CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE
A. G. Kawamura, Secretary

August 25, 2005 F2005-27

TO: All Fair CEOs

SUBJECT: 2006 Annual Budget

We are pleased to present the 2006 Budget package. The package remains unchanged from the prior year, which should simplify this year's effort for all fairs. Please read the enclosed instructions prior to completing your budget.

Computerized budget forms and worksheets are no longer being provided with this package. All necessary forms and worksheets are available for immediate download on the Division's website at www.cdfa.ca.gov/fe. However, forms and worksheets are available on diskette upon request. Requests can be made by calling our main telephone line at (916) 263-2955.

The budget submittal deadline for fairs ending prior to July 1st is October 20, 2005. Fairs ending between July 1st and December 31st are required to submit their budgets by November 20, 2005. Establishing two submittal deadlines has contributed significantly to our ability to complete the budget review process and distribute base allocations in a more timely fashion.

Local base allocations are still dependent upon budget approval and will continue to be disbursed in installments. The first portion of your allocation may be disbursed as early as November 2005, depending on budget approval date and available cash flow. The remainder of your allocation will be paid in installments prior to June 30, 2006.

We welcome any suggestions on improving the annual budget process in the future. If you have any questions regarding this package please contact me at 916-263-2459, or email at blim@cdfa.ca.gov.

Sincerely,

Bruce Lim, Assistant Director
Division of Fairs & Expositions

Encl.

DIVISION OF FAIRS & EXPOSITIONS
2006 ANNUAL BUDGET

CONTENTS

Enclosed Documents

- 2006 Annual Budget Preparation Guide
- Budget Review Check Sheet
- Check List of items due by budget submittal deadline.

Forms & Worksheets Available via the Internet at www.cdfa.ca.gov/fe

- Budget Forms (Microsoft Excel)
- Budget Worksheets (Microsoft Excel)
- Budget Variance Explanation (Microsoft Word)

Division of Fairs & Expositions

2006 ANNUAL BUDGET

Preparation Guide

This guide is designed to assist fair organizations with the preparation of their 2006 budget. All budgets must be submitted in accordance with the policies in these instructions.

The Importance of Budgeting

The budget is a vital management tool that should be utilized to:

- Plan and progress towards the goals and objectives of the fair organization;
- Facilitate communication between management and the Board of Directors regarding the fiscal direction of the fair;
- Control activities; and
- Measure and evaluate the financial performance of the fair.

Budgeting forces the organization each year to step back from the day-to-day management of the operations and to think more strategically, to think longer-term and to plan. New data about future trends may also be revealed during the budget process when the organization analyzes external data such as local demographics, which can be important when preparing each year's budget.

Budgeting also requires members in different parts of the organization to coordinate their activities and communicate with one another. Budgeting is designed to give management an indication of the actions they are supposed to be taking and to motivate management and employees to take those actions. The budget should act as a basis for controlling activities. For example, by looking at the significant variances of actual performance against budget, management can take the necessary actions to ensure positive variances continue or negative variances are mitigated. Because comparisons of actual results with the annual budget are important, budgetary comparisons are a required element of fair budget submittals.

F&E's Budget Philosophy

The Division of Fairs and Expositions' (F&E) budget philosophy can be summarized as follows:

- Annual budget proposals should be realistic, achievable and consistent with the fair's strategic plan. Without these characteristics, the effectiveness of the budget as a management tool is diminished.

- Budget should reflect a net profit or, at worst, "break even" at year-end. State allocation is included when calculating total revenues.

- While there are wide variations of acceptable planning philosophies, F&E recommends historical trend budgets.

- Significant variances of actual performance against budget should have reasonable explanations.

- Current-year projections and the degree of growth contained within the annual budget proposal should be realistic and reasonable based on past financial trends and performance *(historical trend budgeting).*

- Since a state-wide contingency fund does not exist to finance unforeseen liabilities at fairs, maintaining a reserve balance of 10% to 15% of the fairs' prior year actual expenditures is recommended, *but not required.*

Budget Copies

Submit one (1) original, signed budget and one (1) copy to F&E. Non-DAA fair organizations that are required to present F&E-signed budgets to their host county/agency should submit the additional number of copies needed for signature and indicate the need for return.

Deadline

The budget submittal deadline is as follows:

October 20, 2005 - Fairs ending prior to July 1st

November 20, 2005 - Fairs ending between July 1st and December 31st

For F&E to process your budget in a timely manner, it must be **complete** and **postmarked no later than the fair's applicable due-date noted above.** Budgets are reviewed in the order they are received. F&E suspends the processing of incomplete budget submittals (e.g., missing forms, inaccurate calculations, inadequate justifications, unrealistic projections, etc.) until it has received all appropriate information or documentation.

