservation, Inc.

McElroy, Quirk & Burch

Lake Charles, Louisiana

July 10, 2003

McELROY, QUIRK & BURCH

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William A. Mancuso, CPA, Retired
Judson J. McCann Jr., CPA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

MANAGEMENT'S DISCUSSION AND ANALYSIS

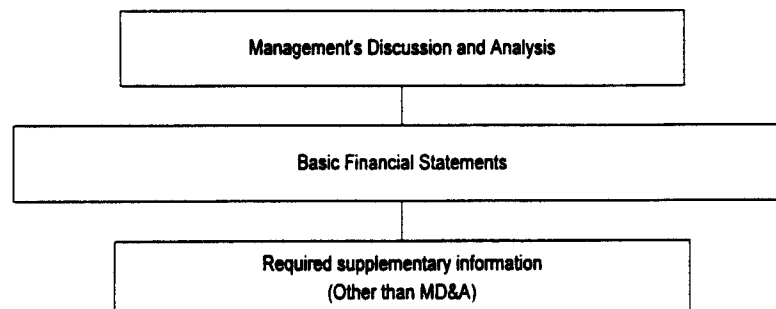
The Management's Discussion and Analysis of White Lake Preservation, Inc.'s financial performance presents a narrative overview and analysis of White Lake Preservation, Inc.'s financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the report of accountants presented on page 5 and White Lake Preservation, Inc.'s financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

White Lake Preservation, Inc.'s assets exceeded its liabilities at the close of fiscal year 2003 by \$481,308. This is White Lake Preservation, Inc.'s first year of operation, therefore, a comparison to the prior year financial information is not possible.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graph illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including notes to the financial statements), and required supplementary information.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for White Lake Preservation, Inc. as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the balance sheet; the statement of revenues, expenses, and changes in fund net assets; and the statement of cash flows.

The balance sheet (page 10) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of White Lake Preservation, Inc. is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets (page 10-12) presents information showing how White Lake Preservation, Inc.'s assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The cash flow statement (page 14) presents information showing how White Lake Preservation, Inc.'s cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets As of June 30, 2003

Current and other assets	\$ 256,210
Capital assets, net	<u>248,975</u>
Total assets	505,185
Other current liabilities	<u>23,877</u>
Net assets:	
Invested in capital assets	248,975
Unrestricted	<u>232,333</u>
Total Net assets	<u>\$ 481,308</u>

Unrestricted net assets are those assets that do not have any limitations from legislative requirements, donor agreements, or grant requirements on what these amounts may be used for. Net assets of White Lake increased by \$481,308 from July 1, 2002 to June 30, 2003, it's first year of operation. One major cause of this increase was capital contributions of equipment totaling \$257,603.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2003**

Operating revenues	\$ 910,084
Operating expenses	<u>686,379</u>
Operating income	223,705
Capital contributions	<u>257,603</u>
Net increase in net assets	<u>\$ 481,308</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, White Lake Preservation, Inc. had \$248,975 invested in capital assets, which included the following:

Donated equipment	\$ 257,603
Purchased equipment	<u>12,883</u>
	270,486
Less accumulated depreciation	<u>21,511</u>
	<u>\$ 248,975</u>

Debt

White Lake Preservation, Inc. had no outstanding bonds or notes at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

White Lake Preservation, Inc.'s elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Number of days during hunting season will decrease during the next fiscal year
- Agricultural leases will increase \$1 per acre for each base acre as per contracts
- Gator egg income will increase due to increase in total allowed harvested eggs

CONTACTING WHITE LAKE PRESERVATION, INC.'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of White Lake Preservation, Inc.'s finances and to show White Lake Preservation, Inc.'s accountability for the money it receives. If you have questions about this report or need additional financial information, contact White Lake Preservation, Inc. at 710 W. Prien Lake Road, Suite 202A, Lake Charles, Louisiana.

