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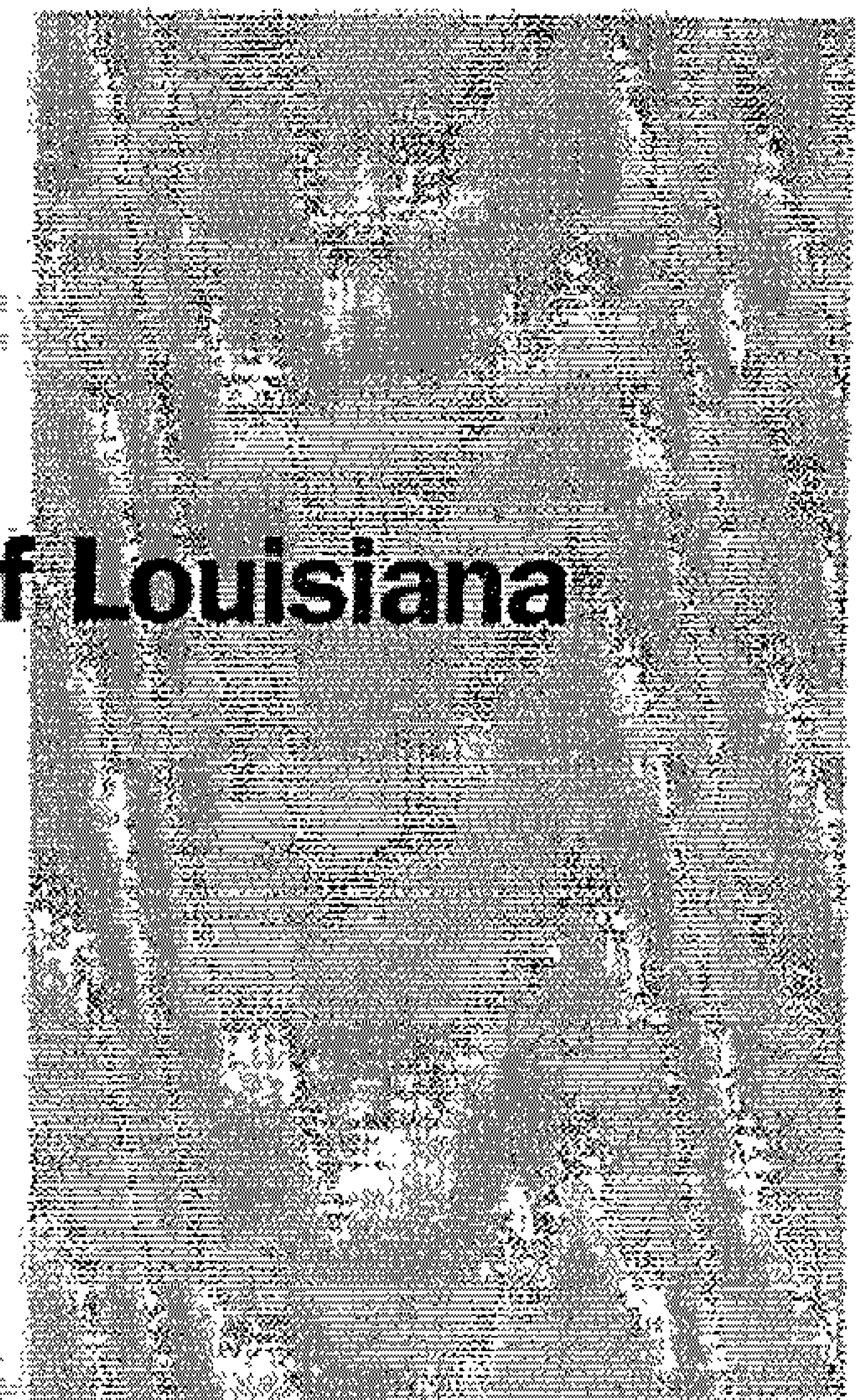
State Fair of Louisiana



Financial Statements
Years Ended December 31, 2003 and 2002

Contents

ROBERTSON, BAILES & MCCLELLAND LLP
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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, 2003 and 2002, 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 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 audits 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, 2003 and 2002, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 16, 2004, on our consideration of State Fair of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Robertson, Bailes & McClelland LLP

February 18, 2004 except for the reports
dated August 16, 2004 on pages 17 through 21

