



Oregon State Fair Council Meeting Notice & Agenda

Thursday, October 25, 2018 at 1:30 p.m.

Oregon State Fair & Expo Center
Cascade Hall – McKenzie Room
2330 17th Street NE
Salem, OR 97301

Council Members

Jon Chandler, Chair

Kevin Cameron, Vice Chair

Vicki Berger

Loyal Burns

Gene Derfler

Leah Perkins-Hagele

George Jennings

Austin McGuigan

Craig Smith

Kerry Tymchuk

Advisory Members

Senator Arnie Roblan

Representative Mike Nearman

Salem City Manager Steve Powers

Our Mission

The mission of the Oregon State Fair & Exposition Center is to provide a reason and a place for all people to gather, connect and learn, embrace excellence in all forms and celebrate the achievements of Oregonians.

Our Vision

We envision a relevant Oregon State Fair & Exposition Center that embodies good stewardship of the public's trust and serves as a self-sustaining asset for Oregonians to treasure long into the future.

Public Comments

The Oregon State Fair Council values the input of citizens in making important decisions that affect the Oregon State Fair and Exposition center. We also believe in the right of citizens to observe Council meetings. To ensure citizens have an opportunity to attend Council meeting and offer citizen comment and to ensure that the Council can conduct its business, the following guidelines apply to all public comment.

- The Council will have two sign-up sheets at a desk in the meeting room 15 minutes before the scheduled meeting for those wishing to speak on agenda items or non-agenda subjects. Individuals may sign up in person, or in advance of the meeting via email. Email requests should include the date requester wishes to speak, requester's name, phone number and the agenda item or topic of their comments.
- Public Comment on Agenda Items before the Council: individuals on this list will be called to testify before actions on these items are taken. On the sign-up sheet list your name, address and the agenda item upon which you wish to be heard.
- Public Comment on Non-Agenda Items during Board Meetings: list your name, address and the subject matter upon which you wish to be heard.
- You will have 3 minutes to testify, unless otherwise stated.
- When you are called to come forward to speak state and spell your name for the recorded record of the meeting.
- Council members may ask questions to clarify your testimony but will not engage in a discussion with you. Public Comment allows the Council and CEO to hear issues that interest our citizens, but does not allow an opportunity for dialogue between the speaker, Council or Administrators.
- If the Council determines that follow-up is necessary you may be referred to the Chief Executive Officer or an item may be placed on a future Council agenda.
- If you wish to submit written testimony before or at the meeting, please provide 15 copies.
- The Public may not use videos or PowerPoint presentation to accompany their testimony without prior approval by the Board Chair.
- Individuals offering citizen comment are not permitted to make personal attacks on any Council employee, Council member, other testifier, or member of the public.



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Thursday, October 25, 2018 at 1:30 p.m.

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Cascade Hall – McKenzie Room
2330 17th Street NE
Salem, OR 97301

Agenda

- I. Call To Order**
- II. Roll Call**
- III. Pledge of Allegiance**
- IV. Presentations**
- V. Approval of Minutes**
 - a. Council Meeting of July 26, 2018
- VI. Public Comment on Agenda Items**
- VII. Council Chair's Report**
- VIII. CEO's Report**
- IX. Information Items**
 - a. **2018 State Fair Report**
- X. Action Items**
 - a. **State Fair Council**
 - i. Receive 2017 Financial Review by Boldt Carlisle + Smith | Certified Public Accountants
 - ii. Financial Statement 1/1/18-9/30/18
 - b. **Committee Reports and Action Thereon**
 - i. Executive Committee
 - ii. Governmental Affairs Committee
 - iii. Nominating Committee
- XI. Public Comments on Non-Agenda Items**
- XII. Council Members' Comments**
- XIII. Executive Session:**
 - a. Pursuant to ORS 192.660(2)(h) to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.
- XIV. Adjourn**



Oregon State Fair Council Meeting – October 25, 2018

Agenda Item: V.a. [For Action]
Council Meeting Minutes of July 26, 2018



Minutes of the Oregon State Fair Council Regular Meeting

July 26, 2018

Oregon State Fair & Exposition Center – Floral Building

Audio Recorded: Yes

I. **Call to Order:** The meeting convened at 1:30 p.m. with Chair Jon Chandler presiding.

II. **Roll Call:** The attendance, both in person and by phone, was recorded as shown below:

Present:

Jon Chandler, Chair
Kevin Cameron, Vice Chair
Vicki Berger, Council Member
Gene Derfler, Council Member
Austin McGuigan, Council Member
Craig Smith, Council Member
Kerry Tymchuk, Council Member
Rep. Mike Nearman, Advisory Council Member
Mike Paluszak, Director/CEO

Non-Present:

Loyal Burns, Council Member
Leah Perkins-Hagele, Council Member
George Jennings, Council Member
Sen. Arnie Roblan, Advisory Council Member
Steve Powers, Advisory Council Member

III. **Pledge of Allegiance:** The Pledge of Allegiance was made by all parties present.

IV. **Presentations:** None

V. **Approval of Minutes:** Chair Chandler asked if there were any changes or corrections to the minutes presented for approval. Hearing none, it was moved by Council Member Berger and seconded by Vice Chair Cameron to approve the minutes of the May 24, 2018 Council meeting as presented. The motion carried unanimously.