Base Allocations

The first portion of the base allocations for approved budgets will be distributed as early as November 2005, depending on the budget submittal date, budget approval date and available cash flow. The balance of the funds will be distributed in installments before June 30, 2006.

Below is a summary of 2006 base allocation amounts for your reference:

Fair Classification	2006 Base Allocation
I	$180,000
II	$150,000
III	$124,000
IV	$105,000

V	$40,000
VI-VII	$35,000
Special Events	
Grand National Rodeo (1-A DAA)	$140,000
Great Western Livestock Show (24th DAA)	$50,000
San Benito County Saddle Horse Show	$50,000
Alameda County Fair / SAGE - Agricultural Roots Festival	$50,000

Budget Pages to Submit

Fair organizations must submit the following budget pages *in the order listed*:
(For ease of processing, do not staple pages together; instead please use binder clip on completed package.)

Budget Forms (ALL FAIRS)

- ❑ Pages 1 to 11 — With appropriate signatures
- ❑ Schedule 1-A — Permanent Positions on roster for 2006 (filled, vacant, and proposed)
- ❑ Schedule 1-A2 — Projected Employee Leave Balances
- ❑ Schedule 1-B — Temporary Positions proposed for 2006
- ❑ Schedule 1-C — Contracted Professional Services for 2006
- ❑ Schedule 2 — Property, Plant and Equipment
- ❑ Exhibit 1 — Budget Variance Explanation (with required signatures)

Fair organizations with Satellite Wagering:

- ❑ SW-1 — Summary of Satellite Wagering
- ❑ SW-2 — Satellite Wagering Labor Detail

Fair organizations with Motorized Racing (Fair promoted only):

- ❑ MR — Summary of Motorized Racing
- ❑ MRL — Motorized Racing Labor Detail

District Agricultural Associations (DAAs) only:

- ❑ Exhibit II — Personnel action request for proposed new or reclassified positions

Additional Required Reports (ALL FAIRS):

- ❑ Balance Sheet
- ❑ Income Statement
- ❑ Summary Trial Balance

Procedure for Page 1

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to segregate restricted versus unrestricted net resources as well as investment in capital assets when preparing financial reports. Page 1 of the budget allows the break down of beginning and ending resources into these three categories. The introduction of Schedule 2, Property, Plant and Equipment, facilitates this breakdown by carrying forward the amount invested in capital assets. Formulas are built into page 1 that will automatically calculate available resources. Restricted resources must be manually entered in the appropriate cell.

2004 Audit for Non-DAAs

Non-DAA fair organizations not audited by Department of Food and Agriculture **must** submit a copy of their 2004 audit with the budget submittal. The audit must be conducted by the host county/agency or by a certified public accountant and must meet the host county/agency's requirements.

BUDGET SCHEDULES AND EXHIBIT I

The following schedules and exhibit are part of the complete budget packet. Bullets detail some reminders or items to consider when preparing the forms.

Schedule 1-A, Permanent Positions

- ***DAAs are to use the exact civil service class title (county & non-profit fair associations may use the position working title).***
- Provide all details requested.
- Include all approved filled or vacant positions and any proposed new positions.
- List vacant positions *not being filled*, noted as "vacant," and showing no dollar amount.
- Reflect appropriate salary rates, including anticipated increases/cost of living adjustments (COLAs).
- Show overtime to be paid, in lieu of compensating time off (CTO), as a lump sum line item for each applicable account.
- Support proposed new or reclassified positions on Exhibit II, Personnel Action Request. (DAAs only)

Schedule 1-A2, Employee Leave Balance

Fairs are required to budget annually for the projected year-end adjustment to their liability for vacation, annual leave, holiday credits, Personal Leave Program (PLP), and compensated time off (CTO) for all eligible fair staff. In the past, F&E has directed Fairs to utilize Accounts 24500, Compensated Absence Liability, and 80000, Prior Year Expense Adjustment, when posting the year-end adjustment. Fairs will now post the adjustment to Account 50300, Compensated Leave Expense in lieu of Account 80000. As a reminder, this adjustment may be a debit or credit entry to Account 50300 depending on whether your total liability at year-end is increasing or decreasing, respectively.

Complete Schedule 1-A2 in the following manner:

- List all permanent and seasonal positions.
- Under the columns "Estimated 2005" indicate the estimated 12/31/05 leave balances and hourly pay rate for each position.
- Under the columns "Projected 2006" indicate the projected 12/31/06 leave balances and hourly pay rate for each position.
- The projected 2006 year-end adjustment will be the difference between the end-of-year 2005 liability and the end-of-year 2006 liability. This total will carry to account 50300 on page 6.