December 31,	2003 Unrestricted	2003 Temporarily Restricted	2003 Total	2002 Unrestricted	2002 Temporarily Restricted	2002 Total
Assets						
Current assets:						
Cash (Notes 1 and 9)	$ 903,611	$ –	$ 903,611	$ 962,549	$ –	$ 962,549
Accounts receivable (Note 2)	240,669	–	240,669	45,456	–	45,456
Prepaid expenses and other	54,455	–	54,455	43,916	–	43,916
Total current assets	1,198,735		1,198,735	1,051,921		1,051,921
Property and equipment, net (Note 3)	2,333,302		2,333,302	3,635,346		3,635,346
Long-term investments (Note 6)	301,075		301,075			
Reserve fund investments (Notes 5 and 6)		700,000	700,000		700,000	700,000
Other assets (Notes 6 and 7)	226,012		226,012	159,611		159,611
	$4,059,124	$700,000	$4,759,124	$4,846,878	$700,000	$5,546,878

State Fair of Louisiana

Statements of Financial Position

	2003			2002		
December 31,	**Unrestricted**	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	$ 315,326	$ -	$ 315,326	$ 141,749	$ -	$ 141,749
Deferred income	5,050	-	5,050	2,300	-	2,300
Total current liabilities	320,376		320,376	144,049		144,049
Deferred compensation (Note 7)	196,845	-	196,845	127,111	-	127,111
Total liabilities	517,221	-	517,221	271,160	-	271,160
Commitments and contingencies (Note 7)						
Net Assets:						
Unrestricted	3,541,903	-	3,541,903	$4,575,718	-	$4,575,718
Temporarily restricted (Note 5)	-	700,000	700,000	-	700,000	700,000
Total net assets	3,541,903	700,000	4,241,903	4,575,718	700,000	5,275,718
	$4,059,124	$700,000	$4,759,124	$4,846,878	$700,000	$5,546,878

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

State Fair of Louisiana

Statements of Activities

	2003			2002		
Years Ended December 31,	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Fair	$ 1,863,304	$	$1,863,304	$1,654,710	$ -	$1,654,710
Off-season	1,433,738		1,433,738	1,045,675	-	1,045,675
Other	66,422		66,422	64,304	-	64,304
Total revenue	3,363,464		3,363,464	2,764,689		2,764,689
Expenses:						
Fair	1,311,106		1,311,106	1,375,477		1,375,477
Off-season	1,642,717		1,642,717	1,308,070		1,308,070
Depreciation (Note 3)	1,443,456		1,443,456	365,651		365,651
Total expenses	4,397,279		4,397,279	3,049,198		3,049,198
Decrease in net assets	(1,033,815)		(1,033,815)	(284,509)		(284,509)
Net assets, beginning of year	4,575,718	700,000	5,275,718	4,860,227	700,000	5,560,227
Net assets, end of year	$ 3,541,903	$700,000	$4,241,903	$4,575,718	$700,000	$5,275,718

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

Statements of Cash Flows

	2003			2002		
Years Ended December 31,	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Cash Flows From Operating Activities:						
Increase (decrease) in net assets from operations	$(1,033,815)	$ -	$(1,033,815)	$(284,509)	$	$(284,509)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:						
Depreciation	1,443,456		1,443,456	363,151		363,151
Loss on retirement of assets	4		4	159		159
Deferred compensation	69,734		69,734	(2,099)		(2,099)
Change in operating assets and liabilities:						
Accounts receivable	(195,213)		(195,213)	90,877		90,877
Prepaid expenses and other	(10,539)		(10,539)	615		615
Accounts payable and accrued expenses	173,577		173,577	87,015		87,015
Deferred income	2,750		2,750	(2,123)		(2,123)
Net cash provided by operating activities	449,954		449,954	253,086		253,086
Cash Flows From Investing Activities:						
Expenditures for buildings, equipment and improvements	(138,073)		(138,073)	(137,820)		(137,820)
Proceeds from sale of assets	-		-	2,239		2,239
Proceeds from redemption of short-term investments	200,000		200,000	200,904		200,904
Purchase of investments	(570,819)		(570,819)	(30,401)		(30,401)
Net cash provided by investing activities	(508,892)		(508,892)	34,922		34,922
Net increase in cash	(58,938)		(58,938)	288,088		288,088
Cash, at beginning of year	962,549		962,549	674,541		674,541
Cash, at end of year	$ 903,611	$ -	$ 903,611	$ 962,549	$ -	$ 962,549

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. Accordingly, the Fair is heavily dependent on the local community and the health of the local economy in which it operates.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 1986 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, with an original or remaining maturity of three months or less, to be cash equivalents. Highly liquid debt instruments with remaining lives in excess of three months are classified as short-term investments.