VI. **Public Comment on Agenda Items:** None

VII. **Council Chair's Report:** None

VIII. **CEO's Report:** Mr. Paluszak began by introducing Jim Hinkle the new Director of Administration and Operations. The new roof on the Jackman Long Building is well underway and will be finished shortly after the fair, weather permitting. Pre-fair plans include some improvements to gates, particularly blue and pink although not as much as we would have liked due to permitting requirements. Improvements are underway to facilitate the move of some attractions to the west lawn of the Pavilion to close the gap between the core fair activities and the Pavilion, including additional walkway access and curb removal. The paving project by Marion County is finished as well as striping of that area. Rent for the 2018 Marion County Fair was the last of the previous trade for work completed in 2015. The trade for the work done this year will begin next year for the 2019, 2020 and 2021 Marion County Fairs with a value of \$120,000. Council Member and Commissioner Cameron reported that the Marion County fair looked good but had disappointing results due to heat and several other events in the area the same weekend. As a result of SB 384 during the 2018 legislative session the Council Members terms are now staggered and Mr. Paluszak distributed the updated Council roster reflecting those terms.

IX. **Information Items:**

- a. **State Fair Report:** Kim Grewe-Powell reported that the team has worked very hard to plan a great fair and are very excited. On July 12th we had a "Flash Fair" in downtown Portland which provided pre-Fair publicity to over eighteen million media viewers, listeners and readers, although the on-site attendance was less than anticipated. In conjunction with that event we sold \$188,000 of admission and carnival ride wristbands in a

twelve hour period. Pairings will be on Friday, August 17th hosted for the first time by the Oregon State Fair Foundation. The media and marketing campaign is in full swing with an amazing new television ad. Participating Albertsons and Safeway stores will be selling our presale admission and carnival wristbands beginning August 1st. Sponsorships are up 29% including Columbia Bank as a new sponsor of the LB Day concert series. New attractions include Bugology with a butterfly exhibit, the Crown Royal Room for those 21 and over, lots of new competitions and motorsports is returning in the Pavilion.

X. Action Items

a. State Fair Council

- i. **Financial Statement 1/1/18-6/30/18:** Mr. Paluszak made note of the continued increase in Expo Center activity, most recently the Airstream event that just concluded which generated approximately \$150,000 in gross revenue. A motion was made by Council Member Berger and seconded by Council Member Cameron to accept the financial statement 1/1/18-6/30/18. The motion carried unanimously.
- ii. **Discussion and Action Regarding Fixed Asset Policy.** Mr. Paluszak reported that Bolt Carlisle + Smith, our outside auditors are currently doing their review of 2017. As a result of legislation that was passed in 2017 we are now able to capitalize our investment in the facilities or equipment, although that will still not be reflected in the 2017 review as the effective date of that legislation is January 1, 2018. Nonetheless it will be discussed in the report again, as it was last year because the bill had passed before the 2016 audit was completed. Consequently, the time has come that we adopt a fixed asset policy for thresholds of items to be capitalized and a schedule for depreciation. With the concurrence of both our internal and external auditors, the policy as proposed is brought to you for action with a recommendation by management for approval.

A motion was made by Council Member Derfler and seconded by Council Member McGuigan to approve the Fixed Asset Policy as presented. The motion carried unanimously.

b. Oregon State Fair

- i. **Discussion and Action Agreement with Oregon State Police for Law Enforcement Services During the 2018 Oregon State Fair.** Mr. Paluszak began by explaining that because the amount of the annual contract for law enforcement during the State Fair exceeds his delegated authority, it requires Council approval. He explained that this is a flat fee, all-inclusive contract for \$175,000 which represents an increase of approximately \$25,000 compared to 2017 due to hourly wage increases and additional costs associated with lodging and meals. Additionally, OSP brings considerable additional resources as part of the agreement including equipment, and other agencies including the Department of Justice, local gang task forces, etc.

After discussion of increasing cost and alternatives considered by staff, a motion was made by Council Member Berger and seconded by Council Member Cameron to approve the agreement with Oregon State Police for Law Enforcement Services during the 2018 Oregon State Fair as presented. The motion carried unanimously.

b. Committee Reports and Action Thereon

- I. **Executive Committee:** Chair Chandler reported that the Executive Committee has met as delegated by the Council regarding the Director/CEO's performance incentive compensation.
- II. **Governmental Affairs Committee:** There was general discussion regarding the upcoming legislative session. Mr. Paluszak reported that, as the past, a placeholder request has been submitted to DAS for inclusion in their budget on our behalf for deferred maintenance and capital improvements. There don't appear to be any additional statutory changes needed at this time. We will explore opportunities to make presentations to Legislative Committees to tell of our success.
- III. **Nominating Committee:** None.

XI. **Public Comments on Non-Agenda items:** None

XII. **Council Members' Comments:** Council Member Tymchuk reported on the "4th Annual Portland Celebrity Gerry Frank Chocolate Cake Smackdown" hosted by the Oregon Historical Society on August 20th at high noon.

XIII. **Executive Session:**

- a. **Pursuant to ORS 192.660(2)(h) to consult with counsel concerning legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.**

Upon reconvening into public session Chair Chandler reported that the Council received information only and no action was taken.