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

STATEMENT OF NET ASSETS
ENTERPRISE FUND
June 30, 2003

ASSETS

Current assets:	
Cash and cash equivalents	\$ 219,157
Prepaid deposits	20,284
Prepaid insurance	<u>16,769</u>
Total current assets	256,210
Noncurrent assets:	
Capital assets, net of depreciation	<u>248,975</u>
Total assets	<u>505,185</u>

LIABILITIES

Current liabilities:	
Accounts payable	13,991
Deferred revenue	3,025
Payroll taxes payable	<u>6,861</u>
Total liabilities	<u>23,877</u>

NET ASSETS

Invested in capital assets	248,975
Unrestricted	<u>232,333</u>
Total net assets	<u>\$ 481,308</u>

See Accountants' Compilation Report

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
Year Ended June 30, 2003

Operating revenues:

Charges for services:

Fund raising hunting fees	\$ 261,821
Hunting leases	102,917
Hunting lottery	27,520
Fishing lottery	460
Surface leases	508
Agricultural income	175,638
Trapping income	35,148
Gator income	28,072
Seismic	<u>28,000</u>
Total charges for services	660,084

Operating grants and contributions:

Other	<u>250,000</u>
-------	----------------

Total operating revenues	<u>910,084</u>
--------------------------	----------------

Operating expenses:

Communications	7,252
Contract labor	106,288
Depreciation	21,511
Fuel	21,550
Insurance	125,375
Legal and professional	25,496
Material and supplies	53,146
Miscellaneous	738
Office expense	3,741
Payroll taxes	15,071
Repairs and maintenance	65,283
Rent	3,286
Salaries	216,284
Travel and entertainment	15,261
Utilities	<u>6,097</u>

Total operating expenses	<u>686,379</u>
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(continued on next page)

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND

Year Ended June 30, 2003

(Continued)

Operating income	223,705
Capital contributions:	
BP America Production Company	<u>257,603</u>
Change in net assets	481,308
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u>\$ 481,308</u>

See Accountants' Compilation Report

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

STATEMENT OF ACTIVITIES
ENTERPRISE FUND
Year Ended June 30, 2003

		Program Revenues			
	Expenses	Operating Charges for Services	Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS					
Business-type activities:					
Natural resource preservation	\$ 686,379	\$ 660,084	\$ 250,000	\$ 257,603	\$ 481,308
					\$ 481,308
Changes in net assets					\$ 481,308
Net assets - beginning					-
Net assets - ending					\$ 481,308

See Accountants' Compilation Report

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers and users	\$ 663,109
Operating contributions	250,000
Payments to employees and for related payroll taxes	(224,494)
Payments to suppliers	<u>(456,575)</u>
Net cash provided by operating activities	232,040
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital acquisitions	<u>(12,883)</u>
Net increase in cash and cash equivalents	219,157
Cash and cash equivalents:	
Beginning of year	<u>-</u>
End of year	<u>\$ 219,157</u>

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 223,705
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	21,511
Changes in assets and liabilities:	
(Increase) in prepaid items	(37,053)
Increase in accounts payable	13,991
Increase in payroll taxes payable	6,861
Increase in deferred revenue	<u>3,025</u>
Net cash provided by operating activities	<u>\$ 232,040</u>

Schedule of noncash investing, capital, and financing activities:	
Contribution of capital assets	\$ 257,603

See Accountants' Compilation Report

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2003
See Accountants' Compilation Report

INTRODUCTION

White Lake Preservation, Inc. is organized exclusively for charitable, educational, and scientific purposes, including for such purposes as (1) Ensure the protection of the natural resources of the property managed by the Corporation, (2) Preserve, protect and promote the biological diversity on the property managed by the Corporation, (3) Undertake land and water management projects that enhance or restore natural wetland and upland habitats on the property, and (4) Promote environmental education and research; to do all such other things as are incidental to the purposes of the Corporation or necessary or desirable in order to accomplish them; and otherwise to engage in any lawful activity for which nonprofit corporations may be formed under the Louisiana Nonprofit Corporation Law.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification.) This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of White Lake Preservation, Inc. present information only as to the transactions of the programs of the White Lake Preservation, Inc. as authorized by Louisiana statues and administrative regulations.