1. Cash

Included in cash at December 31, 2003 and 2002 are interest bearing deposits totalling $674,671 and $919,042, respectively.

2. Receivables

Receivables are summarized as follows:

	2003	2002
Account receivable	$240,669	$55,456
Less reserve for doubtful accounts		10,000
	$240,669	$45,456

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, 2003 and 2002 were as follows:

	2003	2002
Buildings	$5,619,874	$5,542,852
Equipment	2,480,573	2,419,516
Land improvements	1,124,489	1,124,489
Ice rink	287,332	287,332
Land	14,500	14,500
	9,526,768	9,388,689
Less accumulated depreciation and amortization	7,193,466	5,753,343
Net property and equipment	$2,333,302	$3,635,346

3. Property and Equipment - (continued)

In 2000, the CenturyTel Center in Bossier City, Louisiana (the "Center") began booking events in competition with the Hirsch Coliseum ("The Hirsch"), owned by the Fair. Since that time, major acts coming into the Shreveport-Bossier area have gravitated to the newer Center. As a result, Hirsch Coliseum revenue and net income have decreased substantially, bringing into question the recoverability of The Hirsch's remaining book value of $1,381,644 over it's remaining life. Based on an analysis of the estimated net cash flow of The Hirsch in the foreseeable future, management estimates the net recoverable cost of The Hirsch is approximately $300,000. Pursuant to Statement of Financial Accounting Standards 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the difference between the net book value of a long-lived asset and its fair market value based on the estimated undiscounted future net cash flows represents an impairment of the asset to be recognized when such an impairment arises. Accordingly, included in depreciation for the year ended December 31, 2003 is $1,081,644 related to the impairment of The Hirsch.

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.

4. 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, 2003 and 2002.

Pension Benefits

	2003	2002
Funded status	$(109,000)	$(113,000)
Unrecognized actuarial loss	91,000	98,000
Adjustment to recognize accumulated benefit	-	(21,000)
Unrecognized net asset	(21,000)	(25,000)
Unrecognized prior service cost	13,000	16,000
Net amount recognized	$ (26,000)	$ (45,000)

Amounts recognized in the balance sheets:		
Prepaid/(accrued) benefit cost	$ (26,000)	$ (45,000)
Net amount recognized	$ (26,000)	$ (45,000)
Accrued benefit obligation (ABO)	$299,000	$289,000
Information for pension plans with an accumulated benefit obligation in excess of plan assets:		
Project benefit obligation	$383,000	$357,000

(Continued)

4. Pension Plan – (continued)

Pension Benefits

	2003	2002
Accumulated benefit obligation	**$299,000**	$289,000
Fair value of plan assets	**$274,000**	$244,000

Additional information:		
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	**6.50%**	6.50%
Expected long-term return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**3.00%**	3.00%

Plan Assets

Pension plan weighted-average asset allocations at December 31, 2003 and 2002, by asset category are as follows:		
Equity securities	**42.87%**	44.00%
Debt securities	**53.73%**	52.10%
Cash & other	**3.40%**	3.90%
Total	**100.00%**	100.00%

Over time, the Plan's investment policy is to allocate 40% to stocks and 60% to bonds. This strategy is expected to produce a reasonable rate of investment return over the long-term commensurate with an acceptable risk level.

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.

6. Investments

Short-term and Reserve Fund are stated at cost, which is deemed to approximate market value. Other assets represent the balance in the Rabbi Trust and are composed of money market and mutual fund investments. Investments are as follows at December 31, 2003 and 2002:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2003				
Short-term investments				
United States Treasury note maturing October 15, 2008	$301,075			$301,075
Reserve fund investments				
Certificates of deposit	$700,000			$700,000
Other assets				
Fixed income mutual funds	$ 52,577	-	$ 1,490	$ 54,067
Equity mutual funds	68,455	-	15,359	83,814
International equity mutual funds	10,709	-	2,740	13,449
Money market funds	5,515	-	-	5,515
Cash	40,000	-	-	40,000
	$177,256		$19,589	$196,845

6. *Investments* - (continued)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2002				
Reserve fund investments				
Certificates of deposit	$700,000			$700,000
Other assets				
Fixed income mutual funds	$ 36,967		$ 582	$ 36,385
Equity mutual funds	80,920		8,674	72,246
Money market funds	18,480		-	18,480
	$136,367		$9,256	$127,111

Substantially all investments in the Reserve Fund are invested in bank certificates of deposit. Total coverage of these certificates of deposit is $700,000.

