



J. TYLER McCaULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 14, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY FAIR ASSOCIATION AUDIT REPORT FOR
THE YEAR ENDED DECEMBER 31, 2005**

In 1988, the County entered into a Ground Lease and Operating Agreement (Agreement) with the Los Angeles County Fair Association (Association) for the Association to use and develop the County Fairgrounds (Fairgrounds). The Agreement requires the Association to pay rent to the County based on the Association's gross revenues from the use of the Fairgrounds. We contracted with a private Certified Public Accounting firm, Mayer Hoffman McCann P.C. (MHM), to audit the rent paid to the County by the Association for the year ended December 31, 2005.

MHM concluded that the Association overpaid the County \$1,464 for the year ended December 31, 2005. The overpayment is the net result of the following audit findings:

- The Association inadvertently reported some racing, and food and beverage receipts as Interim (non-Fair revenue) revenues, when they should have been reported as Fair revenues. Because the rent for Interim revenues is 3.5%, and the rent for Fair revenues is 1%, the Association's reporting error resulted in an overpayment to the County of \$2,374.
- The Association earned \$26,000 in advertising revenue during "non-Fair time," but did not include it in the County Lease Calculation. Under the Agreement, advertising revenue from "non-Fair time" must be included in the calculation. The

Board of Supervisors

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Association's misclassification of this revenue resulted in an underpayment to the County of \$910.

The \$2,374 overpayment and \$910 underpayment result in the net overpayment to the County of \$1,464 for the year ended December 31, 2005.

In their audit of the Association for 2004, MHM reported that the Association had overpaid the County a net of \$5,466. MHM noted in their current review that the Association had recovered the overpayment from the County.

Please call if you have any questions, or your staff may contact Terri Kasman at (626) 293-1121.

JTM:MMO:JLS:TK

H:\Fair Association Board Letter.doc

Attachments

c: David E. Janssen, Chief Administrative Officer

Los Angeles County Fair Association

Jim Henwood, President

Michael D. Seder, Vice President and Chief Financial Officer

Karen Furlow, Controller

Public Information Office

Audit Committee

COUNTY OF LOS ANGELES

**Independent Accountant's Report
On Applying Agreed Upon Procedures**

**Lease Year 2005 – Chief Administrative
Office County Fair Association**

**For the period January 1, 2005
through December 31, 2005**



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Hoffman
McCann P.C.**
An Independent CPA Firm



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Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Los Angeles, California

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

On January 20, 1988, the County of Los Angeles (County) entered into a Ground Lease and Operating Agreement (Agreement) with the Los Angeles County Fair Association (Association) for the use and development of the Los Angeles County Fairgrounds. The Agreement requires that the Association to pay rent to the County. The rent payable is calculated by using gross revenues derived from the use of the property and received by the Association during a lease year. To determine the annual rent, the Association prepares a "Year to Date County Lease Calculation" which summarizes the gross revenues received during that lease year, and calculates the rent amount, in accordance with the Agreement.

We have performed the procedures enumerated below, which were agreed to by the County of Los Angeles, solely to assist County management in evaluating the Los Angeles County Fair Association's compliance with the Ground Lease and Operating Agreement, the First Amendment to the Ground Lease and Operating Agreement (First Amendment), dated January 28, 2000, and the Second Amendment to the Ground Lease and Operating Agreement (Second Amendment), dated September 30, 2003, between the County and the Association for the period January 1, 2005 through December 31, 2005. This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

SUMMARY OF RESULTS

The procedures performed and the results of those procedures are identified below in detail. The following is a summary of the more significant items noted as a result of those procedures.

- For Lease Year 2005, we noted two areas where our procedures required us to make adjustments to the rent calculation that was submitted by the Fair Association. A certain revenue reduction reported on the Lease Calculation did not appear to qualify as a revenue exemption under the Lease Agreement. We also noted that the Association misclassified certain revenues that should have been reported as Fair revenues. The net effect is an overpayment of rent by the Fair Association of \$1,464. The overpayment is summarized as follows:

Adjustment to include certain advertising revenue (\$26,000 * 3.5%)	\$ 910
Adjustment to reclassify certain revenue from interim (3.5%) revenues to Fair (1%) revenues	<u>(2,374)</u>

Amount over paid by the Fair Association as of June 9, 2006 \$ (1,464)
For additional details, please see items 4 and 7.

