California Department of Food & Agriculture
Fairs & Expositions
2024 ANNUAL BUDGET

Preparation Guide

This guide is designed to assist fairs that are using Fairs & Expositions' (F&E) budget template with the preparation of their 2024 budget. Please note that Fair organizations are not required to use the budget template provided by F&E. Fairs should use a budget template that fits and makes sense for their situation.

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;
- Facilitate communication between management and the Board of Directors regarding the fiscal operation and direction of the fair;
- Control activities; and
- Measure and evaluate the financial performance of the fair.

Budgeting allows the organization each year to step back from the day-to-day management of the operations and to think strategically and long-term. 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.

F&E's Budget Philosophy

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.
- While there are wide variations of acceptable planning philosophies, F&E recommends historical trend budgets, taking into consideration limited or no state support.
- Significant variances of actual performance against budget should have detailed 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***.

Forms Included in the Budget Packet

To provide Fair organizations with planning tools, the budget packet includes many forms as shown below. Please use the forms as needed.

Budget Forms:

❑ Pages 1 to 11	With appropriate signatures (signatures are highly recommended, but are not required)
❑ Schedule 6	Permanent Positions on roster for 2024 (filled, vacant and proposed)
❑ Schedule 6A	Projected Employee Leave Balances
❑ Schedule 6B	Temporary Positions proposed for 2024
❑ Schedule 6C	Contracted Professional Services for 2024
❑ Schedule 7	Property, Plant and Equipment
❑ Schedule 8A	Non-Fair Funds Reconciliations for Capitalized Projects
❑ Exhibit I	Budget Variance Explanation

Fair organizations with Satellite Wagering:

❑ SW-1	Summary of Satellite Wagering
❑ SW-2	Satellite Wagering Labor Details

Fair organizations with Motorized Racing (Fair promoted only):

❑ MR	Summary of Motorized Racing
❑ MRL	Motorized Racing Labor Details

Reporting of Prior-Year Actual & Budget Data

The prior-year STOP and budget data should be transferred to Column 1 and Column 2 of the budget proposal, respectively, without modification.

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 breakdown of beginning and ending resources into these three categories. The introduction of Schedule 7, 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.

Governmental Accounting Standards Board Statement No. 68 on Budgeting

The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. The statement resulted from a comprehensive review on the effectiveness of existing reporting standards for pensions with regard to providing more transparency, accountability and the ability to compare governments for decision makers and users of governmental financial reports. These new standards provide a more comprehensive picture of what state and local governments have promised their employees regarding public pension benefits and the actual associated costs, thus providing a more comprehensive understanding of a government's financial portrait.

Governmental Accounting Standards Board Statement No. 75 (OPEB)

The primary objective of GASB 75 is to improve accounting and financial reporting for postemployment benefits other than pension (other postemployment benefits or OPEB). In a similar fashion to GASB 68, this statement seeks to provide more information to what the state and local governments have promised to their employees regarding other postemployment benefits.

Suggestions for DAAs:
For budgeting purposes, both the pension & OPEB expenses should not be used and the employer's contributions towards the pension plan & OPEB should be reflected in operational expenditures. To limit the impact of GASB 68 & 75 estimates affecting the budgeting process, the Unrestricted Net Position – Pension/OPEB should be kept constant by having the Unrestricted Net Position – Pension/OPEB reflect ending 2022 figures for 2023 and 2024.

Please Note: Regarding STOP reporting (not budget), the pension expense & OPEB expenses will be calculated using figures provided by F&E.

Due to the complexity of integrating expenses related to pension and OPEB liability into the budget, F&E is providing a suggestion to limit the effect of pension liability reporting requirements on the budget. However, in the end, it is the responsibility of the Fair to use a budget template and create a budget that makes sense for them.

BUDGET SCHEDULES, EXHIBIT I

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

Schedule 6, Permanent Positions

- DAAs should use civil service class titles.
- 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.

Schedule 6A, Employee Leave Balance

Fairs should 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 budget template may indicate an adjustment of a debit or credit entry to Account 50300 depending on whether your total liability at year-end is increasing or decreasing, respectively.

Complete Schedule 6A in the following manner:

- List all permanent and seasonal positions.
- Under the columns "Estimated 2023" indicate the estimated 12/31/23 leave balances and hourly pay rate for each position.
- Under the columns "Projected 2024" indicate the projected 12/31/24 leave balances and hourly pay rate for each position.
- The projected 2024 year-end adjustment will be the difference between the end-of-year 2023 liability and the end-of-year 2024 liability. This total will be reported and carried on to account 50300, Compensated Absences Expense on page 6.

If you expect ending 2024 leave balances to be lower for the year, you will end up with a credit on this schedule. For budgeting purposes for this template, it may be best to offset these credits in 50300 account with the total projected leave payout expenses by debiting an expense account (e.g., same 50300 account). This will allow for the net leave expense for the year to be reflected.

Schedule 6B, 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 no longer meets criteria for FLSA exemption. Otherwise, overtime should be budgeted at straight-time.