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

NOTES TO FINANCIAL STATEMENTS
See Accountants' Compilation Report

The accounts of White Lake Preservation, Inc. are maintained in accordance with applicable statutory provisions and regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

Revenue recognition:

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense recognition:

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

White Lake Preservation, Inc. did not maintain a budget for the year ended June 30, 2003.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits with financial institutions:

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. Under state law White Lake Preservation, Inc. may deposit funds within a fiscal agent bank selected by the Interim Emergency Board. Further, White Lake Preservation, Inc. may invest in time certificates of deposits of state banks organized under the laws of Louisiana, national banks having their principle office 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 certified credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS
See Accountants' Compilation Report

Deposits in bank accounts 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 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 in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2003, were secured as follows:

	<u>Cash</u>
Deposits in bank accounts per balance sheet	<u>\$ 219,157</u>
Bank balances:	
Insured or collateralized with securities held by the entity or its agency in the entity's name	\$ 128,258
Collateralized with securities held by the pledging institution's trust department or agent in the entity's name	-
Uncollateralized, including any securities held for the entity but not in the entity's name	<u>96,579</u>
Total bank balances	<u>\$ 224,837</u>

The following is a break down by banking institution, program, account number, and amount of the balances shown above:

<u>Banking Institution</u>	<u>Account Number</u>	<u>Program</u>	<u>Amount</u>
Plaquemine Bank & Trust Company	125261		\$ 196,579
Bank of Gueydan	1010905		<u>28,258</u>
Total			<u>\$ 224,837</u>

NOTES TO FINANCIAL STATEMENTS
See Accountants' Compilation Report

D. CAPITAL ASSETS

The fixed assets used in the Special Purpose Government Engages only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

Capital asset activity for the year ending June 30, 2003, was as follows:

	<u>Balance</u> <u>7/1/02</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/03</u>
Equipment	\$ -	\$ 270,486	\$ -	\$ 270,486
Less accumulated depreciation	<u>-</u>	<u>21,511</u>	<u>-</u>	<u>21,511</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 248,975</u>	<u>\$ -</u>	<u>\$ 248,975</u>

E. OPERATING LEASES

The total payments for operating leases during the fiscal year ended June 30, 2003 amounted to \$3,286. A schedule of payments for operating leases follows:

<u>Nature</u> <u>of Lease</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009-</u> <u>2014</u>
Office rent (month to month)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Postage machine (month to month)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS
See Accountants' Compilation Report

F. LITIGATION

White Lake Preservation, Inc. is a defendant in litigation which seeks "a declaratory judgment that a Cooperative Endeavor Agreement ("CEA") between White Lake Preservation, Inc. and the State of Louisiana dated July 8, 2002, "must be authorized by the Louisiana Legislature or is otherwise unconstitutional." The litigation also seeks a declaratory judgment that the CEA "cannot convey jurisdiction over wildlife, aquatic life, the beds and bottoms of rivers, streams, bayous, lagoons, lakes and bays" within the confines of a tract of land known as the "White Lake Property" because the Louisiana Wildlife and Fisheries Commission has sole jurisdiction over such matters.

White Lake Preservation, Inc. intends to defend vigorously the allegations made against it in this case.

G. RELATED PARTY TRANSACTION

White Lake Preservation, Inc. purchased supplies in the amount of \$6,523.54 from Lougor's Shopping Center for the year ended June 30, 2003. The owner of Lougor's Shopping Center is a brother of an employee of White Lake Preservation, Inc.

A member of the Board of Directors is also the Vice Chairman of the Board of Directors of Plaquemine Bank and Trust Company, Plaquemine, Louisiana. White Lake Preservation, Inc. maintains a "nonprofit account" in Plaquemine Bank and Trust Company.

H. COMPENSATED ABSENCES AND PENSION BENEFITS

Although White Lake Preservation, Inc has three employees, these employees do not currently earn leave or pension, health, and life insurance benefits.