- As reported in the 2004 report, certain revenues earned by the Fair Association were not considered to meet the definition of “gross revenues” as defined in the lease agreement, and accordingly, were not included as part of the County Lease Calculation. The revenues in particular are from three entities - two subsidiaries of the Fair Association (Barretts and Cornucopia), and the Hotel, which is owned by the Fair Association. Gross revenues earned by subsidiaries (i.e. Cornucopia) are not included in the Lease Calculation, but rents received from these subsidiaries and paid to the Fair Association are included in the Lease Calculation. The treatment of subsidiary revenue and Hotel revenue is unclear in the lease agreement. It is the opinion of the Chief Administrative Office (CAO) that the Fair properly excluded the gross revenues earned by the Hotel, Barretts and Cornucopia when preparing the County Lease Calculation. Since the CAO has agreed that these revenues are not to be included, the definition of gross revenues may need to be clarified, in writing, to specifically address the intentions of both the CAO and the Fair.
- For the significant items identified in the prior report, 2004 Lease Year, we ascertained the current status of these items.
 - a. It was determined that the Association owed the County additional rent of \$954. Subsequent to June 9, 2006, County received the additional rent of \$954 from the Association.
 - b. It was determined that the Fair Association overpaid the County \$6,420 in regard to the accounting of certain freeway sign revenue. The Fair Association addressed this overpayment by reducing the 2005 lease payment by \$6,420.
 - c. There was a recommendation to clarify the definition of gross revenues. The recommendation had not been implemented as of June 9, 2006 and was repeated in the 2005 Lease Year report. However, subsequent to June 9, 2006, the County and the Association have agreed on the clarification of gross revenues, as described below.
 - d. The internal control recommendation regarding cash receipts was fully implemented by the Association as of June 2, 2006.

Our procedures and findings are as follows:

COUNTY LEASE CALCULATION

1. We obtained a copy of the most recent Lease Agreement, dated January 20, 1988, the First Amendment, dated January 28, 2000, and the Second Amendment, dated September 30, 2003, between the County and the Association. We read the agreement and the amendments to gain an understanding of the revenue categories to be included and excluded in gross revenues for the calculation of rent.

We obtained a copy of the 2005 Year to Date Lease Calculation Schedule (Lease Calculation Schedule) that was prepared by the Association in April 2006 (Exhibit 1). We recalculated the information contained on the Lease Calculation Schedule to determine if the form was mathematically correct. We footed and cross footed all subtotals and totals, and recalculated the rent payment for each revenue type.

Results: We noted no exceptions as a result of our procedures.

2. We obtained a copy of the Association's 2005 trial balance for all revenue accounts. We compared total revenue reported on the Lease Calculation Schedule to the total revenue per the 2005 trial balance. We also compared all individual revenue line items on the Lease Calculation Schedule over \$2,000,000 to the corresponding revenue accounts in the 2005 trial balance.

Results: We noted no exceptions as a result of our procedures.

3. We obtained the Association's 2005 Annual Report prepared by the Association's independent auditor, Grant Thornton, L.L.P., and compared total revenues per the audited financial statements to the gross revenues on the Lease Calculation Schedule.

Results: Total revenues per the financial statement and the lease calculation schedule were \$68,447,232 and \$47,134,470, respectively. The difference between amounts reported on the lease calculation schedule and the audited financial statement is summarized as follows:

Total revenues per audited financial statement	\$68,447,232
Add:	
Intercompany eliminations	1,816,134
Less:	
Hotel revenue	11,351,148
Barretts revenue	3,816,356
Interest revenue	330,236
Cornucopia revenue	6,393,139
Gain on interest swap	<u>1,238,017</u>
Total revenues reported on the Lease calculation schedule	<u>\$47,134,470</u>

Gross revenues earned by Cornucopia Foods, Inc. and Barretts (subsidiaries of the Fair Association) and the Hotel are not included as part of the County Lease Calculation. According to the Fair Association, the gross revenue earned by these entities (Cornucopia, Barretts and the Hotel) is not considered to meet the definition of gross revenues per the Lease Agreement, and therefore are not part of the County Lease Calculation. This treatment is consistent with prior years. Cornucopia and Barretts do pay rental income to the Fair, which is appropriately included in the County Lease Calculation.