XIV. **Adjourn:** There being no further business the meeting was adjourned.

Meeting Materials: Agenda
Minutes of the May 24, 2018 Council meeting
Financial Statement 1/1/18 – 6/30/18
Updated Council Roster
Fixed Asset Policy
2018 Oregon State Police Contract



Oregon State Fair Council Meeting – October 25, 2018

Agenda Item: X.a.i. [For Action]
Receive 2017 Financial Review
by Boldt Carlisle + Smith | Certified Public Accountants



OREGON STATE FAIR COUNCIL
Salem, Oregon

ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2017

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**OREGON STATE FAIR COUNCIL
OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended December 31, 2017**

COUNCIL OFFICERS AND MEMBERS (2017)

Craig Smith, Chair

Jon Chandler, Vice Chair

Vicki Berger

Loyal Burns

Kevin Cameron

Gene Derfler

Leah Perkins-Hagele

George Jennings

Austin McGuigan

Kerry Tymchuk

ADVISORY COUNCIL MEMBERS (2017)

Mike Nearman

Steve Powers

Arnie Roblan

REGISTERED AGENT

Michael Paluszak

REGISTERED ADDRESS

2330 17th St NE
Salem, OR 97301

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OREGON STATE FAIR COUNCIL

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For the Year Ended December 31, 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Officers and Members of the Governing Body
OREGON STATE FAIR COUNCIL
Salem, Oregon

We have reviewed the accompanying financial statements of the **OREGON STATE FAIR COUNCIL** as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 3 - 7 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. The information is the representation of management. We have not audited or reviewed such required supplementary information, and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Supplementary Information

The accompanying schedule of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
October 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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OREGON STATE FAIR COUNCIL

MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended December 31, 2017

Our discussion and analysis of OREGON STATE FAIR COUNCIL'S (the Council) financial performance provides an overview of financial activities for the year ended December 31, 2017. This information is presented in conjunction with the financial statements that follow this section.

Financial Highlights

- The Council's total assets exceeded its liabilities by \$4,217,333, of which \$4,189,443 is unrestricted and \$27,890 is restricted for capital projects.
- Operating revenues generated by the Council was \$6,360,574.

Overview of the Financial Statements

This annual financial report consists of three parts: Management's Discussion and Analysis, Basic Financial Statements and Supplementary Information. The basic financial statements include notes that provide further detail for certain information.

Required Financial Statements

The basic financial statements report information utilizing the full accrual basis of accounting. The basic financial statements conform to accounting principles that are generally accepted in the United States of America. The statement of net position includes information on the Council's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Council creditors (liabilities). The statement of revenues, expenses and changes in net position identifies the Council's revenues and expenses for the year ended December 31, 2017. This statement provides information on the Council's operations over the past year and can be used to determine whether the Council has recovered all of its costs through operating revenues. The third financial statement is the statement of cash flows. This statement provides information on the Council's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the statement of cash flows, the reader can obtain information on the sources and uses of cash and the changes in the cash and cash equivalents.

Financial Analysis of the Council

The Council was established as a Public Corporation by law on June 26, 2013 and full transfer of care, custody and control from the Oregon Parks and Recreation Department occurred on January 1, 2015. Because the State Fair was under the State of Oregon until 2015, there are no separate financial statements prior to 2015.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The statement of net position and the statement of revenues, expenses and changes in net position provide an indication of the Council’s financial condition and also indicate that the financial condition of the Council improved during the year. The Council’s net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

Capital Investment by the Council

ORS 565.495 states, in part, that the Department of Administrative Services and the Council shall enter into an agreement for the Council to exercise exclusive care, custody and control over fairground properties and facilities owned by the Department. Notwithstanding any fixed term for the agreement, the Legislative Assembly may terminate the agreement by law if the conducting of the Oregon State Fair, the carrying out of fairground business operations, and the operation of fairgrounds properties and facilities by the Council results in a net loss in three of any five consecutive years.

During 2017 the Council made capital improvements valued at \$459,316 to the land and facilities, in addition to investments during 2015 valued at \$313,446 and 2016 of \$282,284. The State of Oregon owns the real property where the Oregon State Fair and Exposition Center operates, therefore, the Council was unable to capitalize these improvements. As a result, the Council appears to have incurred a loss, without considering capital improvements or capital contributions, of (\$847,992) in 2017, (\$191,995) in 2016, and (\$62,373) in 2015. If the Council had chosen instead not to make these improvements to properties and facilities it does not own, or had been able to capitalize these improvements instead of reflecting them as annual expenses, it would have realized a gain/(loss) before capital contributions of (\$388,676) in 2017, and \$90,288 in 2016, and \$251,093 in 2015, respectively.