NOTES TO FINANCIAL STATEMENTS
See Accountants' Compilation Report

I. OPERATING AND CAPITAL CONTRIBUTIONS

The State of Louisiana and BP, the company that donated the White Lake property to the State of Louisiana executed a Memorandum of Understanding (MOU) on July 8, 2002, that specified various terms the parties agreed to regarding the donation of the White Lake property to the State. One of the terms of this MOU states that BP will donate \$250,000 per year for five years to White Lake Preservation, Inc. to aid the company in having the necessary revenues to manage and provide oversight for the White Lake property. BP has donated \$250,000 to White Lake Preservation, Inc. for the fiscal year ended June 30, 2003, which has been recorded in the financial statements as other operating revenues - contributions.

Another term of the MOU was that BP would donate movable property to White Lake Preservation, Inc. To meet this term, BP executed two separate donation agreements dated July 8, 2002, and September 16, 2002, to donate movable property to White Lake Preservation, Inc. These assets are recorded in the financial statements as capital contributions at the estimated fair value of the assets at the date of donation.

J. CONTINGENT LIABILITIES

During 2003, White Lake Preservation, Inc. filed with the Internal Revenue Service Form 1023 (Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code) to obtain tax exempt status. At this time a form of a ruling or determination letter has not been issued by the Internal Revenue Service. A potential tax liability for the period July 1, 2002 through June 30, 2003 has not been determined.

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Fiscal Year Ended June 30, 2003

<u>Name</u>	<u>Amount</u>
None	

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF STATE FUNDING
Fiscal Year Ended June 30, 2003

<u>Description of Funding</u>	<u>Amount</u>
None	

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
Fiscal Year Ended June 30, 2003

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 6/30/03</u>	<u>Redeemed (Issued)</u>	<u>Principal Outstanding 6/30/03</u>	<u>Interest Rates</u>	<u>Interest Outstanding 6/30/03</u>
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None

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF NOTES PAYABLE
Fiscal Year Ended June 30, 2003

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 6/30/03</u>	<u>Redeemed (Issued)</u>	<u>Principal Outstanding 6/30/03</u>	<u>Interest Rates</u>	<u>Interest Outstanding 6/30/03</u>
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None

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF BONDS PAYABLE
Fiscal Year Ended June 30, 2003

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 6/30/03</u>	<u>Redeemed (Issued)</u>	<u>Principal Outstanding 6/30/03</u>	<u>Interest Rates</u>	<u>Interest Outstanding 6/30/03</u>
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None

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
Fiscal Year Ended June 30, 2003

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
None		

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF CAPITAL LEASE AMORTIZATION
Fiscal Year Ended June 30, 2003

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
None				

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF NOTES PAYABLE AMORTIZATION
Fiscal Year Ended June 30, 2003

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
None		

STATE OF LOUISIANA
WHITE LAKE PRESERVATION, INC.

SCHEDULE OF BONDS PAYABLE AMORTIZATION
Fiscal Year Ended June 30, 2003

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
None		

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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



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

August 26, 2003

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

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the White Lake Preservation, Inc., a discrete component unit of the State of Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the White Lake Preservation, Inc.'s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 White Lake Preservation, Inc.'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 internal control over financial reporting. However we noted the following matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

LEGISLATIVE AUDITOR

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Compliance and Internal Control Report
August 26, 2003
Page 2

Inadequate Internal Controls

The White Lake Preservation, Inc., (Corporation) did not maintain adequate internal controls over operations to ensure that resources are managed effectively and that errors and/or fraud are detected within a timely period. Adequate internal controls would include written policies, procedures, and job descriptions; formal approval of compensation rates for employees; and the investment of bank deposits to maximize earning potential.