***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 6C, Contractual Professional Services

- Include all contracted professional services and budgeted amounts for any account where professional services are allocated.

- Please document the actual services being contracted for, not the name of the contractor.

***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 7, Capital Assets

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 2024 using account 90000, Depreciation Expense.

GASB Statement No. 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. requires all public agencies to report. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

Schedule 7 is designed to help fairs plan capital asset acquisition and disposition and, using this data, projects their year-end investment in capital assets. The net year-end investments in capital assets are carried forward to the ending resources on page 1.

Complete Schedule 7 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. This amount should match PP&E before depreciation, December 31 from the fair's 2022 STOP accepted by F&E. Enter this amount in the estimated 2023 column.
- Under Acquisitions of Fixed Assets, list any purchases or projects completed or planned for completion in 2023. Obtain California Construction Authority (CCA) Project Close-out Report when necessary.
- Under Disposition of Fixed Assets, list any assets disposed of in 2023. 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, 2023 beginning total for accounts 19210, Accumulated Depreciation-Buildings and Improvements; and 19310, Accumulated Depreciation-Equipment. This number should match Accumulated Depreciation, December 31 from fair's 2022 STOP accepted by F&E.
- Under Annual Depreciation Expense, enter the estimated 2023 depreciation amount.

- The Accumulated Depreciation, December 31, year-ending amount will automatically carry to the January 1, 2024 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 2024 column. Note that Beginning PP&E and Accumulated Depreciation will be automatically carried from the Estimated 2023 column.
- Similarly to the process for PP&E, the process will be repeated for Intangible Assets. Beginning Intangible Assets should match Intangible Assets before amortization, December 31 from the fair's 2022 STOP. 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 2023.
- Under Acquisition of Intangible Assets, list any acquisitions of intangible assets or planned for acquisition in 2023.
- Under Disposition of Intangible Assets, list any intangible assets disposed in 2023.
- Under Accumulated Amortization, January 1, list your January 1, 2023. This number should match Accumulated Amortization, December 31 from fair's 2022 STOP.
- Under Annual Amortization Expense, enter the estimated 2023 amortization amount.

When budgeting for newly proposed capital projects for your fairgrounds, we strongly encourage you to include priority items identified in your Americans with Disabilities Act (ADA) transition plan.

Schedule 8A, Non-Fair Funds Reconciliation for Capitalized Projects

Please enter all projected non-fair funding anticipated to "Capital Project Reimbursements," account 31900, on this schedule. Separate them out into the appropriate categories and column as listed on the form.

Enter the corresponding capital investment in the appropriate section of the form. If the fair plans to process project funds through its own books (i.e., if the fair pays the vendors directly), enter this information under "Resources Applied (Run through Fair's Accounting System)." If the capital expenditures are expected to be paid directly by outside sources (i.e., CCA), enter this information under "Resources Applied (Paid directly by CCA)." Do not include fair funded expenditures.

"Resources appropriated in prior year" (top of schedule) should be used to reflect resources acquired in a prior year that were previously recorded as deferred revenue, but is now being recognized as revenue in the current year. Deferred revenue is recorded when a fair receives resources in one year, but does not expect to expend the funds on a capital project until a subsequent year. The recognition of the revenue takes place when such funds are ultimately spent on the capital project for which the funds were designated.

Exhibit I, Budget Variance Explanation

Budgetary comparisons should be a part of budget submittals. This includes a comparison of (a) 2023 budget to 2023 estimated results of operations and (b) 2023

estimated results of operations to 2024 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.

- Report form is part of the budget template in Microsoft Excel.
- 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 Additional Reporting fairs, all variances of +/- $5,000 **and** 5% or greater must be explained in detail.
- For variances less than the above criteria, please note in the explanations "No significant change."
- F&E highly recommends that the CEO and board president sign this form.

SATELLITE WAGERING

F&E requires fairs that operate satellite wagering facilities to budget funds for the exclusive purpose of maintaining the satellite wagering facilities at high comfort and aesthetic standards. F&E recommends, at the minimum, an amount equal to the fair's previous annual contribution to CARF's equipment replacement fund.

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

- Provide all details 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 Details (MRL)

- Provide all details requested on forms.

BUDGET PREPARATION WORKSHEETS

Worksheets designed to aid you in the preparation of your budget are available via download on the Departments website www.cdfa.ca.gov/FairsAndExpositions.

Worksheets for budget preparation:

- **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 permanent employees listed on Schedule 6 *and temporary employees who exceed 1,000 hours in a fiscal year (July through June).* For more specific information, contact your HR analyst.
- Medicare/hospital insurance (HI) applies to ***all*** employees and calculated at 1.45%.
- Retirement contributions are calculated at applicable rates for the specific tier. *Fair organizations should adjust these rates to the most recent quote from PERS.*

Insurance Costs

- General Liability ..... Contact CFSA for current rates
- Workers Compensation (applies to all employees and volunteers) ……..…….. Contact CFSA for current rates

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:

Joji Kume
(916) 900-5367
Email: joji.kume@cdfa.ca.gov