To remedy this inconsistency, the Oregon Legislature passed SB 384 in 2017 which enacted amendments to ORS 565.595 which state in part:

- Except as the State Fair Council and the Oregon Department of Administrative Services otherwise agree in writing, the council owns any fairgrounds properties and facilities that are not real property. The Department owns fairground properties and facilities that are real property and owns other fairground properties and facilities as agreed to with the Council in writing.
- However, if the Council expends moneys for the construction, repair, remodeling or maintenance of, or other long-term benefit to, fairground properties and facilities that are real property, the Council may capitalize those expenditures for purposes of determining net profit or loss from conducting the Oregon State Fair, carrying out fairgrounds business operations and operating fairground properties and facilities.
- The amendments to ORS 565.495 by section 1 of this 2017 Act apply to State Fair Council expenditures made before, on or after the effective date of this Act.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Since the effective date of this legislation is January 1, 2018, this change in law is not reflected in the financial statements for 2017 or prior. However, based on the language contained in the Act that states that the revision shall “Apply to Council expenditures made before, on or after the effective date,” it is important to note that as such the Council demonstrated a net gain in both 2016 and 2015.

In addition to the resources provided by the Council from current operations, the Legislature passed SB 5701 in 2016 to increase the expenditure limitation of the Department of Administrative Services to pay the cost of issuing \$2,500,000 of Article XI-Q bonds for repairs and improvements at the Oregon State Fairground. Bond projects are currently underway and completion is anticipated in spring of 2019.

With its public corporation status, the Council may receive certain government funding. The 2015-2017 biennium Department of Administrative Services budget included \$1,015,299 in pass-through funding for the Council. This amount is also included in the 2017-2019 budget.

In 2016, legislation was passed (SB 1597) that removed language from ORS 565.545 requiring that any expenditures made from such an appropriation shall be an obligation owing from the Council to the Department. The legislation as passed states “This 2016 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2016 Act takes effect on its passage.” [April 4, 2016]

A summary of the Council’s statements of net position is presented below:

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 4,460,113	\$ 4,206,678
Liabilities		
Current and other liabilities	<u>242,780</u>	<u>344,940</u>
Net Position		
Restricted	27,890	20,000
Unrestricted	<u>4,189,443</u>	<u>3,841,738</u>
	<u>\$ 4,217,333</u>	<u>\$ 3,861,738</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Revenues, Expenses and changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Operating	\$ 6,360,574	\$ 6,449,103
Nonoperating	<u>77,200</u>	<u>45,561</u>
Total revenues	6,437,774	6,494,664
Operating expenses	<u>7,285,766</u>	<u>6,686,659</u>
(Loss) before capital contributions	(847,992)	(191,995)
Capital contributions	<u>1,203,587</u>	<u>1,101,302</u>
Change in Net Position	<u>\$ 355,595</u>	<u>\$ 909,307</u>

Budgetary Highlights

The Council is not subject to the requirements of Oregon Local Budget Law, however it does prepare a budget for management purposes. There were no changes to the budget during the year.

Economic Factors

The essence of establishing the Council as a public corporation was to provide the latitude necessary to conduct business in a manner that facilitates the success of the corporation in the market in which it must compete. The governmental environment can at times be counterintuitive to the entrepreneurial (entertainment industry) environment necessary for the Council to pursue growth of the annual State Fair and enhance and continue to develop the year-round Exposition Center (event venue business).

The transfer of the Council from the State to a public corporation represented a unique business model without the typical amenities found in either a start-up or acquisition. The Council assumed stewardship of an ongoing 150+ year old historically significant event and venue with substantial existing audiences, participants, activities and year-round use. The Council has focused on balancing continuing operations with establishing a new governance infrastructure, basic business functions, organizational goals, and striving for growth as well as financial stability.

Due to the industry within which it operates, the Council relies solely on consumers' discretionary funds. Companies hold events at the State Fair and Exposition Center when the public will support the events, and attendance is dependent upon an economy that provides for ample discretionary income. During 2017, Oregon has continued to see its economy grow and discretionary funds continue to improve.

Economic Impacts

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

A recently completed study of “*The Economic and Fiscal Impact of the Oregon State Fair and Exposition Center on the Local and State Economies*” by Gruen Gruen + Associates, Urban Economists, Market Strategists & Land Use/Public Policy Analysts estimates that the Oregon State Fair and Exposition Center annually creates \$54.5 million of total economic activity in the State of Oregon, supports 883 full and part time jobs, provides \$15.6 million of total annual earnings to workers, generates \$890,000 of state income tax, and results in \$393,000 in state and local lodging tax.

The Oregon State Fair and Exposition Center had historically operated at a deficit which over time left no resources for capital improvements, deferred maintenance, adding new programs, or investments in marketing services, all of which will need to continue to be addressed in the coming years.

The Council operates with minimal year-round staffing, outsourcing many administrative and operational functions, and utilizing part-time, seasonal and temporary staffing through an outside employment agency. This reduces costs and enhances efficiencies. Additionally, the Council realizes further cost savings by utilizing government services to support its business such as the State’s self-insurance program, fleet services and procurement contracts/price agreements.

Future Plans

In 2018 the Council plans to:

- Seek additional funding from the Legislature to continue to address highest-priority and long-overdue deferred maintenance of fairgrounds property and facilities, in order to increase the viability, livability and marketability of the facilities for year-round Exposition Center business.
- Continue to further develop and increase its marketing strategies, tools and activities in order to generate additional Exposition Center business.
- Continue to improve year-round food and beverage concession services for the Exposition Center to further entice new business and satisfy repeat customers through enhanced food and beverage offerings and catering services.
- Continue to enhance the State Fair guest experience by introducing new programs, enhanced features, improved customer service, and additional promotions designed to increase attendance, length of stay, and per capita spending.
- Further implement and refine sound financial and administrative policies and processes.