The following weaknesses in internal control were noted:

1. The Corporation does not have written purchasing policies and procedures including documentation of the review and approval of invoices. The following related deficiencies were noted:
 - The Corporation paid \$142,144 for insurance premiums without obtaining quotes from additional providers who may have provided services at a lower cost.
 - Invoices for repairs and maintenance totaling approximately \$65,000 were paid without specific identification of the equipment repaired.
 - Food and beverage purchases totaling approximately \$15,000 did not include documentation of the purpose for the purchases, which would provide management a basis for controlling these costs.
2. Written job descriptions have not been established for the three employees of the Corporation. In addition, there are no employment agreements and there is no evidence of approval in the minutes of the Board meetings for authorization of the salaries being paid to those employees.
3. The Corporation maintained an average of approximately \$310,000 in monthly bank balances in two separate bank accounts that were not invested, which resulted in lost interest earnings of approximately \$3,000.

LEGISLATIVE AUDITOR

WHITE LAKE PRESERVATION, INC.
STATE OF LOUISIANA
Compliance and Internal Control Report
August 26, 2003
Page 3

Management indicated that current pending litigation against the Corporation contributed to the Board's failure to adopt written policies and procedures. Inadequate controls over purchases and disbursements and a lack of written job descriptions increase the risk that errors and/or fraud could occur and not be detected in a timely manner. Furthermore, failure to invest deposits deprives the corporation of additional funds for operations.

Management of the Corporation should establish written purchasing policies and procedures, establish written job descriptions and employment agreements for Corporation employees, and ensure that deposits are invested to maximize interest earnings. Management concurred in part with the finding and recommendation (see Appendix A).

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 or performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the White Lake Preservation, Inc. and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

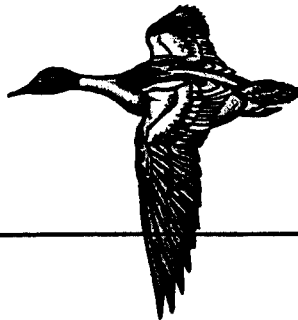
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Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

**WHITE LAKE
PRESERVATION**
— INC. —



August 25, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Inadequate Internal Controls

Dear Mr. Austin

This letter is in response to the company's reportable audit findings on internal controls. Management of the company concurs in part to this finding.

Finding: The White Lake Preservation, Inc. did not maintain adequate internal controls over operations to ensure that resources are managed effectively and that errors and/or fraud are detected within a timely period.

Response: We do not concur with this finding. We do concur that policies, procedures and job descriptions have not been formally written and approved by the board of directors for White Lake Preservation, Inc. However, management believes that this fact has been mitigated by the review and approval procedures that management has followed as discussed in the following paragraphs. These review and approval procedures, considering the number of employees and transactions are sufficient to provide adequate internal control over operations.

1. **Finding:** White Lake Preservation, Inc. does not have written purchasing policies and procedures including documentation of the review and approval of invoices.

Response: We concur with this statement in part. As indicated above, White Lake Preservation, Inc. does not have written policies and procedures for the review and approval of invoices. White Lake Preservation, Inc. does have documentation of the review and approval of invoices. Specific noted deficiencies are discussed as follows:

- **Obtaining quotes for insurance coverage:**
White Lake Preservation, Inc. requested quotes for the insurance coverage of the White Lake property from Paul's Agency, Inc. and from David H. Stiel, Jr. Agency. In a letter dated July 24, 2002 Mr. Gerald M. "Jerry" LeBlanc, with Paul's Agency, Inc., informed the writer that "Due to tight insurance conditions and coastal exposures, we marketed this account to various carriers and found AIG/Audubon the only carrier who would entertain the D&O and G.L/Auto". The White Lake Property is one of the largest undeveloped fresh water marshes in the southeastern United States. Due to the size of the property, the limited public hunting and the handling of firearms, the obtaining of D & O insurance coverage between \$5,000,000 and \$10,000,000 is not readily available. The various insurance policies (D&O, property auto, excess maritime, etc.) were obtained through the insurance provider David H. Stiel, Jr. Agency. Documentation of this information was furnished to the Office of the Legislative Auditor.
- **Repairs and maintenance:**
White Lake identified repairs to specific equipment by notation on the check stub and/or by identification on the invoice and quotes. Other amounts classified as repairs and maintenance were for supplies and for general purposes not identifiable to specific assets.

