

**Office of the Secretary of State**

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**Subject: Independent Auditor's Report on Applying Agreed Upon Procedures for  
Reviewing Specified Asset Transfers to the State Fair Council.**

Dear Ms. Sumption:

We performed the procedures described below, which were agreed to by management of the Oregon Department of Parks and Recreation (department) solely to assist you in connection with the Oregon State Fair transition of financial assets to the State Fair Council (council). Department management is responsible for ensuring State Fair assets are reasonably calculated and transferred to the council. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the parties specified in 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.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion. 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 information and use of the Oregon Department of Parks and Recreation and is not intended to be and should not be used by anyone other than the specified parties.

*Office of the Secretary of State, Audits Division*

State of Oregon  
June 8, 2015

Enclosure

Cc: Rebecca Jasso, Financial Services Manager  
Bevin Clapper, Internal Auditor-Quality Assurance Coordinator

Management letter No. 634-2015-06-01

# **Enclosure: Agreed Upon Procedures Performed and Results**

## **Background**

The first Oregon State Fair began in 1861 on the banks of the Clackamas River in Oregon City, Oregon. Created and facilitated by the Oregon State Agricultural Society and the Oregon Fruit Growers Association, the first fair included exhibitions of livestock, produce, farming machinery, and domestic manufacturers. The State Legislature did not offer any financial support, but the four-day event broke even and the strong enthusiasm led organizers to realize a larger site was needed for a second state fair the following year. The location of the fair was moved to Marion County in 1862, and over the next several years the fairgrounds were expanded in geographic size, events, and exhibitions.

The State of Oregon became responsible for the fair in 1885 with the creation of the State Board of Agriculture. Today, the Oregon State Fair and Exposition Center (OSFEC) grounds encompass 185 acres and several permanent buildings. The State Fair event has maintained financial success throughout its history, however maintaining the facilities the remainder of the year has become a financial drain on State resources. In 2005, the State Fair was placed under the management of the Oregon Parks and Recreation Department (department). In 2013 the state legislature approved legislation to transition the operation and maintenance of OSFEC to an independent public corporation to promote greater freedom to conduct business and turn OSFEC into a year-round economic asset.

The legislation provided for the establishment of the State Fair Council (council) as an independent public corporation with a statewide mission and purpose. The purpose of the council is to conduct the Oregon State Fair for the education and entertainment of Oregon residents and the promotion, preservation, growth and prosperity of the industries and interests traditionally represented in state fair activities; promote Oregon tourism related to the Oregon State Fair; and encourage residents in all parts of the state to participate in or attend the Oregon State Fair.

The legislation also contained provisions to ensure the transition between the department and the council was expedient and the public interest in the State Fair and fairgrounds property was maintained.

## **Procedures Performed and Results**

1. We agreed to review the department's methodology for determining the value of State Fair fixed assets at January 1, 2015, and the subsequent transfer to the council.

The department provided a detailed list of state fair assets and its written methodology for transferring the book value of the assets to the council. The asset list included vehicles, equipment and servers. The department did not include land or buildings in the list for our review, as those assets were transferred to the Department of Administrative Services.

We recalculated the book value of fixed assets identified by the department to determine whether the valuation appeared reasonable. We reviewed the transactions recorded in the

financial records to ensure the identified fixed assets were removed from the department's records.

We found the department's methodology and subsequent transfers of fixed assets to the council appeared reasonable with the exception of the department expensing a full year of depreciation (6 months before the transfer and 6 months after the transfer of operations to the council). By recording the full year of depreciation, the department understated the book value of the fixed assets at January 1, 2015, in the amount of \$12,355.83.

2. We agreed to review the department's methodology for determining the value of State Fair cash balances at March 1, 2015, and the subsequent transfer to the council.

Although the agreement provided a date of March 1, 2015, for determining the value of State Fair cash balances, we reviewed cash balances back to January 1, 2015, which was the date the council assumed operations of the State Fair.

The department provided its written methodology for determining the cash balances to transfer to the council. The department provided specific treasury account numbers and the financial coding used for identifying the State Fair cash balances that were included in the department's operating account. The department concluded that lottery funds previously allocated to the State Fair and maintained in fund 4425 could not be transferred to the council in accordance with prior legislation; therefore, we did not include lottery funds in our review.

For the specific Treasury accounts attributable to the State Fair, we reviewed the activity recorded in the financial records to determine whether the balances appeared reasonable. For the State Fair cash included in the department's operating account, we reviewed cash maintained in fund 4420. We recalculated the amount retained by the department for outstanding liabilities to determine whether the amount appeared reasonable. We traced the \$42,287.14 retained to supporting documentation, where available. Additionally, we reviewed the transactions recorded in the financial records to ensure the cash balances were removed from the department's records.

We found the department's methodology and subsequent transfer of the State Fair cash balances appeared reasonable.

3. We agreed to review the department's methodology for determining the value of accounts receivable assigned to the State Fair Council as of March 1, 2015, and the subsequent transfer to the council.

Although the agreement provided a date of March 1, 2015, for determining the value of State Fair accounts receivable, we reviewed the receivables back to January 1, 2015, which was the date the council assumed operations of the State Fair.

The department provided its written methodology for determining the value and transfer of receivables to the council. The department maintained State Fair accounts receivable in fund 4420 and provided a detailed listing of accounts receivable by vendor.

We reconciled the department's accounts receivable by vendor listing to the fund 4420 accounting records to determine whether the accounts receivable value appeared reasonable. We traced individual vendor accounts receivable amounts to billing documentation with the exception of three vendor accounts totaling \$55,109.63 for which billing documentation could not be located. Additionally, we reviewed the transactions recorded in the financial records to ensure the identified accounts receivable balances were removed from the department's records.

We found the department's methodology and subsequent transfer of the identified accounts receivable appeared reasonable.