Requests for Information

This financial report is designed to provide council officers and members, citizens, taxpayers, and creditors with a general overview of the Council’s finances and to demonstrate the Council’s accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Council at 2330 17th St NE, Salem OR 97301.

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BASIC FINANCIAL STATEMENTS

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OREGON STATE FAIR COUNCIL

STATEMENT OF NET POSITION

December 31, 2017

ASSETS

Current assets

Cash and cash equivalents	\$ 3,343,406
Accounts receivable	<u>1,116,707</u>

TOTAL ASSETS	<u>4,460,113</u>
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LIABILITIES

Current liabilities

Accounts payable and accrued items	99,468
Payroll and related liabilities	17,117
Unearned revenue - rents	<u>126,195</u>

TOTAL LIABILITIES	<u>242,780</u>
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NET POSITION

Restricted for:

Capital projects	27,890
Unrestricted	<u>4,189,443</u>

TOTAL NET POSITION	<u><u>\$ 4,217,333</u></u>
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See accompanying notes

OREGON STATE FAIR COUNCIL

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017**

OPERATING REVENUES

Fair	\$ 5,115,921
Expo Center	<u>1,244,653</u>
Total operating revenues	<u>6,360,574</u>

OPERATING EXPENSES

Administrative and general	435,314
Operations	1,783,385
Expo Center	365,984
Fair	<u>4,701,083</u>
Total operating expenses	<u>7,285,766</u>
Operating (loss)	<u>(925,192)</u>

NONOPERATING REVENUES (EXPENSES)

Miscellaneous	31,181
Interest	<u>46,019</u>
Total nonoperating revenues (expenses)	<u>77,200</u>
(Loss) before capital contributions	(847,992)
Capital contributions	<u>1,203,587</u>
Change in net position	355,595
Net position - beginning	<u>3,861,738</u>
Net position - ending	<u><u>\$ 4,217,333</u></u>

See accompanying notes

OREGON STATE FAIR COUNCIL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 5,317,628
Payments to suppliers	(6,618,493)
Payments to employees	<u>(686,681)</u>

NET CASH (USED IN) OPERATING ACTIVITIES	<u>(1,987,546)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Other	31,181
Capital contributions	<u>1,203,587</u>

NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,234,768</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>46,019</u>
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Net (decrease) in cash and cash equivalents	(706,759)
Cash and cash equivalents- beginning of year	<u>4,050,165</u>

Cash and cash equivalents - end of year	<u><u>\$ 3,343,406</u></u>
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RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES

Operating (loss)	\$ (925,192)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
(Increase) decrease in assets	
Accounts receivable	(960,194)
Increase (decrease) in liabilities	
Accounts payable and accrued items	(25,207)
Payroll and related liabilities	5,799
Unearned revenue - rents	<u>(82,752)</u>

NET CASH (USED IN) OPERATING ACTIVITIES	<u><u>\$ (1,987,546)</u></u>
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See accompanying notes

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OREGON STATE FAIR COUNCIL

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

1. Summary of significant accounting policies

A. Organization

The Oregon State Fair Council (the Council) was appointed in January 2014 pursuant to Senate Bill 7, which was passed in the 2013 legislative session. The Council began operations in January 2015.

Control of the Council is vested in its council members who are appointed by the Governor. Administrative, operational, marketing, and programming functions are delegated to the Director/CEO who reports to and is responsible to the Council.

The purpose of the Council is to conduct the Oregon State Fair, operate the Expo Center as a year-round regional event center, maintain fairgrounds property and facilities, and promote Oregon tourism related to the State Fair and Expo Center. The Council reports its financial operations using governmental accounting standards for proprietary type funds. Funding of operations is derived from State Fair parking, admissions and camping fees; rent from commercial exhibitors, food and beverage concessions, carnival and other attractions; concert ticket sales; and sponsorships. Additionally, funding of operations is derived from rental of Expo Center facilities and equipment, utility and parking fees, and food and beverage concessions and catering commissions.

The accompanying basic financial statements present the activities for which the Council is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria the Council is a primary government with no includable component units.

B. Basis of accounting

The Council maintains a single proprietary fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Amounts received before they are earned are reported as unearned revenues.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues of the Council are described in Note 1.A above. Operating expenses include the cost of sales and services, and administrative, general operations, and facility maintenance expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When the Council has restricted and unrestricted resources available, it is the Council's policy to expend restricted resources first and then unrestricted resources as needed in determining the amounts to report as restricted – net position and unrestricted – net position.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Budget policies and budgetary control

The Council is not subject to Oregon Local Budget Law, ORS Chapter 294. The Council's management does prepare a budget for planning and control purposes.

D. Cash and cash equivalents

For purposes of the statement of cash flows, the Council considers all highly-liquid debt instruments purchased with an original maturity of three months or less, to be cash equivalents.

E. Investments

Investments are stated at fair value. Fair value is determined as the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties.

