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State Fair of Louisiana

Financial Statements
Years Ended December 31, 1998 and 1997

Contents

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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, 1998 and 1997, 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, 1998 and 1997, 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 8, 1999

State Fair of Louisiana

Statements of Financial Position

	1998			1997		
December 31,	**Unrestricted**	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	**$163,451**	**$ –**	**$ 163,451**	$ 173,482	$ –	$ 173,482
Current portion of deferred income	**11,370**	**–**	**11,370**	5,343	–	5,343
Total current liabilities	**174,821**	**–**	**174,821**	178,825	–	178,825
Deferred income	**8,000**	**–**	**8,000**	10,000	–	10,000
Deferred compensation (Note 6)	**59,997**	**–**	**59,997**	40,487	–	40,487
Total liabilities	**242,818**	**–**	**242,818**	229,312	–	229,312
Commitments and contingencies (Note 6)						
Net Assets:						
Unrestricted	**4,681,300**	**–**	**4,681,300**	4,447,743	–	4,447,743
Temporarily restricted (Note 5)	**–**	**700,000**	**700,000**	–	700,000	700,000
Total net assets	**4,681,300**	**700,000**	**5,381,300**	4,447,743	700,000	5,147,743
	$4,924,118	**$700,000**	**$5,624,118**	$4,677,055	$700,000	$5,377,055

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

State Fair of Louisiana

Statements of Activities

	1998			1997		
Years Ended December 31,	**Unrestricted**	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenues:						
Fair	**$1,555,167**	**$ -**	**$1,555,167**	$1,405,176	$ -	$1,405,176
Off-season	**1,258,840**	**-**	**1,258,840**	1,116,456	-	1,116,456
Other	**143,988**	**-**	**143,988**	159,666	-	159,666
Total revenue	**2,957,995**	**-**	**2,957,995**	2,681,298	-	2,681,298
Expenses:						
Fair	**1,318,455**	**-**	**1,318,455**	1,100,777	-	1,100,777
Off-season	**1,104,674**	**-**	**1,104,674**	1,104,564	-	1,104,564
Depreciation	**301,309**	**-**	**301,309**	238,727	-	238,727
Total expenses	**2,724,438**	**-**	**2,724,438**	2,444,068	-	2,444,068
Increase in net assets	**233,557**	**-**	**233,557**	237,230	-	237,230
Net assets, beginning of year	**4,447,743**	**700,000**	**5,147,743**	4,210,513	700,000	4,910,513
Net assets, end of year	**$4,681,300**	**$700,000**	**$5,381,300**	$4,447,743	$700,000	$5,147,743

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

State Fair of Louisiana

Statements of Cash Flows

Years Ended December 31,	1998 Unrestricted	1998 Temporarily Restricted	1998 Total	1997 Unrestricted	1997 Temporarily Restricted	1997 Total
Cash Flows From Operating Activities:						
Increase in net assets from operations	**$233,557**	**$ -**	**$233,557**	$ 237,230	$ -	$ 237,230
Adjustments to reconcile increase in net assets to net cash provided by operating activities:						
Depreciation	**301,309**	**-**	**301,309**	238,727	-	238,727
Gain on retirement of assets	**(1,650)**	**-**	**(1,650)**	-	-	-
Deferred compensation	**19,510**	**-**	**19,510**	17,473	-	17,473
Change in operating assets and liabilities:						
Accounts receivable	***(32,923)***	**-**	***(32,923)***	*285,154*	-	*285,154*
Prepaid expenses	**26,689**	**-**	**26,689**	30,009	-	30,009
Accounts payable and accrued expenses	**(10,031)**	**-**	**(10,031)**	9,603	-	9,603
Advance event ticket sales	**-**	**-**	**-**	(252,260)	-	(252,260)
Deferred revenue	**4,027**	**-**	**4,027**	(10,017)	-	(10,017)
Net cash provided by operating activities	**540,488**	**-**	**540,488**	555,919	-	555,919
Cash Flows From Investing Activities:						
Expenditures for buildings, equipment and improvements	**(876,368)**	**-**	**(876,368)**	(503,115)	-	(503,115)
Proceeds from the sale and maturity of investments	**1,650**	**-**	**1,650**	*67,500*	-	*67,500*
Purchase of investments	**(19,510)**	**-**	**(19,510)**	(17,473)	-	(17,473)
Net cash used in investing activities	**(894,228)**	**-**	**(894,228)**	(453,088)	-	(453,088)
Net (decrease) increase in cash	**(353,740)**	**-**	**(353,740)**	102,831	-	102,831
Cash, at beginning of year	**544,526**	**-**	**544,526**	441,695	-	441,695
Cash, at end of year	**$190,786**	**$ -**	**$190,786**	$544,526	$ -	$544,526

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.

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" 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 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.

1. Cash

Included in cash at December 31, 1998 and 1997 are interest bearing deposits totalling $76,966 and $526,832, respectively, after reducing certain deposits for amounts allocable to Reserve Fund investments.

