State Fair of Louisiana

Financial Statements

Years Ended December 31, 1999 and 1998

State Fair of Louisiana

Contents

ROBERTSON, BAILES & MCCLELLAND LLP
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Independent Auditors' Report

The Executive Directors
State Fair of Louisiana
Shreveport, Louisiana

We have audited the accompanying statements of financial position of State Fair of Louisiana for the years ended December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fair's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Fair of Louisiana as of December 31, 1999 and 1998, and the results of its activities and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Robertson, Bailes, & McClelland LLP

March 17, 2000

December 31,	1999 Unrestricted	1999 Temporarily Restricted	1999 Total	1998 Unrestricted	1998 Temporarily Restricted	1998 Total

Assets

Current assets:						
Cash (Notes 1 and 9)	**$ 647,240**	**$ –**	**$ 647,240**	$ 190,786	$ –	$ 190,786
Accounts receivable (Note 2)	**124,233**	**–**	**124,233**	119,350	–	119,350
Prepaid expenses and other (Note 4)	**41,322**	**–**	**41,322**	31,974	–	31,974
Total current assets	**812,795**	**–**	**812,795**	342,110	–	342,110
Reserve fund investments (Note 5)	**–**	**700,000**	**700,000**	–	700,000	700,000
Property and equipment, net (Note 3)	**4,277,351**	**–**	**4,277,351**	4,522,011	–	4,522,011
Other assets (Note 6)	**84,929**	**–**	**84,929**	59,997	–	59,997
	$5,175,075	**$700,000**	**$5,875,075**	$4,924,118	$700,000	$5,624,118

State Fair of Louisiana

Statements of Financial Position

December 31,	1999 Unrestricted	1999 Temporarily Restricted	1999 Total	1998 Unrestricted	1998 Temporarily Restricted	1998 Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses (Note 6)	$ 255,532	$ –	$ 255,532	$ 163,451	$ –	$ 163,451
Current portion of deferred income	–	–	–	11,370	–	11,370
Total current liabilities	255,532	–	255,532	174,821	–	174,821
Deferred income	–	–	–	8,000	–	8,000
Deferred compensation (Note 6)	84,929	–	84,929	59,997	–	59,997
Total liabilities	340,461	–	340,461	242,818	–	242,818
Commitments and contingencies (Note 6)						
Net Assets:						
Unrestricted	4,834,614	–	4,834,614	4,681,300	–	4,681,300
Temporarily restricted (Note 5)	–	700,000	700,000	–	700,000	700,000
Total net assets	4,834,614	700,000	5,534,614	4,681,300	700,000	5,381,300
	$5,175,075	$700,000	$5,875,075	$4,924,118	$700,000	$5,624,118

See accompanying summary of accounting policies and notes to financial statements.

State Fair of Louisiana

Statements of Activities

Years Ended December 31,	1999 Unrestricted	1999 Temporarily Restricted	1999 Total	1998 Unrestricted	1998 Temporarily Restricted	1998 Total
Revenues:						
Fair	**$1,829,115**	**$ -**	**$1,829,115**	$1,555,367	$ -	$1,555,367
Off-season	**1,075,196**	**-**	**1,075,196**	1,258,570	-	1,258,570
Other	**50,662**	**-**	**50,662**	143,988	-	143,988
Total revenue	**2,954,973**	**-**	**2,954,973**	2,957,925	-	2,957,925
Expenses:						
Fair	**1,305,520**	**-**	**1,305,520**	1,319,498	-	1,319,498
Off-season	**1,148,962**	**-**	**1,148,962**	1,103,561	-	1,103,561
Depreciation	**347,177**	**-**	**347,177**	301,309	-	301,309
Total expenses	**2,801,659**	**-**	**2,801,659**	2,724,368	-	2,724,368
Increase in net assets	**153,314**	**-**	**153,314**	233,557	-	233,557
Net assets, beginning of year	**4,681,300**	**700,000**	**5,381,300**	4,447,743	700,000	5,147,743
Net assets, end of year	**$4,834,614**	**$700,000**	**$5,534,614**	$4,681,300	$700,000	$5,381,300

See accompanying summary of accounting policies and notes to financial statements.