F. Accounts receivable

Accounts receivable are carried at their estimated collectible amounts. Management routinely evaluates accounts receivable for collectability based on past credit history with customers and their current financial condition. Accounts receivable which are determined to be uncollectible are written off. Collections on accounts previously written off are included in income as received.

G. Equity classification

On the statement of net position, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Cash and cash equivalents

The Council's cash and cash equivalents at December 31, 2017 are as follows:

Deposits with financial institutions	\$ 122,255
State of Oregon Local Government Investment Pool	3,219,474
Cash on hand	<u>1,707</u>
Total cash and cash equivalents	<u>\$ 3,343,406</u>

A. Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Council's deposits may not be returned. The Federal Depositary Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. As of December 31, 2017, all of the Council's bank balances were covered by the FDIC's insurance.

B. Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Council's position in the LGIP is the same as the value of the pool shares.

Credit risk: Oregon statutes authorize the Council to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Concentration of Credit Risk: The Council does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the Council's investments are in the LGIP.

Interest Rate Risk: The Council does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the Council will not be able to recover the value of its investments that are in the possession of an outside party. The Council does not have a policy which limits the amount of investments that can be held by counterparties.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

The Council's receivables at December 31, 2017 are as follows:

Accounts	\$ 101,408
Department of Administrative Services	
2017-2019 biennium allocation	<u>1,015,299</u>
Total	<u>\$ 1,116,707</u>

4. Operating lease

The Council leases the fairground property from the State of Oregon Department of Administrative Services. The lease term began April 3, 2014 and terminates December 31, 2023. Both parties can choose to renew the lease for three additional terms of five years each. An annual lease payment of \$100 is due by March 31st of the ensuing year. Lease expense for the year ended December 31, 2017 was \$100.

Future minimum lease payments are as follows:

Year ended December 31,	
2018	\$ 100
2019	100
2020	100
2021	100
2022	100
2023	<u>100</u>
	<u>\$ 600</u>

5. Risk management

The Council is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Council carries insurance through Oregon State Risk Management to cover possible claims or judgments.

There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past two fiscal years.

6. Defined contribution retirement plan

The Council sponsors a defined contribution retirement plan (SIMPLE IRA) for its employees. The Company contributes an amount equal to an employee's contribution to the plan up to a maximum contribution of 3 percent of the employee's salary. Employees are eligible to participate after six consecutive months of service. Expenses associated with this plan for the year ended December 31, 2017 totaled \$11,976.

SUPPLEMENTARY INFORMATION

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OREGON STATE FAIR COUNCIL
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2017

	Administrative and General	Operations	Expo	Fair	Total
Salaries and wages	\$ 91,593	\$ 168,373	\$ 91,593	\$ 91,593	\$ 443,152
Contracted labor	39,606	31,885	79,940	-	151,431
Employee benefits	42,083	8,958	185	185	51,411
Payroll tax	5,983	14,724	6,680	19,099	46,486
Professional services	112,236	42,750	115,512	468	270,966
Council	569	-	-	-	569
Travel/training/relocation	13,934	1,186	-	9,045	24,165
Supplies	32,933	33,638	7,613	1,690	75,874
Dues and subscriptions	2,065	-	800	-	2,865
Insurance	21,056	15,811	32,228	31,623	100,718
Utilities	-	450,461	-	-	450,461
Maintenance of equipment	-	21,231	-	-	21,231
Maintenance of buildings and grounds	-	414,861	645	5,945	421,451
Special repairs and maintenance	-	21,927	-	-	21,927
Marketing	50,397	340	11,324	-	62,061
Vehicle	-	5,569	-	2,012	7,581
Bank fees	15,569	-	8,025	49,950	73,544
Bad debts	-	817	-	185	1,002
Equipment purchases	14	6,736	2,491	-	9,241
Permits and licenses	-	435	-	495	930
Administration	2,700	-	-	207,441	210,141
Marketing	-	-	-	809,473	809,473
Administrative overhead	592	117	-	47,584	48,293
Admissions	-	-	-	294,092	294,092
Public safety	-	5,000	-	280,466	285,466
Grounds cleanup	-	-	-	207,969	207,969
Restroom cleanup	-	-	-	38,126	38,126
Parking	-	-	-	243,019	243,019
Utilities	-	-	-	69,364	69,364
Fair operations	-	-	-	92,247	92,247
Fair setup	-	-	-	67,498	67,498
Other	3,984	79,250	6,808	7,657	97,699
State fair attractions	-	-	2,140	1,328,579	1,330,719
State fair exhibits	-	-	-	795,278	795,278
Special projects	-	459,316	-	-	459,316
	<u>\$ 435,314</u>	<u>\$ 1,783,385</u>	<u>\$ 365,984</u>	<u>\$ 4,701,083</u>	<u>\$ 7,285,766</u>