Upon reading the definition of gross revenues per the Lease Agreement, it appears that revenues earned by Cornucopia, the Hotel and Barretts may satisfy the definition of gross revenues as outlined in the Lease Agreement: "gross revenues shall mean and include any and all money and cash receipts, including but not limited to admissions; gross charges; sales; rentals; fees; commissions; and in kind payments, assets, property or other things of value, made or received in lieu thereof, received by the Fair Association from use of the property..." Revenues earned by the Hotel, Barretts and Cornucopia were "received by" the Fair Association, and were "from the use of the property".

It is the opinion of the Chief Administrative Office (CAO) that the Fair properly excluded the gross revenues earned by the Hotel, Barretts and Cornucopia. Since the CAO has agreed that these revenues are not to be included, the definition of gross revenues may need to be clarified to specifically address the intentions of both the CAO and the Fair.

We had previously recommended that the County consider amending the lease agreement (or at a minimum prepare a letter of correspondence) to clarify the definition of gross revenues to specifically address the inclusion or exclusion of the gross revenues earned by Cornucopia, the Hotel and Barretts. As of June 9, 2006, the recommendation had not been implemented. Subsequent to June 9, 2006, the County Counsel reviewed and approved the CAO's letter of understanding which clarifies the definition of "Gross Revenues" per the Agreement. The Fair Association reviewed the letter of understanding and had no objections.

4. In accordance with the Agreement, the Fair Association segregated Fair Revenue from Interim (non-fair) Revenue. The annual lease payment is calculated using 1% for fair revenues and 3.5% for interim revenues. We obtained an understanding of the methodology used in classifying Fair Revenues versus Interim Revenues on the Lease Calculation Schedule. The classifications are based on specific revenue accounts reflected in the trial balance. We selected all gross revenue line items over \$2,000,000 and recalculated the portions allocated to fair revenue and interim revenue.

Results: We noted that certain racing revenues and certain food and beverage revenues were inadvertently reported as interim revenues when they should have been reported as Fair revenue in the amounts of \$74,499 and \$20,483, respectively. This resulted in an overpayment by the Association of \$2,374.

The overpayment is calculated as follows:

	<u>Revenue Amounts</u>		<u>Fair Revenue Rent</u>		<u>Non-Fair Revenue Rent</u>	<u>Total County Lease</u>
Racing	\$ 4,808,462	1%	48,085	3.5%	-	48,085
Food & bev	3,863,135	1%	38,631	3.5%	-	38,631
Food & bev	1,924,053	1%	-	3.5%	67,342	<u>67,342</u>
						Total that should have been paid
						154,058
						Less amount calculated by Association
						<u>156,432</u>
						Amount overpaid by Association
						<u>\$ 2,374</u>

To summarize the effect of the above adjustments, we revised the Fair Association's "Year to Date County Lease Calculation." This revised calculation is documented in Exhibit 2.

5. For the more significant gross revenue categories, we performed specific tests to ascertain whether selected revenue entries were in agreement with the appropriate supporting documentation and properly recorded in the trial balance (posted to the correct account). Our specific tests are described as follows:

- A. **Admissions** – We reviewed the Admissions, Parking and Carnival Revenue Report (Revenue Report), which summarized revenues for the entire Fair period of twenty one days. We compared the summary revenue report to the daily Revenue Reports. In addition, we compared the totals from the Revenue Reports to the trial balance.

Results: We noted no exceptions as a result of our procedures.

We selected four days from the daily Revenue Reports (9/9/05, 9/17/05, 9/24/05 and 10/1/05). We obtained the Admission Summaries and compared the actual cash received per summaries to the amount reported on the daily Revenue Reports.

Results: We noted no exceptions as a result of our procedures.

- B. **Food and Beverage Sales** – We selected two individually significant cash receipts posted to the General Ledger Detail to determine if amounts were properly recorded as Fair Revenue. We obtained details for the concession deposits posted on 8/16/05 and 10/1/05. From the details of the deposits, we also agreed four of the individually significant amounts to cash receipt records and obtained concession contracts for vendors to ensure that the term of the occupancy was during the Fair period.