State Fair of Louisiana

Statements of Cash Flows

Years Ended December 31,	1999 Unrestricted	1999 Temporarily Restricted	1999 Total	1998 Unrestricted	1998 Temporarily Restricted	1998 Total
Cash Flows From Operating Activities:						
Increase in net assets from operations	**$ 153,314**	**$ -**	**$ 153,314**	$ 233,557	$ -	$233,557
Adjustments to reconcile increase in net assets to net cash provided by operating activities:						
Depreciation	**347,177**	**-**	**347,177**	301,309	-	301,309
Gain on retirement of assets	**(304)**	**-**	**(304)**	(1,650)	-	(1,650)
Deferred compensation	**24,932**	**-**	**24,932**	19,510	-	19,510
Change in operating assets and liabilities:						
Accounts receivable	**(4,883)**	**-**	**(4,883)**	(32,923)	-	(32,923)
Prepaid expenses	**(9,348)**	**-**	**(9,348)**	26,689	-	26,689
Accounts payable and accrued expenses	**92,081**	**-**	**92,081**	(10,031)	-	(10,031)
Deferred revenue	**(19,370)**	**-**	**(19,370)**	4,027	-	4,027
Net cash provided by operating activities	**583,599**	**-**	**583,599**	540,488	-	540,488
Cash Flows From Investing Activities:						
Expenditures for buildings, equipment and improvements	**(122,976)**	**-**	**(122,976)**	(876,368)	-	(876,368)
Proceeds from sale of assets	**20,763**	**-**	**20,763**	-	-	-
Proceeds from the sale and maturity of investments	**-**	**-**	**-**	1,650	-	1,650
Purchase of investments	**(24,932)**	**-**	**(24,932)**	(19,510)	-	(19,510)
Net cash used in investing activities	**(127,145)**	**-**	**(127,145)**	(894,228)	-	(894,228)
Net (decrease) increase in cash	**456,454**	**-**	**456,454**	(353,740)	-	(353,740)
Cash, at beginning of year	**190,786**	**-**	**190,786**	544,526	-	544,526
Cash, at end of year	**$ 647,240**	**$ -**	**$ 647,240**	$190,786	$ -	$190,786

See accompanying summary of accounting policies and notes to financial statements.

Business

The State Fair of Louisiana (the "Fair") is a nonprofit corporation organized under the laws of the State of Louisiana on a nonstock basis having one class of member. The objects and purposes for which this nonprofit corporation is formed and exists are declared to be the maintenance in the Parish of Caddo, State of Louisiana, of public fairs, expositions and exhibitions of stock and farm products, and for the encouragement of agricultural and horticultural pursuits, and in all ways to promote the various industries of the State of Louisiana and the welfare of its citizens.

Substantially all of the Fair's revenue is from the sale of admissions to Fair sponsored events and exhibitions as well as the rental of its buildings for events promoted by others.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Buildings and equipment are carried at cost and depreciated over their estimated useful lives on the straight-line method. Major additions are capitalized and depreciated; maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.

Reserve Fund

As provided by contract with the City of Shreveport, one-half of the net earnings of the State Fair of Louisiana shall be set aside permanently in a Reserve Fund. This allocation is to continue until the Reserve Fund shall equal $700,000. Any sums transferred, which raise the balance above this amount, shall be used for property improvements.

Employee Benefits Plan

The Fair has a noncontributory defined-benefit pension plan covering all eligible employees. The general policy of the Fair is to fund the plan based on computations using federal income tax regulations. However, for financial reporting purposes, the amounts accrued and expensed are in accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" and Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits.

Revenue Recognition

Unrestricted contributions and grants are recognized as revenue in the period in which the donation is received or the grant is due and payable to the Fair.