The total repairs and maintenance expense for the year ending June 30, 2003, totaled \$65,283.22. The majority of these invoices were for general maintenance items such as gaskets, buckets, sponges, paint, etc which cannot be identified to a specific fixed asset. Only twelve amounts/invoices recorded to repairs and maintenance were in excess of \$2,000. Of these invoices three could be identified to a specific fixed asset. Two of these invoices, in the amount of \$2,785.11 and \$2,867.08 each, included a memo on the check stub which stated repairs to 800 Moline and repair to Moline engine, respectfully. There is only one 800 Moline engine on the fixed asset schedule,

which is asset number 69. The only other invoice was in the amount of \$17,771.40 for pump repairs. Based on the invoice and quotes which stated 36" Lo Lift Pump, this item could be specifically identified to asset number 2 on the fixed asset schedule which is the only 36" Lo Lift Pump. Again, all other amounts recorded to repairs and maintenance were for general purposes and could not be identified to a specific asset. A detail listing of the fixed asset schedule has now been provided to the manager responsible for approval of all invoices. Future invoices will be noted as general maintenance items or the specific asset number will be indicated on the invoice.

- **Food and beverage purchases:**

White Lake is in the business of providing hunting events. The food and beverage purchases were incurred in the ordinary course of that segment of the business. The majority of food and beverage supplies are purchased within a specific, short time of the year. Certain supplies purchased in bulk will be used for several events. An allocation to specific events could not be readily determined at the time of purchase. Because of management's oversight and review of the overall operations of the corporation, management had not considered it a weakness that the event associated with the purchase was not noted on the invoice.

Food and beverage purchases for the year ending June 30, 2003 totaled \$15,260.85. The purpose of the purchases recorded to food and beverage were for the staff and guest during the various events at the White Lake property as provided on Schedule A, attached. Because only one event is scheduled at a time at the White Lake property, management did not consider it a weakness that the event associated with the purchase was not noted on the invoice. The White Lake property is in a remote area. A boat ride is required to get to or from the property. Therefore, bottled water, soft drinks, etc. are maintained for the staff.

All food and beverage invoices were reviewed by the property manager. When the invoices are approved by the property manager, they are forwarded to the accountant for payment. A listing of all invoices is then submitted to the Treasurer of White Lake Preservation, Inc. Any questions regarding the invoices are submitted to the property manager or accountant, which may be verbal or written. The treasurer may request

copies for further review if he considers it necessary. Upon approval of the invoices by the treasurer, the checks are printed and submitted back to the property manager for his signature. All invoices and bank card statements will continue to be reviewed by the property manager.

In order to improve the accountability and management of this segment of operations, an analysis of the costs will be provided on a monthly basis. This analysis will be based on the number of individuals attending the various events and the estimated cost associated with each event.

2. **Finding:** Written job descriptions have not been developed for White Lake Preservation, Inc. There are no employment agreements and there is no evidence of approval in the minutes of the Board meetings for authorization of the salaries being paid to those employees.

Response: We concur that written job descriptions have not been documented and approved by the board. We concur that there are no written employment agreements. However, verbal agreements are in place and salaries for employees have been approved in executive sessions by the board.

The White Lake property was formally owned and managed by BP America Production Company (BP). In executive session, the board of directors of White Lake Preservation, Inc. hired three employees of BP, the property manager, a foreman and a grounds keeper, who operated the White Lake property. The property manager had been employed for 23 years, the foreman for 32 years and the grounds keeper (contract labor and employee of BP) 20 years. No written employment agreements/contracts were maintained by BP for these employees and the board of White Lake Preservation, Inc. has made no decision regarding this matter.

Although June 30, 2003 was White Lake Preservation, Inc.'s first year of operation, the employees of White Lake Preservation had been performing their assigned job task for many years as employees of BP. This fact mitigates the lack of written job descriptions. In executive session, the board of directors approved employee compensation to continue at the same rate as BP and to convert any BP employee benefits not provided by White Lake to compensation. Schedules of these computations were provided to the accountant. The approval procedures outlined in the food and beverage discussion, also apply to the employee payroll. Therefore, all payroll

checks have been approved for payment by the treasurer of White Lake Preservation, Inc.