Oregon State Fair Council Meeting – October 25, 2018

Agenda Item: X.a.ii. [For Action]
Financial Statement 1/1/18-9/30/18

Oregon State Fair Council
Balance Sheet
As of September 30, 2018

	<u>Sep 30, 18</u>
ASSETS	
Current Assets	
Checking/Savings	
10000 · Maps Checking Account	4,586.21
10100 · Maps Savings Account	5,022.79
10120 · USB - Operating Acct - 5013	970,885.23
10121 · USB - Payroll Acct - 3265	19,364.74
10125 · USB - Mrchnt Pre-Sales - 2438	1,000.45
10127 · USB - Fair Admission -5088	1,032.27
10128 · USB - Office Expo - 5104	21,791.35
10129 · USB - Show Works - 5120	1,373.83
10130 · USB - Camp Ground - 5138	1,206.22
10131 · USB - Office FAIR - 5112	1,778.29
10132 · USB Payment Card - Mike	28,695.37
10133 · USB Payment Card - Wayne	14,289.92
10134 · USB Payment Card - Kim	5,856.84
10150 · Petty Cash Box - Fair	2,486.39
10156 · Petty Cash - Presales Fair	200.00
10200 · State Treasury Fund Account	4,723,909.70
10300 · Cash Fund - Money Room	178.50
Total Checking/Savings	5,803,658.10
Accounts Receivable	
11000 · Accounts Receivable	122,614.35
Total Accounts Receivable	122,614.35
Other Current Assets	
12005 · Prepaid FCC 10 Yr License	2,205.00
Total Other Current Assets	2,205.00
Total Current Assets	5,928,477.45
Other Assets	
19000 · Capital Investments- SF Council	1,055,065.90
Total Other Assets	1,055,065.90
TOTAL ASSETS	<u>6,983,543.35</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	995,513.32
Total Accounts Payable	995,513.32
Other Current Liabilities	
20100 · Deferred Rent Income - MCFair	120,000.00
20105 · Deferred Inc - State Biennium	253,824.75
20515 · Deferred Income - Expo	49,752.00
20525 · Future Capital Improv. Deposits	25,101.77
24000 · Payroll Liabilities	30,746.95
Total Other Current Liabilities	479,425.47
Total Current Liabilities	1,474,938.79
Total Liabilities	1,474,938.79

Oregon State Fair Council
Balance Sheet
As of September 30, 2018

	<u>Sep 30, 18</u>
Equity	
25000 · State Parks Opening Bal	3,014,804.40
25020 · State Biennium Fund 2015-2017	1,015,299.00
25021 · State Biennium Jan-Jun 2017	-253,824.75
32000 · Retained Earnings	706,756.89
Net Income	<u>1,025,569.02</u>
Total Equity	<u>5,508,604.56</u>
TOTAL LIABILITIES & EQUITY	<u><u>6,983,543.35</u></u>

Oregon State Fair Council
Profit & Loss - Total
January through September 2018

	Jan - Sep 18
Ordinary Income/Expense	
Income	
Administration Revenue	54,436.65
Operations Revenue	26,577.69
Expo Center Revenue	1,000,269.05
State Fair Revenue	6,061,101.07
Total Income	7,142,384.46
Gross Profit	7,142,384.46
Expense	
Suspense	-599.50
Salaries & Wages - Permanent	374,500.89
Contracted Labor - PT/Snl/Temp	131,780.65
Employee Benefits - ER Exp	42,077.24
Payroll Tax - Employer's Share	41,927.01
Professional Services Exp.	160,872.06
Council Expense	548.30
Travel/Training/Relocation - EE	30,810.26
Supplies & Expenses	81,549.83
Dues and Subscriptions	2,276.86
Insurance	34,255.00
Utilities-Elec,Gas,Water, Trash	418,105.39
Maint. and Repairs of Equipment	11,790.62
Maint. of Buildings and Grounds	323,485.63
Special Repairs & Maint.	4,057.68
Marketing Expenses	8,846.61
Vehicle Expenses	5,986.78
Bank Fees	78,228.15
Equipment Purchase <\$5k	8,021.43
Permits, Licenses	1,397.70
State Fair Administrative Exp.	173,238.92
State Fair Marketing Expenses	786,932.42
State Fair Operations Expenses	1,256,928.04
State Fair Attractions Expenses	1,523,912.28
State Fair Exhibits Expenses	688,510.86
Total Expense	6,189,441.11

Oregon State Fair Council
Profit & Loss - Total
January through September 2018

	<u>Jan - Sep 18</u>
Net Ordinary Income	952,943.35
Other Income/Expense	
Other Income	
Other Income	507,788.50
90400 - Bond Project	67,661.24
Total Other Income	575,449.74
Other Expense	
Other Expenses	605.00
Special Projects Expense	422,570.83
90700 - Bond Project Exp	79,648.24
Total Other Expense	502,824.07
Net Other Income	72,625.67
Net Income	<u><u>1,025,569.02</u></u>

10/19/18
Accrual Basis

Oregon State Fair Council
Profit & Loss by Class - Exclude NonCash
January through September 2018