The Fair reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The net change in assets of other funds are reported as offsetting revenue (expense) solely to simplify financial statement presentation. Restricted donations on which the restriction expires in the same period as the revenue is recognized are reported as unrestricted revenues.

Income Taxes

The State Fair of Louisiana is exempt from federal income tax under provisions of Section 501(c)(5) of the Internal Revenue Code of 1954 and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana.

Statements of Cash Flows

For purposes of the statements of cash flows, the Fair considers all cash in bank accounts and highly liquid debt instrument, not associated with the Reserve Fund, purchased with an original maturity of three months or less, to be cash equivalents.

1. Cash

Included in cash at December 31, 1999 and 1998 are interest bearing deposits totalling $660,451 and $76,966, respectively, after reducing certain deposits for amounts allocable to Reserve Fund investments.

2. Receivables

Receivables are summarized as follows:

	1999	1998
Account receivable	$134,233	$129,350
Less reserve for doubtful accounts	10,000	10,000
	$124,233	$119,350

3. Property and Equipment

Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings - 15 to 60 years; land improvements - 10 to 75 years; equipment - 5 to 20 years.

The major classifications of property and equipment for the years ended December 31, 1999 and 1998 were as follows:

	1999	1998
Buildings	$5,823,121	$5,823,121
Equipment	2,194,875	2,161,104
Land improvements	1,065,934	1,065,934
Ice rink	211,469	137,961
Land	14,500	14,500
	9,309,899	9,202,620
Less accumulated depreciation and amortization	5,032,548	4,680,609
Net property and equipment	$4,277,351	$4,522,011

4. Pension Plan

The Fair sponsors a defined benefit pension plan that covers all employees who have reached the age of 21 and completed 1,000 hours of employment during their initial 12 months of employment. The plan calls for benefits to be paid to eligible employees at retirement, based primarily upon years of service with the Fair and compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of mutual funds and money market accounts.

The following table sets forth the plan's funded status and amounts recognized in the Fair's financial statements at December 31, 1999 and 1998.

	1999	1998
Plan assets at fair value	**$228,000**	$193,000
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	**$139,000**	$ 98,000
Effect of projected future salary increases	**25,000**	70,000
Projected benefit obligation	**$164,000**	$168,000

4. Pension Plan – (continued)

	1999	1998
Fair value of plan assets in excess of projected benefit obligation	**$ 9,000**	$ 25,000
Unrecognized net (gain) loss from past experience different from that assumed	**10,000**	(12,000)
Unrecognized prior service cost at December 1, 1994 being recognized over 15 years	**25,000**	28,000
Unrecognized net asset at November 30, 1988 being recognized over 20 years	**(37,000)**	(41,000)
Prepaid pension cost	**$ 7,000**	$ –

Net pension cost included the following components:

	1999	1998
Service cost – benefits earned during the period	**$ 27,000**	$ 22,000
Interest cost on projected benefit obligation	**13,000**	11,000
Actual return on plan assets	**(16,000)**	(14,000)
Net amortization and deferral	**(1,000)**	(1,000)
Net pension cost	**$ 23,000**	$ 18,000

4. Pension Plan - (continued)

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% for 1999 and 1998, respectively. The weighted average rate of increase in future compensation levels used in determining the actuarial present value, the projected benefit obligations was 4% in 1999 and 1998. The expected long-term rate of return on assets was 8.0% for 1999 and 1998.

The Plan was amended effective January 1, 1998 which increases the benefit formula from 1.5% to 2% of compensation. This change caused an increase in the Projected Benefit Obligation of $22,000.

5. Reserve Fund

An agreement between State Fair of Louisiana and the City of Shreveport dated May 15, 1986, provides for the establishment of a Reserve Fund or Contingency Fund to provide for possible future losses and to maintain permanently, a sound financial condition of the State Fair of Louisiana. Any expenditure which reduces the fund below $700,000 must be authorized by the Board of Directors and only for the purpose of covering incurred losses or for other emergency purposes. The investments in the Reserve Fund consist of the following:

	1999	1998
Certificates of deposit	**$700,000**	$700,000

The Fair's policy is to invest in certificates which give the highest rate of return without placing more than $100,000 in principal with a single financial institution.