Results: We noted no exceptions as a result of our procedures.

- C. **Parking** – We selected four days from the daily Revenue Reports (9/9/05, 9/17/05, 9/24/05 and 10/1/05) and obtained the Parking Summaries for those four days. From the Parking Summaries, we selected the significant parking attendant revenue-amounts and obtained the individual “Parking Salesman’s Daily Reports” (Daily Reports). We compared the amounts per the Daily Reports to the amounts reported on the daily Parking Summaries.

Results: We noted no exceptions as a result of our procedures.

- D. **Fair Sales** – We selected two individually significant cash receipts posted to the General Ledger Detail to determine if amounts were properly recorded as Fair Revenue. We obtained details for the commercial deposits posted on 7/12/05 and 8/1/05. From the details of the deposits, we also agreed four of the individually significant amounts to cash receipt records, and obtained concession contracts for vendors to ensure that the term of the occupancy was during the Fair period.

Results: We noted no exceptions as a result of our procedures.

6. We obtained the General Ledger Detail dated January 1, 2005 through December 31, 2005 for the following accounts: Admissions (Department 30), Food & Beverage (Department 34), Parking (Department 25), Fair Sales (Department 52), and Racing (Department 60). We compared the total revenues per the General Ledger Detail to the Association's Lease Calculation Schedule.

Results: We noted no exceptions as a result of our procedures.

7. For all adjustments identified on the Lease Calculation Schedule, we obtained the general ledger detail and cash receipt records, and reviewed the lease agreement to determine if adjustments made to gross revenues were allowable exclusions in accordance with the lease agreement.

Results: We found that adjustments were properly excluded and supported except for the following, which resulted in an underpayment of rent in the amount of \$910.

Per Article 3.07.a. of the Ground Lease and Operating Agreement, "advertising or promotional considerations received in connection with the operation of the Fair" is excluded from the calculation of gross revenues. Total advertising revenue of \$26,000 received during the non-fair time should not have been excluded from the Lease Calculation.

The additional amount due is calculated as follows:

	<u>Revenue Amounts</u>	Fair <u>Revenue Rent</u>	Non-Fair <u>Revenue Rent</u>	Amount Due To County
Sponsorship	\$ <u>26,000</u>	1% -	3.5% <u>910</u>	<u>910</u>
Total	\$ <u>26,000</u>	<u>-</u>	<u>910</u>	<u>910</u>

To summarize the effect of the above adjustments, we revised the Association's "Year to Date County Lease Calculation." This Accountant revised calculation is documented in Exhibit 2.

TESTING OF WEEKEND NET REVENUES

8. We obtained a copy of the First Amendment to the Ground Lease and Operating Agreement, dated January 28, 2000 between the Association and the County. In accordance with the Amendment, the Association is entitled to receive a credit against the Lease Year 2005 rent in an amount equal to the lesser of \$200,000, or a sum equal to the Projected Weekend Event Net Revenue, less actual Weekend Event Net Revenue, realized by the Association. Per the work order, the Projected Weekend Event Net Revenue for 2005 was \$9,874,632. The actual Weekend Event Net Revenue for 2005 reported by the Association was \$6,043,401.

We read the amendment to determine which events are to be included and excluded in weekend events net revenues for the calculation of the available rent credit. We obtained a copy of the Association's Summary of Weekend Event Net Revenue. This Summary was a six page excel document that identified all weekend events that occurred during 2005. The total weekend event net revenue per the Summary was \$6,043,401. We compared the events included in the calculation of weekend event net revenues to a separate listing of actual weekend events held during 2005 and ascertained if five of the weekend events held were properly included or excluded.

Results: We noted no exceptions as a result of our procedures.

9. We obtained the trial balance by project and compared the total net revenues to the Association's Summary of Weekend Event Net Revenue.

Results: We noted no exceptions as a result of our procedures.

