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State Fair of Louisiana

Financial Statements

Years Ended December 31, 1997 and 1996

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

Release Date APR 0 8 1998

RBM
ROBERTSON, BAILES & McCLELLAND L.L.P.
Accountants and Consultants

State Fair of Louisiana

Financial Statements

Years Ended December 31, 1997 and 1996

Contents

RBM
CERTIFIED PUBLIC ACCOUNTANTS
ROBERTSON, BAILES & McCLELLAND L.L.P.

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Independent Auditors' Report

The Executive Committee
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, 1997 and 1996, 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, 1997 and 1996, 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

February 13, 1998

December 31,	1997 Unrestricted	1997 Temporarily Restricted	1997 Total	1996 Unrestricted	1996 Temporarily Restricted	1996 Total
Assets						
Current assets:						
Cash	$ 544,526	$ –	$ 544,526	$ 441,695	$ –	$ 441,695
Accounts receivable (Note 6)	86,427	–	86,427	371,581	–	371,581
Prepaid expenses and other (Note 2)	58,663	–	58,663	88,672	–	88,672
Total current assets	689,616	–	689,616	901,948	–	901,948
Reserve fund investments (Note 3)	–	700,000	700,000	–	700,000	700,000
Property and equipment, net (Note 1)	3,946,952	–	3,946,952	3,750,064	–	3,750,064
Other assets (Note 4)	40,487	–	40,487	23,014	–	23,014
	$4,677,055	$700,000	$5,377,055	$4,675,026	$700,000	$5,375,026

State Fair of Louisiana

Statements of Financial Position

	1997			1996		
December 31,	**Unrestricted**	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	**$ 173,482**	**$ -**	**$ 173,482**	$ 163,879	$ -	$ 163,879
Advance event ticket sales	**-**	**-**	**-**	252,260	-	252,260
Current portion of deferred income	**5,343**	**-**	**5,343**	13,360	-	13,360
Total current liabilities	**178,825**	**-**	**178,825**	429,499	-	429,499
Deferred income	**10,000**	**-**	**10,000**	12,000	-	12,000
Deferred compensation (Note 4)	**40,487**	**-**	**40,487**	23,014	-	23,014
Total liabilities	**229,312**	**-**	**229,312**	464,513	-	464,513
Commitments and contingencies (Note 4)						
Net Assets:						
Unrestricted	**4,447,743**	**-**	**4,447,743**	4,210,513	-	4,210,513
Temporarily restricted (Note 3)	**-**	**700,000**	**700,000**	-	700,000	700,000
Total net assets	**4,447,743**	**700,000**	**5,147,743**	4,210,513	700,000	4,910,513
	$4,677,055	**$700,000**	**$5,377,055**	$4,675,026	$700,000	$5,375,026

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

Statements of Activities

	1997			1996		
Years Ended December 31,	**Unrestricted**	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenues:						
Fair	**$1,405,176**	**$ –**	**$1,405,176**	$1,380,024	$ –	$1,380,024
Off-season	**1,116,456**	**–**	**1,116,456**	784,773	–	784,773
Other	**159,666**	**–**	**159,666**	70,370	–	70,370
Total revenue	**2,681,298**	**–**	**2,681,298**	2,235,167	–	2,235,167
Expenses:						
Fair	**1,100,777**	**–**	**1,100,777**	1,006,870	–	1,006,870
Off-season	**1,104,564**	**–**	**1,104,564**	961,001	–	961,001
Depreciation	**238,727**	**–**	**238,727**	213,681	–	213,681
Total expenses	**2,444,068**	**–**	**2,444,068**	2,181,552	–	2,181,552
Increase in net assets	**237,230**	**–**	**237,230**	53,615	–	53,615
Net assets, beginning of year	**4,210,513**	**700,000**	**4,910,513**	4,156,898	700,000	4,856,898
Net assets, end of year	**$4,447,743**	**$700,000**	**$5,147,743**	$4,210,513	$700,000	$4,910,513

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

Statements of Cash Flows

Years Ended December 31,	1997 Unrestricted	1997 Temporarily Restricted	1997 Total	1996 Unrestricted	1996 Temporarily Restricted	1996 Total
Cash Flows From Operating Activities:						
Increase in net assets from operations	$ 237,230	$ -	$ 237,230	$ 53,615	$ -	$ 53,615
Adjustments to reconcile increase in net assets to net cash provided by operating activities:						
Depreciation	238,727	-	238,727	213,681	-	213,681
Loss on retirement of assets	-	-	-	18,248	-	18,248
Deferred compensation	17,473	-	17,473	11,014	-	11,014
Change in operating assets and liabilities:						
Accounts receivable	285,154	-	285,154	(117,881)	-	(117,881)
Prepaid expenses	30,009	-	30,009	10,079	-	10,079
Accounts payable and accrued expenses	9,603	-	9,603	(3,008)	-	(3,008)
Advance event ticket sales	(252,260)	-	(252,260)	241,885	-	241,885
Deferred revenue	(10,017)	-	(10,017)	(1,240)	-	(1,240)
Net cash provided by operating activities	555,919	-	555,919	426,393	-	426,393
Cash Flows From Investing Activities:						
Expenditures for buildings, equipment and improvements	(503,115)	-	(503,115)	(438,949)	-	(438,949)
Proceeds from the sale and maturity of investments	67,500	-	67,500	214,448	-	214,448
Purchase of investments	(17,473)	-	(17,473)	(11,014)	-	(11,014)
Net cash used in investing activities	(453,088)	-	(453,088)	(235,515)	-	(235,515)
Net increase in cash	102,831	-	102,831	190,878	-	190,878
Cash, at beginning of year	441,695	-	441,695	250,817	-	250,817
Cash, at end of year	$544,526	$ -	$544,526	$ 441,695	$ -	$ 441,695