6. Commitments and Contingencies

In 1999, a judgement was entered against the Fair relating to a promoter's lawsuit. The Fair's general Counsel has estimated the loss to the Fair at approximately $157,000. This amount has been recorded as an expense in 1999. Management believes the Fair has adequate public liability insurance to cover any other potential losses as a result of pending or threatened lawsuits.

6.	**Commitments and Contingencies - (continued)**	On December 1, 1992, the Fair entered into an employment agreement with its current president and general manager which is effective from December 1, 1992 through December 21, 2003. The agreement was amended in 1995 to allow for the deferral of any discretionary bonuses. The Fair currently deposits amounts to be deferred in a "Rabbi" trust.
7.	**Related Party Transactions**	During 1999, the State Fair of Louisiana acquired certain property from the son of the executive director. During 1999, the State Fair of Louisiana paid a director for advertising for the fair.
8.	**Major Customers and Suppliers**	The Fair had no customers during the years ended December 31, 1999 and 1998 that accounted for more than 10% of total sales. The Fair had one supplier during the year ended December 31, 1999, which accounted for 16% of total purchases. The Fair had two suppliers during the year ended December 31, 1998, which accounted for 20% and 16%, respectively, of total purchases.
9.	**Supplemental Cash Flows Information**	At December 31, 1999, total cash consisted of the following: $15,000 in petty cash, $626,000 in repurchase agreements secured by government securities, $107,109 in demand deposits subject to FDIC insurance limits of $100,000, and $34,451 in a money market fund. These amounts do not reflect any adjustment for checks issued which have not yet cleared the bank.

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Independent Auditors' Report on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Executive Committee
State Fair of Louisiana
Shreveport, Louisiana

We have audited the financial statements of State Fair of Louisiana as of and for the year ended December 31, 1999 and have issued our report thereon dated March 17, 2000.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

This report is intended solely for the board of directors, executive committee, management and the Louisiana State Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Robertson, Bailes & McClelland LLP

March 17, 2000

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Independent Auditors' Report on Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Executive Committee
State Fair of Louisiana
Shreveport, Louisiana

We have audited the financial statements of State Fair of Louisiana as of and for the year ended December 31, 1999 and have issued our report thereon dated March 17, 2000.

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.

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

In planning and performing our audit of the general purpose financial statements of State Fair of Louisiana, for the year ended December 31, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion. We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants, Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the executive committee, the board of directors, management, and Louisiana State Legislative Auditor. However, this is a matter of public record and its distribution is not limited.

Robertson, Basle & McElwaffe LLC

Certified Public Accountants

Shreveport, Louisiana
March 17, 2000

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April 1, 2000

Mr. Sam Giordano
President
The State Fair of Louisiana
Post Office Box 38327
Shreveport, Louisiana 71133

Dear Mr. Giordano:

In connection with our audit of the financial statements of Louisiana State Fair (the "Fair") for the year ended December 31, 1999, we observed the Fair's significant accounting policies and procedures and certain business, financial, administrative and non-profit tax practices.

In planning and performing our audit of the financial statements, we considered the internal control structure 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 structure.

As a result of our observations, we wish to bring the items in the following paragraphs to your attention.

Accounts Payable and Accounts Receivable are not being reconciled on a monthly basis

The Fair operates during its fiscal year on a cash basis. At year end, adjustments are made to properly reflect ending accounts receivable and accounts payable as well as other accounts. This is not unusual for many businesses. However, the accounting software used by the Fair is designed as an accrual basis system. Accordingly, at times entries are made to the accounts receivable or payable system that by default find their way into the general ledger. When the cash basis entries are later recorded, a double posting of the income or expense sometimes results.