The following summarizes investment return and its classification in the financial statements:

	2003	2002
Interest and dividend income	**$34,908**	$ 64,805
Realized gain (loss) on sale of securities	**192**	(18,677)
Unrealized gain on securities	**29,518**	823
	$64,618	$ 46,951

7. Commitments and Contingencies

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 1, 2006. 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.

The Fair has invested in mutual funds to assist in funding the benefits under the agreement. The mutual funds are in an irrevocable trust and are presented in the accompanying statements of financial position because they are available to the general creditors of the Fair in the event of the Fair's insolvency. The investment balance (including a $40,000 cash deposit made December 31, 2003) was $196,845 and $127,111 at December 31, 2003 and 2002, respectively.

From time to time, in the normal course of business, the Fair is involved in various matters of litigation. Management does not believe the ultimate outcome of any such matters will be material to the financial statements of the Fair.

8. Major Customers and Suppliers

The Fair had no customers during the years ended December 31, 2003 and 2002 that accounted for more than 10% of total sales. The Fair had one supplier during the years ended December 31, 2003 and 2002 that accounted for 11% and 18% of total purchases, respectively.

9. Supplemental Cash Flows Information

At December 31, 2003, total cash consisted of the following: $388,860 in change funds (including undeposited Independence Bowl Funds of approximately $379,000) and $699,696 in demand deposits or short-term certificates of deposit that exceed Federal depository insurance limits. These amounts do not reflect any adjustment for checks issued which have not yet cleared the bank.

10. Related Party Transactions

The Fair, from time to time, engages in transactions with related parties, which management believes are on terms no less favorable than could be negotiated with other entities. During 2003 and 2002, the Fair invested in deposits with a credit union, the director of which is a member of the board of directors. Those deposits totalled approximately $352,000 in 2003 and $251,000 in 2002.

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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, 2003 and have issued our report thereon dated February 18, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the following instance of noncompliance that is required to be reported under *Government Auditing Standards.*

Instance of Noncompliance

Failure to comply with state law

The Fair failed to comply with state law (LA R.S.: 24:513) since the annual report for the year ended December 31, 2003 was not submitted to the Louisiana Legislative Auditor's Office until after June 30, 2004, the statutory date.

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Reason for Noncompliance

Management believes the Fair does not fall under the reporting requirements of Louisiana State Audit law. Accordingly, management felt it appropriate to seek release from requirements to file the Fair's annual audit with the Louisiana Legislative Auditor. The Legislative Auditor denied this request due to a lack of new information and management agree after June 30, 2004 to provide the required information

Management's Plan of Corrective Action

We agree with this finding and will ensure that all future required reports will be filed. 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.

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 & McClelland LLP

Certified Public Accountants

Shreveport, Louisiana
August 16, 2004

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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, 2003 and have issued our report thereon dated February 18, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America. 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, 2003, 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. 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. However, we noted the following matter involving internal control and its' operation that we consider to be a material weakness as defined above.

Credit card statement should be referenced to underlying invoices

In the course of our audit testing of fixed assets, we found that one vendor was overpaid $9,043.00 for metal building constructed on the fairgrounds. This happened due to the vendor requiring payment via credit card of the deposit amount of $9,043.00, and later the balance due, prior to shipping the materials to the Fair. Subsequently, the vendor billed for the entire amount of the building without referencing the payment by credit card. The invoice was then paid in full. Requiring credit card statements to be referenced to underlying documentation would have highlighted the payment of the invoice prior to its overpayment.

Management Corrective Action Plan

We agree with the cause and effect giving rise to this comment and are pleased to report the overpayment was recovered from the vendor. All future credit card charges will require management verification prior to approval.

A Log of premium checks issued should be maintained for greater accountability

We noted there were several checks missing in our testing of the "Livestock Premium Checking Account." While none of the premium checks are individually significant, the inability to fully account for any checks rise to the possibility of misappropriation of assets. The primary reason for the situation is the issuance of the checks away from the main accounting department and the possibility of loss or destruction during transfer.

We suggest the system be reviewed to more tightly control the transfer and issuance of checks.

Management Corrective Action Plan

In the future all checks witll be issued out of the accounting department with control of the checks following the same procedures as operating account disbursements.

Status of Prior Year Management Letter Comments

Check signing policies - During our testing of cash disbursements we found one check, dated February 15, 2003 for an amount in excess of $10,000 that had only one signature. We subsequently reviewed substantially all other checks equal to or greater than $5,000 and found no other exceptions.

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, Bailey & McClelland LLP

Certified Public Accountants

Shreveport, Louisiana
August 16, 2004