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.

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.

Contributions in aid of construction are credited to contribution accounts and do not reduce the cost of the assets acquired with such contributions. Contribution accounts are charged with the depreciation on such assets.

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 amounts deductible for federal income tax purposes. 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" (Note 2).

Revenue Recognition

Unrestricted contributions and grants are recognized as revenue in the period in which the donation is received or the grant 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 instruments, not associated with the Reserve Fund, purchased with an original maturity of three months or less, to be cash equivalents.

Included in cash at December 31, 1997 and 1996 are interest bearing deposits totalling $526,832 and $628,672, respectively, after reducing certain deposits for amounts allocable to Reserve Fund investments.

Statements of Cash Flows - (continued)

At December 31, 1997, total Cash and Reserve Funds included $397,518 in one bank and $27,466 in another institution in excess of FDIC insurance limits.

1. 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 year ended December 31, 1997 and 1996 were as follows:

	1997	1996
Buildings	$5,641,167	$5,404,438
Equipment	1,683,984	1,596,113
Land improvements	961,527	882,236
Ice rink	31,724	-
Land	14,500	14,500
	8,332,902	7,897,287
Less accumulated depreciation and amortization	4,385,950	4,147,223
Net property and equipment	$3,946,952	$3,750,064

2. 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.

2. Pension Plan – (Continued)

The following table sets forth the plan's funded status and amounts recognized in the Fair's financial statements at December 31, 1997 and 1996.

	1997	1996
Plan assets at fair value	$183,000	$189,000
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $76,000 and $86,000	$ 91,000	$105,000
Effect of projected future salary increases	26,000	39,000
Projected benefit obligation	$117,000	$144,000
Fair value of plan assets in excess of projected benefit obligation	$ 66,000	$ 45,000
Unrecognized net loss from past experience different from that assumed	(12,000)	16,000
Unrecognized prior service cost at December 1, 1994 being recognized over 15 years	9,000	10,000
Unrecognized net asset at November 30, 1988 being recognized over 20 years	(45,000)	(49,000)
Prepaid pension cost	$ 18,000	$ 22,000

2. Pension Plan - (Continued)

Net pension cost included the following components:

	1997	1996
Service cost - benefits earned during the period	$ 13,000	$ 17,000
Interest cost on projected benefit obligation	9,000	9,000
Actual return on plan assets	(24,000)	(15,000)
Net amortization and deferral	6,000	(3,000)
Net pension cost	$ 4,000	$ 8,000

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% for 1997 and 7.0% for 1996. The weighted average rate of increase in future compensation levels used in determining the actuarial present value, the projected benefit obligations was 4% in 1997 and 1996. The expected long-term rate of return on assets was 8.0% for 1997 and 1996.

3. 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:

	1997	1996
Certificates of deposit	$600,000	$600,000
Repurchase agreements	100,000	100,000
	$700,000	$700,000

3. Reserve Fund – (continued)

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

4. Commitments and Contingencies

Pending or threatened litigation affecting State Fair of Louisiana involves claims arising out of activities by lessees of Fair facilities as well as claims relating to other events. Management believes the Fair has adequate public liability insurance in the event of any loss, as well as being named as additional insured under the insurance policies of the lessees.

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, 2002. 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.

5. Related Party Transactions

During 1997 and 1996, the State Fair of Louisiana rented a building for storage from a member of the executive committee.

During 1997, the State Fair of Louisiana acquired two automobiles from a company owned by an executive committee member. During 1996, the State Fair of Louisiana acquired one automobile from a company owned by an executive committee member.

6. Concentrations of Credit Risk

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. A portion of the admissions sales are made by outlets on the Fair's behalf. At December 31, 1997 and 1996, accounts receivable included approximately $10,000 and $331,000, respectively, due from one outlet for proceeds from the sale of tickets in connection with the annual State Fair.

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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 the State Fair of Louisiana as of and for the year ended December 31, 1997.

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 the State Fair of Louisiana is the responsibility of the 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

February 13, 1998

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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 the State Fair of Louisiana as of and for the year ended December 31, 1997.

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, 1997, 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 certain 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.

Cash

Checks greater than $5,000 should have two signatures.

During our testing of cash disbursements, we found two payments exceeding $5,000 which only had one signature. This represented 8% of the 24 checks greater than $5,000 that were tested. However, we did not test all checks greater than $5,000.