	Admin	Operations	Expo	Fair	TOTAL
Ordinary Income/Expense					
Income					
Administration Revenue	54,436.65	0.00	0.00	0.00	54,436.65
Expo Center Revenue	0.00	0.00	961,224.16	-1,190.00	960,034.16
State Fair Revenue	0.00	0.00	0.00	5,696,376.89	5,696,376.89
Total Income	54,436.65	0.00	961,224.16	5,695,186.89	6,710,847.70
Gross Profit	54,436.65	0.00	961,224.16	5,695,186.89	6,710,847.70
Expense					
Suspense	0.00	0.00	0.00	-599.50	-599.50
Salaries & Wages - Permanent	78,362.66	93,504.70	108,646.70	93,986.83	374,500.89
Contracted Labor - PT/Snl/Te...	34,349.08	24,346.79	64,042.32	9,042.46	131,780.65
Employee Benefits - ER Exp	34,783.23	7,055.33	119.34	119.34	42,077.24
Payroll Tax - Employer's Share	6,601.96	8,879.54	8,565.91	17,879.60	41,927.01
Professional Services Exp.	50,207.43	34,187.92	74,793.78	1,682.93	160,872.06
Council Expense	548.30	0.00	0.00	0.00	548.30
Travel/Training/Relocation - ...	20,118.53	25.65	0.00	9,666.08	29,810.26
Supplies & Expenses	29,693.16	38,480.45	4,851.97	8,524.25	81,549.83
Dues and Subscriptions	2,276.86	0.00	0.00	0.00	2,276.86
Insurance	9,981.65	4,854.65	9,709.35	9,709.35	34,255.00
Utilities-Elec,Gas,Water, Trash	0.00	417,517.43	0.00	587.96	418,105.39
Maint. and Repairs of Equip...	0.00	11,607.72	0.00	182.90	11,790.62
Maint. of Buildings and Grou...	0.00	275,043.78	19,664.16	2,200.00	296,907.94
Special Repairs & Maint.	0.00	4,057.68	0.00	0.00	4,057.68
Marketing Expenses	1,381.61	0.00	6,716.06	748.94	8,846.61
Vehicle Expenses	20.38	5,219.25	747.15	0.00	5,986.78
Bank Fees	10,927.11	0.00	6,413.83	60,887.21	78,228.15
Equipment Purchase <\$5k	591.63	7,229.90	0.00	199.90	8,021.43
Permits, Licenses	0.00	472.70	0.00	925.00	1,397.70
State Fair Administrative Exp.	59.96	0.00	0.00	172,762.30	172,822.26
State Fair Marketing Expenses	0.00	0.00	0.00	711,142.42	711,142.42
State Fair Operations Expen...	1,412.91	0.00	0.00	1,219,676.11	1,221,089.02
State Fair Attractions Expen...	0.00	0.00	0.00	1,415,058.94	1,415,058.94
State Fair Exhibits Expenses	0.00	0.00	0.00	632,473.59	632,473.59
Total Expense	281,316.46	932,483.49	304,270.57	4,366,856.61	5,884,927.13
Net Ordinary Income	-226,879.81	-932,483.49	656,953.59	1,328,330.28	825,920.57

10/19/18
Accrual Basis

Oregon State Fair Council
Profit & Loss by Class - Exclude NonCash
January through September 2018

	<u>Admin</u>	<u>Operations</u>	<u>Expo</u>	<u>Fair</u>	<u>TOTAL</u>
Other Income/Expense					
Other Income					
Other Income	507,649.50	0.00	0.00	139.00	507,788.50
90400 - Bond Project	0.00	67,661.24	0.00	0.00	67,661.24
Total Other Income	507,649.50	67,661.24	0.00	139.00	575,449.74
Other Expense					
Other Expenses	0.00	605.00	0.00	0.00	605.00
Special Projects Expense	0.00	208,650.15	0.00	7,132.79	215,782.94
90700 - Bond Project Exp	0.00	79,648.24	0.00	0.00	79,648.24
Total Other Expense	0.00	288,903.39	0.00	7,132.79	296,036.18
Net Other Income	507,649.50	-221,242.15	0.00	-6,993.79	279,413.56
Net Income	<u>280,769.69</u>	<u>-1,153,725.64</u>	<u>656,953.59</u>	<u>1,321,336.49</u>	<u>1,105,334.13</u>

10/19/18
Accrual Basis

Oregon State Fair Council
Profit & Loss by Class - NonCash Trade Only
January through September 2018

	<u>NonCash-Trade</u>	<u>TOTAL</u>
Ordinary Income/Expense		
Income		
Operations Revenue	26,577.69	26,577.69
Expo Center Revenue	40,234.89	40,234.89
State Fair Revenue	364,724.18	364,724.18
Total Income	<u>431,536.76</u>	<u>431,536.76</u>
Gross Profit	431,536.76	431,536.76
Expense		
Travel/Training/Relocation - ...	1,000.00	1,000.00
Maint. of Buildings and Gro...	26,577.69	26,577.69
State Fair Administrative Exp.	416.66	416.66
State Fair Marketing Expenses	75,790.00	75,790.00
State Fair Operations Expen...	35,839.02	35,839.02
State Fair Attractions Expen...	108,853.34	108,853.34
State Fair Exhibits Expenses	56,037.27	56,037.27
Total Expense	<u>304,513.98</u>	<u>304,513.98</u>
Net Ordinary Income	127,022.78	127,022.78
Other Income/Expense		
Other Expense		
Special Projects Expense	206,787.89	206,787.89
Total Other Expense	<u>206,787.89</u>	<u>206,787.89</u>
Net Other Income	<u>-206,787.89</u>	<u>-206,787.89</u>
Net Income	<u>-79,765.11</u>	<u>-79,765.11</u>