10. As stated in the First Amendment to the Ground Lease and Operating Agreement, dated January 28, 2000, Section 1(a), if Actual Weekend Event Net Revenues do not meet or exceed Projected Weekend Event Net Revenues for lease year 2005, the Association is allowed to apply a rent credit to reduce the amount of rent owed to the County for the use of the fair property. The available credit is an amount equal to the lesser of \$200,000 or a sum equal to the Projected Weekend Event Net Revenue less Actual Weekend Event Net Revenue realized by the Fair Association for the Lease Year in question. We recalculated the 2005 Weekend Event Net Revenue and the 2005 Rent Credit Schedules to determine if the rent credit was properly taken.

Results: We noted no exceptions as a result of our procedures. The Association qualifies for the 2005 Rent Credit of \$200,000. See Exhibit 4 for the calculation.

11. We obtained an understanding of the methodology used to determine "Projected Weekend Event Net Revenues" and "Actual Weekend Event Net Revenues". We then ascertained whether Actual Weekend Event Net Revenues were "computed in a manner consistent in all respects with the calculation of Projected Weekend Event Net Revenues" as required per Section 15.19 of the agreement.

Results: We noted no exceptions as a result of our procedures.

12. To arrive at a Weekend Event Net Revenue amount of \$6,043,401, the Association excluded certain net revenue earned from "weekend" events that took place on a day other than Friday, Saturday, or Sunday. "Weekend" event is defined by the Fair Association as any event held during any day of the week. This is in accordance with the Amendment and was evidenced on the Summary of Weekend Event Net Revenue with a separate column, Week Day Exclusions. The total of this exclusion column was \$1,505,904.

We obtained the Weekend Events Actual Net Revenue Schedule and recalculated five of the amounts reflected in the Weekday Exclusions column to determine if the correct amount was properly excluded.

Results: We noted no exceptions as a result of our procedures.

RENT PAYABLE TO COUNTY

13. We compared the total payment made to the total rent calculated by the Association for the period January 1, 2005 through December 31, 2005.

Results: Our calculation of the 2005 rent owed to the County as of June 9, 2006 is as follows:

	<u>Percentage per Agreement</u>	<u>Net Revenues</u>	<u>Rent</u>
Fair revenue	1%	\$28,094,435	280,944
Interim revenue	3.5%	<u>14,189,152</u>	<u>496,621</u>
Subtotal		<u>\$42,283,587</u>	777,565
Less: Allowable credit			<u>(200,000)</u>
2005 Rent			577,565
Less reduction for 2004 overpayment			(6,420)
Rent paid to the County on April 27, 2006			<u>(572,609)</u>
Rent owed to the County as of June 9, 2006			<u>\$ (1,464)</u>

14. We obtained a copy of the check paid to the County and reviewed Article 3, Section 3.01 and 3.06 of the Agreement to ascertain that remittance was required to be submitted on or before May 1.

Results: We noted no exceptions as a result of our procedures.

15. If there was an additional amount owed to the County, we determined if the additional amount due exceeded five percent (5%) of the total that should have been paid. Article 14.13c, paragraph 2 of the lease agreement states that "if the additional amount due exceeds 5% of the total amount that should have been paid as determined...Fair Association shall also pay the cost of the audit."

Results: We noted no exceptions as a result of our procedures.

OTHER PROCEDURES

16. We obtained the Balance Sheet for the period ended December 31, 2005, the Advance Deposits schedule that tracks unearned income throughout the year and the General Ledger detail for the Unearned Income account. We compared the detail of the total amount of unearned income at December 31, 2005 to the Advance Deposits schedule and verified that amounts recorded in the unearned income account pertained to monies received in advance for future events.

Results: We noted no exceptions as a result of our procedures.

17. To ensure that 2005 revenues were applied in a manner consistent with the prior year, we compared current year net revenues (fair and interim) to prior year net revenues. Our specific tests are described as follows:

A. For fluctuations greater than \$100,000 and 15%, we inquired with Association management as to the cause for such fluctuation.

Results: The following line items had fluctuations that warranted an explanation from management:

	<u>Net Current Year (2005)</u>	<u>Net Prior Year (2004)</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Interim Revenue:				
Training	\$ 2,053,796	1,704,847	348,949	20% A
Year sales	3,061,875	2,628,391	433,484	16% B
Fair Revenue:				
Grand stand	\$903,071	640,634	262,437	41% C

A. Fair management indicated that an agreement was entered between the Association and Southern California Off-Track Wagering, Inc. (SCOTW, Inc.) to reimburse the Fair Association for certain costs directly arising from the provision of off track stabling of thoroughbred race horses. Per inquiry with Management, the increase is due to increase in contract terms from the prior year.