NOTE: Some non-DAA fairs may be required to accrue sick leave in addition to the aforementioned liability. Refer to your county or non-profit entity requirements, where applicable.

Schedule 1-B, Temporary Positions

- Include all non-permanent employees and budgeted amounts for any account where temporary wages are allocated.
- ***Include non-testing seasonal positions (civil service 194-day actual time worked [ATW] appointments).***
- Include overtime at time and one-half if fair organization no longer meets criteria for FLSA exemption. Otherwise, overtime should be budgeted at straight-time.
- Provide all detail requested on form.

NOTE: The amounts shown for each account on the schedule(s) must agree with the amounts included in the respective accounts, budget pages 6 through 9.

Schedule 1-C, Contracted Services

- Include all contracted professional services and budgeted amounts for any account where professional services are allocated.
- Provide all detail requested on form.

NOTE: The amounts shown for each account on the schedule(s) must agree with the amounts included in the respective accounts, budget pages 6 through 9.

Schedule 2, Property, Plant and Equipment

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to report the value of their fixed assets (property, plant and equipment) in their financial reports using the full accrual basis of accounting. Under this method, expenditures for capital outlays are reported as assets and depreciation is reported as an expense over the estimated useful life of the asset. Beginning January 2004, all fairs were required to begin depreciating their fixed assets. Therefore, fairs must budget for the estimated depreciation expense for 2006 using account 90000, Depreciation Expense.

Schedule 2 is designed to help fairs plan property acquisition and disposition and, using this data, projects their year-end investment in capital assets. This projection is then carried forward to the ending resources on page 1.

Complete Schedule 2 in the following manner:

- Beginning Property, Plant and Equipment (PP&E) is the total amount of accounts 19000, Construction in Progress; 19100, Land; 19200, Buildings and Improvements; and 19300, Equipment. Do not subtract accumulated depreciation or long-term debt associated with capital assets as these amounts will be deducted later. Enter this amount in the estimated 2005 column.
- Under Acquisitions of Fixed Assets, list any purchases or projects completed or planned for completion in 2005.

- Under Disposition of Fixed Assets, list any assets disposed of in 2005. Disposal of an asset includes sale, theft, loss, or salvage. This would include demolition of an existing structure.
- Under Accumulated Depreciation, January 1, list your January 1, 2005 beginning total for accounts 19210, Accumulated Depreciation-Buildings and Improvements; and 19310, Accumulated Depreciation-Equipment.
- Under Annual Depreciation Expense, enter the estimated 2005 depreciation amount.
- The Accumulated Depreciation, December 31, ending amount will automatically carry to the January 1, 2006 beginning Accumulated Depreciation cell.
- Under Long-Term Debt, enter the estimated year-end amount of all long-term debt associated with PP&E.
- Repeat this process to complete the Proposed 2006 column.

Exhibit 1, Budget Variance Explanation

Budgetary comparisons are a requirement for budget submittals. This includes a comparison of (a) 2005 budget to 2005 estimated results of operations and (b) 2005 estimated results of operations to 2006 proposed budget. As previously mentioned in F&E's Budget Philosophy section, significant budget variances should have reasonable explanations. Significant variances that are not explained may require additional information for final budget approval.

- Report form is prepared in Word® table format.
- Variances are automatically calculated on page 11 of the budget.
- All variances of +/- $10,000 **and** 10% or greater must be explained. The purpose of utilizing both the dollar and percentage variances is to avoid requiring explanations for variances that may be significant in dollar amount, but immaterial as a percentage change and vice versa.
- For variances less than the above criteria, please note in the explanations "No significant change."
- ***CEO and board president must sign form.***

SATELLITE WAGERING

F&E requires each fair organization that operates a satellite wagering facility to budget funds for the exclusive purpose of maintaining the satellite wagering facility at high comfort and aesthetic standards. F&E recommends, at the minimum, an amount equal to the previously CARF-assessed equipment replacement fund.

Satellite Wagering (SW-1) & Labor Detail (SW-2)

- Provide all detail requested on form.
- Include an amount for equipment replacement or sinking fund in account 65405.

MOTORIZED RACING

Fairs that produce motorized racing events are required to complete and submit details of revenues and expenses, and a listing of related labor costs.

Motorized Racing (MR) & Labor Detail (MRL)

- Provide all detail requested on forms.