2. Receivables

Receivables are summarized as follows:

	1998	1997
Account receivable	$129,350	$85,924
Other	-	503
	129,350	86,427
Less reserve for doubtful accounts	10,000	-
	$119,350	$86,427

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 year ended December 31, 1998 and 1997 were as follows:

	1998	1997
Buildings	$5,823,121	$5,641,167
Equipment	2,161,104	1,683,984
Land improvements	1,065,934	961,527
Ice rink	137,961	31,724
Land	14,500	14,500
	9,202,620	8,332,902
Less accumulated depreciation and amortization	4,680,609	4,385,950
Net property and equipment	$4,522,011	$3,946,952

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, 1998 and 1997.

	1998	1997
Plan assets at fair value	**$193,000**	$183,000
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	**$ 98,000**	$ 91,000
Effect of projected future salary increases	**70,000**	26,000
Projected benefit obligation	**$168,000**	$117,000

4. Pension Plan – (continued)

	1998	1997
Fair value of plan assets in excess of projected benefit obligation	**$ 25,000**	$ 66,000
Unrecognized net gain from past experience different from that assumed	**(12,000)**	(12,000)
Unrecognized prior service cost at December 1, 1994 being recognized over 15 years	**28,000**	9,000
Unrecognized net asset at November 30, 1988 being recognized over 20 years	**(41,000)**	(45,000)
Prepaid pension cost	**$ –**	$ 18,000

Net pension cost included the following components:

	1998	1997
Service cost – benefits earned during the period	**$ 22,000**	$ 13,000
Interest cost on projected benefit obligation	**11,000**	9,000
Actual return on plan assets	**(14,000)**	(24,000)
Net amortization and deferral	**(1,000)**	6,000
Net pension cost	**$ 18,000**	$ 4,000

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 1998 and 1997, 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 1998 and 1997. The expected long-term rate of return on assets was 8.0% for 1998 and 1997.

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:

	1998	1997
Certificates of deposit	**$700,000**	$600,000
Repurchase agreements	–	100,000
	$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

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.

7. Related Party Transactions

During 1998 and 1997, the State Fair of Louisiana rented a building for storage from a member of the executive committee.

During 1998, the State Fair of Louisiana acquired certain real property 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.

8. Major Customers and Suppliers

The Fair had no customers during the years ended December 31, 1998 and 1997 that accounted for more than 10% of total sales. The Fair had two suppliers during the year ended December 31, 1998, which accounted from 20% and 16%, respectively, of total purchases. The Fair had one supplier during the year ended December 31, 1997, which accounted for 15% of total sales.

9. Supplemental Cash Flows Information

At December 31, 1998, total Cash and Reserve Funds included $67,592 in one Bank and $100,000 in another Bank in excess of FDIC insurance limits.

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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, 1998 and have issued our report thereon dated February 8, 1999.

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 8, 1999

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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, 1998 and have issued our report thereon dated February 8, 1999.

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, 1998, 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

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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 Bailes & McCullah LLP

Certified Public Accountants

Shreveport, Louisiana
February 8, 1999

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March 16, 1999

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, 1998, 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 are not being reconciled on a monthly basis

During our analysis of property and equipment we noted that certain cash disbursements which had been voided had not been properly reversed out of the various general ledger accounts. In addition, accounts payable are not being reconciled to subsidiary records on a monthly basis. Monthly reconciliation of accounts payable to subsidiary ledgers decreases the risk of misstatement of interim operating results and would also have detected the error sooner. Accordingly, we recommend that accounts payable be reconciled on a monthly basis.

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

Reserve fund deposits

During the year a bank merger resulted in the Fair having more than $100,000 at a financial institution. After being advised of the situation we understand management took the necessary steps to correct the situation. To the extent practical, we recommend that management insure no one financial institution has Fair deposits in excess of the FDIC insurance limit of $100,000.

Management concurred with the finding and will monitor the Fair's investments to be certain this does not happen again.

Internal Control

In planning and performing our audit of the financial statements of the State Fair of Louisiana for the year ended December 31, 1998, 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.

Status of Prior Year Management Letter Comments

The following is the status of our 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 its 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. **Year 2000 Issues**. The Year 2000 poses significant business risks for all businesses. The State Fair of Louisiana is no exception. We noted that during our audit that the Fair addressed some of the areas affected by the year 2000 problem. However we noted that some equipment and software had not been tested to determine if it was year 2000 compliant. One example of software, which requires testing, would be the fixed asset software, which calculates depreciation. We therefore believe management should monitor the situation closely. This monitoring should include the preparation of a detailed inventory of all information systems, operations, manufacturing and diagnostic equipment that could be impacted. This inventory should also include interfaces to internal and external sources and should indicate how the interfaces are performed (Star Tickets.). Management should evaluate the business risk associated with each particular type of equipment and establish a plan to minimize any exposure. All hardware and software should be tested to determine and ensure Year 2000 compliance.

   Management agrees with this recommendation and will take the steps necessary to minimize any negative effects related to the Year 2000 issue.

* * * *

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, Bailes & McClelland, LLP

c: Mr. Ed Powell