B. Fair management indicated that this account represents the building rentals for the year round events. There was an increase from the prior year as a result of increased rates and shows in the current year compared to the prior year.

C. Fair management indicated that this account represents concert ticket admission held from Thursdays through Sunday. In the prior year, the Fair was open from Friday through Sunday for three weeks. However, in the current year, it was changed to Wednesday through Sunday, extending to four weekends. Therefore, there were four more concert days.

STATUS OF PRIOR COMMENTS

18. In prior years, we gained an understanding of the flow of transactions and collection procedures over certain Association's revenue sources. Through meetings with appropriate personnel, we ascertained the flow of information for the admissions and commercial/concessions revenue areas. For the current lease year, we determined the status of our recommendation to have an individual in the Supervisory level not involved in the cash receipts process, maintain a log of pre-numbered receipts and that all receipts should be reconciled for any missing or out of sequence receipts. This segregation of duties would enhance controls to reduce or eliminate any individuals from issuing cash receipts, but not turning in the money.

Results: The Association had fully implemented the procedures in late December 2005.

19. As a result of our procedures for Lease Year 2004, we had indicated that the Association made a net overpayment to the County in the amount of \$5,466. We inquired about the status of payment.

Results: The Association remitted their 2005 rent payment on April 27, 2006 net of \$6,420 overpayment. Subsequent to June 9, 2006, the Association remitted \$954 owed for certain non-fair time advertising revenue.

SECOND AMENDMENT

20. Pursuant to the Ground Lease, portions of the property, while not being used by the Fair Association, may be used by the Los Angeles County Sheriff ("Sheriff") for departmental training purposes. In accordance with the Second Amendment, the Sheriff may direct the Fair Association, on an annual basis, to perform maintenance and repair work that does not exceed \$55,000 in aggregate, unless approved by the Board of Supervisors.

We inquired with the Fair Association in regard to the amount of funds received from the Sheriff for maintenance and repair work performed as a result of the Second Amendment.

Results: Based upon the inquiry, the Association did not receive any funds from the Sheriff since the Sheriff did not send them an itemized list of work to be performed.

* * * * *

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the County and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Mayor Hoffman McCauley A.