Perhaps the best example of this situation is when the Fair bills a sponsor through the accounting system. At the time the sponsor is billed, the revenue is recorded. When the subsequent cash receipt is recorded, it is also recorded as revenue. Unless a reversing entry is made to the accounts receivable, revenue is overstated.

RBM

Mr. Sam Giordano
President
The State Fair of Louisiana
April 1, 2000

The best action to take to avoid potential errors is to reconcile accounts receivable and payable subsidiary ledgers with the general ledger monthly. This should include a review of the transactions in these accounts to determine the reason for any changes. Since the Fair's policy is to operate on a cash basis during the year, any change from the balances at December 31 of the preceding year should be fully investigated and resolved.

Management concurred with the finding and has agreed to begin following the recommendation.

Cash Receipts Procedures

During our audit we noted that there is no significant separation of duties relating to the accounting for cash receipts. At present, one person opens the mail and forwards the checks to the accounts payable/accounts receivable clerk for deposit. It is not a good policy to allow the person responsible for recording deposits to also have control of those deposits. It opens a wide opportunity for theft.

We suggest a list of cash receipts be made by the person opening the mail, prior to transmitting the checks for deposit. We further suggest the checks be forwarded to another responsible employee to be listed on the deposit slip, and deposited. The validated deposit slip, along with the initial list could then be given to the accounts receivable clerk for entry into the general ledger and subsidiary records.

Internal Control

In planning and performing our audit of the financial statements of the State Fair of Louisiana for the year ended December 31, 1999, we considered its internal control structure 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 structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A *material weakness is a condition in which the design or operation of the specific internal* control structure element does not reduce to a relatively low level the risk that errors or irregularities 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 that we considered to be material weaknesses during the performance of out audit.

Status of Prior Year Management Letter Comments

The following is the status of our prior year management letter comments:

1. **Accounts payable should be reconciled monthly** – See our comments in the preceding paragraph.

2. **The Fair should insure that no more than $100,000 in funds are deposited with a single bank** – In general the Fair has followed this policy. However, the Fair purchased two certificates of deposit at year end which created a total of $250,000 on deposit with a single bank. The funds were deposited to the bank because of 1) favorable interest rates and 2) favorable withdrawl terms. Since the funds were meant to be in the bank only a few months, management deemed it to be appropriate to take the risk. We do not disagree.

* * * *

This letter is intended solely for the use of the board of directors and management and should not be used for any other purpose.

In the near future, Jim McClelland will contact you to discuss the comments contained in this letter. We will also be available to discuss any of these points with the board of directors should you wish us to do so.

We appreciate the outstanding cooperation our staff received from your current staff during the audit of the Fair's financial statements.

Sincerely,

Robertson, Bailey & McClelland LLP

c: Mr. David Means

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June 12, 2000

Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

VIA FACSIMILE

State Fair of Louisiana

Dear Dr. Kyle:

Below you will find The State Fair of Louisiana's action plan with respect to the issues raised in our management letter issued in connection with our audit of the December 31, 1999 financial statements:

1. **Accounts Payable and Accounts Receivable are not being reconciled on a monthly basis** – The accounts payable and receivable are now being reconciled on a monthly basis in connection with the preparation of the monthly reports. This procedure fully addresses the management letter comment.
2. **Cash receipts procedures** – The person who opens the mail is now preparing a list of checks received. The checks are then forwarded to the bookkeeper for further processing and physical deposit to the bank. The validated deposit slip is returned to the person who opens the mail and she verifies that all receipts were included in the deposit. This procedure fully addresses the management letter comment.

The management letter comments and the corrective action plans noted above were discussed at the May State Fair Executive Committee meeting. The Executive Committee concurred with the actions taken. I attended that meeting.

I hope the preceding fully addresses your comments on the State Fair 1999 report package. Should you have any further questions, please do not hesitate to contact me.

Sincerely,

James K. McClelland, CPA
Partner