3. **Finding:** Two separate bank accounts were not invested in interest bearing accounts.

Response: White Lake Preservation, Inc. opened an operating account in July 9, 2002. The account was opened with an agreement that no service charges would apply to the account. At the time of opening the account, management believed this would negate the amount of lost interest earnings by the company. White Lake Preservation, Inc. is in the process of moving the account from Plaquemine, LA to Lake Charles, LA. An analysis will be determined prior to opening the new account.

Controls over purchases and disbursements were discussed by conference call with the land manager, two outside accountants, treasurer of White Lake Preservation, Inc. and the president of White Lake Preservation, Inc. Management stated the policies and procedures that are being applied have not been formally written. And this fact was due to the pending litigation against White Lake Preservation, Inc. If the contribution by BP and the operations of the White Lake property reverts back to BP, the time spent by the board formally writing the polices and procedures would be wasted.

Based on the above statements the following corrective plan of action will be submitted to the board of directors of White Lake Preservation, Inc.:

	<u>Corrective Action Planned</u>	<u>Responsible Person</u>	<u>Anticipated Completion Date</u>
1.	Written purchasing policies and procedures	Kenneth Wayne Sweeney and McElroy, Quirk & Burch	October 15, 2003
2.	Written job descriptions	Kenneth Wayne Sweeney	October 15, 2003
3.	Evaluate moving the checking account to minimize fees and maximize interest earnings.	Kenneth Wayne Sweeney and McElroy, Quirk & Burch	October 31, 2003

Each corrective action will be submitted to the board for approval.

Sincerely,

WHITE LAKE PRESERVATION, INC.

A handwritten signature in black ink, consisting of several overlapping, slanted strokes that form a stylized, somewhat abstract shape. The signature is positioned above the printed name and title.

John S. Campbell, Jr.,
Treasurer

**White Lake Preservation, Inc
Schedule A**

Purpose of Food and Beverage Expense

	Invoice Date	# of Guest	Price per Guest	Amount	Total Estimated Cost
Lottery hunts in September for teal season:					
3 lottery hunts during teal season	9/27/2002	12		19.59	
Twelve people per lottery hunt	9/30/2002	12		3.55	
Pastries and coffee served	10/14/2002	12		140.20	
No overnight guest	10/17/2002	12		5.84	
		<u>36</u>	4.70		169.18
Youth Hunt - 11/01/02 and 11/02/02					
Eight kids w/ parents	10/29/2002	16		119.14	
Overnight for all guess	10/29/2002	-		755.40	
		<u>16</u>	54.66		874.54
Main hunting season:					
Hunting party 1 - 11/08 through 11/10/02		10			
Hunting party 2 - 11/10 through 11/12/02		8			
Hunting party 3 - 11/15 through 11/17/02		9			
Hunting party 4 - 11/22 through 11/24/03		8			
	12/20/2002			4,097.99	
	12/20/2002			1,044.67	
		<u>35</u>	146.93		5,142.66
Hunting party 5 - 12/01 through 12/03/02		11			
Hunting party 6 - 12/6 through 12/8/02		6			
Hunting party 7 - 12/20 through 12/22/02		11			
Hunting party 8 - 1/3 through 1/5/03		5			
	1/23/2003			2,007.68	
	1/23/2003			2,365.22	
		<u>33</u>	132.51		4,372.90
Hunting party 9 - 1/10 through 1/12/03		7			
Hunting party 10 - 1/12 through 1/14/03		7			
Hunting party 11 - 1/17 through 1/19/03		9			
	2/12/2003			1,588.87	
	2/19/2003			1,599.97	
	3/18/2003			105.64	
		<u>23</u>	143.24		3,294.48
LSU Visit					
One Meal for 10 individuals	4/24/2003			49.30	
Overnight stay (Only 6 stayed overnight)	5/15/2003	10		542.64	
		<u>10</u>	59.19		591.94
General expenses					<u>805.15</u>
					<u><u>15,250.85</u></u>