June 9, 2006

Los Angeles County Fair Association

Year to Date County Lease Calculation - December 2005

Exhibit I

Prepared by the Association in April 2006

	Total Revenue	Fair Revenue	Less Revenue	Net Revenue	%	Fair Calc County Lease	Non Fair Revenue	Less Revenue	Net Revenue	%	Not-fair calc. County Lease	Total County Lease
admin	1,810,580.33	132,171.54	(88,250.60)	43,920.94	1.00%	439.22	1,678,408.79	(1,601,275.46)	77,133.33	3.5%	2,699.67	3,138.88
communication	60.00	-	-	-	1.00%	-	60.00	-	60.00	3.5%	2.10	2.10
facilities	162,027.63	-	-	-	1.00%	-	162,027.63	-	162,027.63	3.5%	5,670.97	5,670.97
parking	6,375,151.87	3,141,779.25	-	3,141,779.25	1.00%	31,417.79	3,233,372.62	-	3,233,372.62	3.5%	113,168.04	141,585.83
trans	80,650.05	-	-	-	1.00%	-	80,650.05	(70,856.68)	9,793.37	3.5%	342.77	342.77
admissions	6,865,628.75	6,865,628.75	-	6,865,628.75	1.00%	68,656.29	-	-	-	3.5%	-	68,656.29
cred/badgs ctr	137,601.00	-	-	-	1.00%	-	137,601.00	-	137,601.00	3.5%	4,816.04	4,816.04
food & bev	5,787,187.36	3,842,651.45	-	3,842,651.45	1.00%	38,426.51	1,944,535.91	-	1,944,535.91	3.5%	68,058.76	106,483.27
fairview farms	29,540.00	29,040.00	-	29,040.00	1.00%	290.40	500.00	-	500.00	3.5%	17.50	307.90
exhibits	343,712.73	343,712.73	-	343,712.73	1.00%	3,437.13	-	-	-	3.5%	-	3,437.13
yr sales	3,061,875.34	-	-	-	1.00%	-	3,061,875.34	-	3,061,875.34	3.5%	107,165.64	107,165.64
fair sales	5,124,958.59	5,124,958.59	-	5,124,958.59	1.00%	51,249.59	-	-	-	3.5%	-	51,249.59
adv sales	2,772,453.56	2,771,453.56	-	2,771,453.56	1.00%	27,714.54	1,000.00	-	1,000.00	3.5%	35.00	51,249.59
freeway sign	175,586.20	11,000.00	(11,000.00)	-	1.00%	-	164,586.20	(164,586.20)	-	3.5%	-	-
sponsorship	1,885,195.32	1,830,611.52	(1,830,611.52)	-	1.00%	-	54,583.80	(54,583.80)	-	3.5%	-	-
grandstand	983,071.46	903,071.46	-	903,071.46	1.00%	9,030.71	-	-	-	3.5%	-	9,030.71
grounds ent	8,834.53	7,759.13	-	7,759.13	1.00%	77.59	1,075.40	-	1,075.40	3.5%	37.64	115.23
racing	4,808,462.11	4,733,962.82	-	4,733,962.82	1.00%	47,339.63	74,499.29	-	74,499.29	3.5%	2,607.48	49,947.10
itw	2,446,497.81	-	-	-	1.00%	-	2,446,497.81	-	2,446,497.81	3.5%	85,627.42	85,627.42
train	2,053,795.64	-	-	-	1.00%	-	2,053,795.64	-	2,053,795.64	3.5%	71,882.85	71,882.85
horse show	192,161.76	65,906.00	-	65,906.00	1.00%	659.06	126,255.76	-	126,255.76	3.5%	4,418.95	5,078.01
rv	2,111,437.56	255,213.77	(127,606.89)	127,606.88	1.00%	1,276.07	1,856,223.79	(928,111.90)	928,111.89	3.5%	32,483.92	33,759.98
	47,134,469.60	30,056,920.57	(2,057,468.41)	27,999,452.16		279,994.32	17,077,549.03	(2,819,414.04)	14,258,134.99		499,034.72	779,029.25