BUDGET PREPARATION WORKSHEETS

Worksheets designed to *aid* you in the preparation of your budget are in a separate workbook on the disk. These forms are not a *required* part of the budget, but for the organization's use only. ***Please DO NOT submit the following with the budget.***

- **Accrued Revenue & Expense (W-R&E)**
- **Junior Livestock Auction (W-JLA)**
- **Fair Labor Standards Act (W-FLSA)**
- **Employee Benefits and Payroll Taxes (W-EB)**

ADDITIONAL CONSIDERATIONS

Employee Benefits, Employer's Portion (subject to change)

- Social security (OASDI) is calculated at 6.2%; it affects schedule 1-A employees *and temporary employees who exceed 1000 hours in a fiscal year (July through June).* (For more specific information, contact your Human Resources analyst.)
- Medicare or hospital insurance (HI) applies to ***all*** employees and is computed at 1.45%.
- Part-time, Seasonal, Temporary (PST) calculated at the rate of $4.45 per employee, per month and applies to schedule 1-B employees *who work less than 1000 hours in a fiscal year (July through June).*
- Health insurance premiums should be projected at a 3% to 10% increase from actual FY 2004/05. For more specific detail, check with provider.
- Retirement contributions are calculated at applicable rates for the specific tier. *Fair organizations should adjust these rates to the most recent quote from PERS.*
- Other benefits, i.e., dental, vision, long term disability (LTD), etc. should be calculated at the rates specified by the provider; if processed through California Fairs Services Authority (CFSA), a $2.00/employee/month/benefit administration fee is assessed in addition to the premiums.

Insurance Costs

- General Liability.....Contact CFSA for current rates

- Workers Compensation (applies to all employees and volunteers) ..... Contact CFSA for current rates
- Unemployment Insurance (UI)
  Employer's costs *.....Class I-II 0% of total projected UI cost
  ..... Class III-IV 25% of total projected UI cost
  .....Class V-VII 50% of total projected UI cost

* Effective July 1, 2005 as indicated in circular letter F2005-24. UI rates are subject to change pending availability of funds.

ADDITIONAL NOTES

Review Meeting(s)

As a condition of funding approval, F&E *may* request to meet with the CEO and members of the board to discuss the financial condition of the fair organization.

Questions?

Please direct any questions regarding preparation of the annual budget submittal to:

Bruce Lim
Division of Fairs & Expositions
(916) 263-2459
(916) 263-2969 fax
E-mail: blim@cdfa.ca.gov

Division of Fairs & Expositions

2006 ANNUAL BUDGET

Budget Review Check Sheet

You can avoid some of the most common items that slow budget approval by double-checking the following:

- ☐ Do the Actual 2004 figures agree exactly with the 2004 Statement of Operations as submitted to Fairs & Expositions?
- ☐ Do Budget 2005 figures agree with the 2005 Budget approved by Fairs and Expositions? With the exception of beginning resources, these figures must agree exactly with your 2005 approved budget. (Do not include budget transfers.)
- ☐ Does the beginning reserve for Estimated 2005 agree exactly with the ending reserve on the 2004 Statement of Operations as submitted to Fairs & Expositions?
- ☐ Does the beginning reserve for Proposed 2006 agree exactly with the ending reserve from the Estimated 2005 column?
- ☐ Are all pages, schedules, and exhibits complete and contain all required signatures?
- ☐ Did you remember to include the required additional reports (balance sheet, income statement, and summary trial balance)?

Division of Fairs & Expositions
2006 ANNUAL BUDGET CHECKLIST

Check list of the documents to be included with the 2006 Budget.

2006 Operating Budget:

___ Pages 1-11 (Signatures required on page 1)

___ Schedule 1-A, Permanent Positions

___ Schedule 1-A2, Projected Employee Leave Balance

___ Schedule 1-B, Temporary Positions

___ Schedule 1-C, Contracted Professional Services

___ Schedule 2, Property, Plant & Equipment

___ Exhibit 1, Budget Variances (Signatures required)

Reports:

___ Balance Sheet (as of 9/30/05, or 10/31/05 depending on due date)*

___ Income Statement (as of 9/30/05, or 10/31/05 depending on due date)*

___ Summary Trial Balance (as of 9/30/05, or 10/31/05 depending on due date)*

* 9/30/05 for 10/20/05 due date, or 10/31/05 for 11/20/05 due date

Fair organizations with Satellite Wagering Facilities:

___ SW-1, Satellite Wagering detail

___ SW-2, Satellite Wagering labor detail

Fair organizations with Fair-Operated Motorized Racing:

___ MR, Motorized Racing detail

___ MRL, Motorized Racing labor detail

DAAs proposing personnel changes:

___ Exhibit II, Personnel Action Request

Non-DAAs:

___ Copy of 2004 audit

Required signatures must be included for the budget to be processed.