Fair policy requires all checks greater than $5,000 be signed by two individuals. This requirement, if not followed, creates a greater than normal potential for abuse if not adequately controlled. Once the expenditure is made, there is often no way to recover. Accordingly, we recommend management make a concerted effort to follow this policy.

Management has reviewed the matter and agrees the dual signature policy was not followed. This likely occurred due to the manner in which signatures are acquired. The President will be certain all required signatures are obtained before releasing checks.

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, Barlow & McClelland, LLP

Certified Public Accountants

Shreveport, Louisiana
February 13, 1998

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February 13, 1998

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, 1997, 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.

Events documentation should be organized

The Fair receives approximately 40% of its revenue from non-fair activities such as concerts and other "off-season" events. During our testing of the related files, we noted the files were not organized and we were unable to find certain documents. Most of the essential documentation was eventually located. However we could not locate documentation relating to deductions from gross proceeds of concession sales for the Garth Brooks concerts.

While we realize the Fair no longer operates the concessions, the Fair does rent its building and grounds to numerous persons. As the backbone of any discussions you may have with those renting the State Fair's buildings will be documentation of all revenue and expense, we recommend that personnel in charge of these events make a concerted effort to obtain all of the essential documentation and file that documentation in an orderly fashion within the file. This will make it easier to locate information for future negotiations.

Mr. Sam Giordano
President
February 13, 1998

We discussed this situation with management and found the items we tested were from a period early in the year. It was during this period that internal control was lax due to the performance of an employee who has since left. We reviewed a file near the end of the year and found that management has substantially corrected the items giving rise to our comments.

Terminated individuals should be removed as check signers

As part of our regular audit procedures, we confirmed authorized check signers with the bank. The confirmations from Bank One revealed that the Fair had several past employees or directors still authorized to sign checks. We recommend that new signature cards be executed immediately.

We discussed this situation with management and management is in the process of obtaining and executing new signature cards.

Training in the use of software programs would enhance the efficiency of employees

During our audit, we had occasion to observe the employees' familiarity with the software they use. By and large, employees are unfamiliar with the abilities of the word processing, database and spreadsheet software they use.

The software used by the Fair employees can be a powerful tool. For example, the accounting package can export data into a format the Fair's spreadsheet programs can read. The potential for using spreadsheets to analyze Fair operations is tremendous. This and other features of the currently owned software could be better utilized if employees were trained in the use of the software. Accordingly, we suggest management investigate the potential of providing employees with an adequate level of training on the software now used.

Management agrees with this comment and is investigating its alternatives with respect to training.

Management should address the year 2000 issue when appropriate

As you may have heard, there is a significant exposure to computer errors when the year 2000 arrives. The problem results from the fact that many software programs were developed for use

This may sound trivial until one starts looking at the items in the accounting system that rely on proper dating. Accounts receivable entries, accounts payable entries, financial statements, and many other programs will be affected by the year 2000 issue.

While the issue is not presently critical to the State Fair, management needs to be aware of the exposure and take steps to avoid potential problems. We suggest a review of the present software systems to be performed to determine the extent of a problem, if any, followed by an implantation plan to upgrade software and hardware as necessary.

Management is aware of the issue and will take steps as necessary to prevent any problems due to year 2000 concerns.

Internal Control

In planning and performing our audit of the financial statements of the State Fair of Louisiana for the year ended December 31, 1997, 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 elements 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. We did, however, note certain matters that we consider to be reportable conditions under the definitions prescribed by the American Institute of Certified Public Accountants. Those matters are detailed on page sixteen in this report package.

Status of Prior Year Management Letter Comments

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

1. **Management should review the provisions of the Fair's defined benefit plan to determine if any leased employees are eligible to participate.** Management is presently reviewing its plan to determine applicability to it's leased employees. Based on discussions with the actuary, no problem presently exists.

2. **Written job descriptions for all major functions should be prepared to minimize ADA exposure.** Written job descriptions have been prepared.

3. **The Fair should maintain documentation proving exemption from the Fair Labor Standards Act.** No calculation has been performed by the Fair proving exemption from the Fair Labor Standards Act. However, in addition to normal audit procedures, we calculated the Fair's revenue percentages as applicable and found the Fair to be exempt under the applicable standards.

4. **Payments for services rendered by a company should be made payable to the company and not an individual.** We noted no instances where a check was written to an individual rather than a company when the company performed the work. Moreover, management has represented this was an isolated instance and has not occurred since.

5. **Disbursements and receipts should agree to signed contracts.** We noted no exceptions in 1997.

6. **The Fair should consider adopting a policy requiring a board member's *signature on disbursements exceeding a specific limit.*** We have discussed this matter with management and management is presently developing a plan. We are presently working with management on the policy.

7. **Lapses in internal control.** The majority of the problems with respect to internal control which were encountered in 1996 were not encountered in 1997.

* * * *

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, Baulan & McClelland, LLP

c: Executive Committee
Dr. Daniel G. Kyle, CPA, Legislative Auditor of the State of Louisiana