Los Angeles County Fair Association

Exhibit 2

Year to Date County Lease Calculation - December 2005

Revised schedule prepared by the Accountant in June 2006

	Total Revenue	Fair Revenue	Less Revenue	Net Revenue	%	Fair Calc County Lease	Non Fair Revenue	Less Revenue	Net Revenue	%	Non-fair calc. County Lease	Total County Lease
admin	1,810,580.33	132,171.54	(88,250.00)	43,921.54	1.00%	439.22	1,678,408.79	(1,601,275.46)	77,133.33	3.5%	2,699.67	3,138.88
communication	60.00	-	-	-	1.00%	-	60.00	-	66.00	3.5%	2.10	2.10
facilities	162,027.63	-	-	-	1.00%	-	162,027.63	-	162,027.63	3.5%	5,670.97	5,670.97
parking	6,375,151.87	3,141,779.25	-	3,141,779.25	1.00%	31,417.79	3,233,572.62	-	3,233,572.62	3.5%	113,168.04	144,585.83
trans	80,630.05	-	-	-	1.00%	-	80,630.05	(70,856.68)	9,793.37	3.5%	342.77	342.77
admissions	6,863,628.75	6,863,628.75	-	6,863,628.75	1.00%	68,636.29	-	-	-	3.5%	-	68,636.29
cred/badge ctr	137,601.00	-	-	-	1.00%	-	137,601.00	-	137,601.00	3.5%	4,816.04	4,816.04
food & bev	5,787,187.36	3,863,134.75	-	3,863,134.75	1.00%	38,631.35	1,924,052.61	-	1,924,052.61	3.5%	67,341.84	105,973.19
fairview farms	29,540.00	29,040.00	-	29,040.00	1.00%	290.40	500.00	-	500.00	3.5%	17.50	307.90
exhibits	343,712.73	343,712.73	-	343,712.73	1.00%	3,437.13	-	-	-	3.5%	-	3,437.13
vt sales	3,061,875.34	-	-	-	1.00%	-	3,061,875.34	-	3,061,875.34	3.5%	107,165.64	107,165.64
fair sales	5,124,958.59	5,124,958.59	-	5,124,958.59	1.00%	51,249.59	1,000.00	-	1,000.00	3.5%	35.00	51,249.59
adv sales	2,772,453.56	2,771,453.56	-	2,771,453.56	1.00%	27,714.54	164,586.20	(164,586.20)	-	3.5%	-	27,749.54
freeway sign	1,885,195.32	1,850,611.52	(11,000.00)	1,850,611.52	1.00%	-	54,583.80	(28,583.80)	26,000.00	3.5%	910.00	910.00
sponsorship	903,071.46	903,071.46	-	903,071.46	1.00%	9,030.71	1,075.40	-	1,075.40	3.5%	37.64	9,030.71
grandstand	8,834.53	7,759.13	-	7,759.13	1.00%	77.59	-	-	-	3.5%	-	115.23
grounds ent	4,808,462.11	4,808,462.11	-	4,808,462.11	1.00%	48,084.62	-	-	-	3.5%	-	48,084.62
racing	2,446,497.81	-	-	-	1.00%	-	2,446,497.81	-	2,446,497.81	3.5%	85,627.42	85,627.42
ttw	2,053,795.64	-	-	-	1.00%	-	2,053,795.64	-	2,053,795.64	3.5%	71,882.85	71,882.85
train	192,161.76	65,906.00	-	65,906.00	1.00%	659.06	126,255.76	-	126,255.76	3.5%	4,418.95	5,078.01
horse show	2,111,437.56	255,213.77	(127,606.89)	127,606.88	1.00%	1,276.07	1,856,223.79	(928,111.90)	928,111.89	3.5%	32,483.92	33,759.98
TOTAL	47,134,469.60	30,151,903.16	(2,037,468.41)	28,094,434.75		280,944.35	16,982,566.44	(2,793,414.04)	14,189,152.40		496,630.33	777,564.68

Exhibit 3Los Angeles County Fair Association
Lease Payable
For the Period Ended December 31, 2005

	<u>GROSS REVENUE</u>	<u>RATE</u>	<u>RENT AMOUNT</u>
FAIR REVENUE:			
Total Revenue	\$ 30,151,903		
Excluded items:			
Sponsorship	(1,830,611)		
State Appropriation	(88,250)		
Freeway sign	(11,000)		
RV Part 50% pro rata share	<u>(127,607)</u>		
Adjusted gross fair revenue	<u>28,094,435</u>	1.0%	280,944
INTERIM REVENUE:			
Total interim revenue	16,982,566		
Excluded items:			
Land Rent - Sheraton	(50,012)		
Government payments	(1,551,263)		
RV Park 50% pro rata share	(928,112)		
Trams	(70,857)		
Sponsorship	(28,584)		
Freeway sign	<u>(164,586)</u>		
Adjusted gross interim revenue	<u>14,189,152</u>	3.5%	496,621
PARCEL 1 REVENUE	-	75.0%	<u>-</u>
TOTAL RENT AMOUNT			777,565
Credits:			
Rent credit (see exhibit 4)			<u>(200,000)</u>
TOTAL 2005 RENT CALCULATED			577,565
Less reduction for 2004 overpayment			(6,420)
Less Rent Paid on April 27, 2006			<u>(572,609)</u>
TOTAL RENT OVERPAID (as of June 9, 2006)			<u>\$ (1,464)</u>

LOS ANGELES COUNTY FAIR ASSOCIATION

2005 Weekend Event Revenue

Year Round Event Facility Revenue	\$ 2,843,171
Weekend F&B Revenues	1,541,995
Weekend Parking Revenues	3,164,139
Weekday F&B, Parking and Service Exclusions	<u>(1,505,904)</u>
Net Weekend Event Revenue	<u>6,043,401</u>
Total Actual Revenues	<u>\$ 6,043,401</u>
Projected Revenues (including gun shows)	\$ 9,874,632
Actual Revenues	<u>6,043,401</u>
Excess (Shortfall) from Projection	<u>\$ (3,831,231)</u>
Available rent credit - Year 2005	<u>\$ 200,000</u>