

**California Department of Food & Agriculture  
Fairs & Expositions**

**2016 ANNUAL BUDGET**

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**Preparation Guide**

This guide is designed to assist fairs with the preparation of their 2016 budget. Please remember that 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;
- 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 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**

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**.

## State Allocations

An allocation will be disbursed to all class I-X to IV+ fairs, which include District Agricultural Associations (DAAs), county fairs and citrus fruit fairs. The allocation will be 25% of the fair's original proposed 2011/2012 allocation.

### General Allocation per Class Size

CLASS LEVEL	GENERAL ALLOCATION
CLASS I	\$50,920
CLASS I-X *	\$50,411
CLASS II	\$45,828
CLASS III	\$42,009
CLASS III+	\$38,190
CLASS IV	\$35,644
CLASS IV+	\$30,552

\*Schools Involvement Fair is eligible for \$42,009.

Funds will be disbursed to the fair once all the following state requirements/obligations listed below are current:

### Current Year Allocation Requirements

- Letter requesting the allocation in conjunction with board approving the request for allocations
- 2014 Approved Statement of Operations
- 2014 Financial Review or Financial Audit
- Current on all loans/obligations to CDFA
- 2016 Operating Budget with supporting approved board minutes (the submission deadline for this specific requirement is January 31, 2016)

Prior Year Requirements - If submitted, please disregard.

- 2010 Approved Statement of Operations
- 2011 Approved Statement of Operations
- 2012 Approved Statement of Operations
- 2013 Approved Statement of Operations
- 2012 Financial Review or Financial Audit
- 2013 Financial Review or Financial Audit
- 2014 Operating Budget with supporting approved board minutes
- 2015 Operating Budget with supporting approved board minutes
- Current on all loans/obligations to CDFA

State allocations should be recorded as State (local/base) allocations on page 1 of the budget.

## **Training Reimbursements**

A training allocation will be available to all class I-X to IV+ fairs, which include district agricultural associations, county fairs and citrus fruit fairs. The allocation will be based on class size and will be provided on a reimbursable basis. The training allocation is to focus on fair fiscal management, facility operations, animal disease transmission prevention, etiquette training for board members, reducing liability/exposure, enhance program efficiencies and strengthen effective management.

### **Training Allocation per Class Size**

<b>CLASS LEVEL</b>	<b>TRAINING ALLOCATION</b>
<b>CLASS I</b>	<b>\$3,225</b>
<b>CLASS I-X *</b>	<b>\$3,193</b>
<b>CLASS II</b>	<b>\$2,903</b>
<b>CLASS III</b>	<b>\$2,661</b>
<b>CLASS III+</b>	<b>\$2,419</b>
<b>CLASS IV</b>	<b>\$2,258</b>
<b>CLASS IV+</b>	<b>\$1,935</b>

\*Schools Involvement Fair is eligible for \$2,661.

Fairs are eligible to utilize training funds for training registration and travel expenses only for fair staff and fair board members. Training registration fees will be reimbursed first and travel expense reimbursements will be secondary. All travel expenses must follow California travel reimbursement guidelines and all receipts must be provided for reimbursement. Training funds will be reimbursed once sufficient information has been provided to F&E.

Training reimbursements should be recorded as Training Allocation & Other Fiscal & Admin Assistance (F&E), page 1 of the budget.

## **Budget Pages to Submit**

Fair organizations must submit the following budget pages in the order listed:

### ***Budget Forms:***

- |  |   |
|--|---|
| <input type="checkbox"/> Pages 1 to 11 | With appropriate signatures (signatures are highly recommended, but are not required) |
| <input type="checkbox"/> Schedule 6    | Permanent Positions on roster for 2016 (filled, vacant and proposed)                  |
| <input type="checkbox"/> Schedule 6A   | Projected Employee Leave Balances   |
| <input type="checkbox"/> Schedule 6B   | Temporary Positions proposed for 2016   |
| <input type="checkbox"/> Schedule 6C   | Contracted Professional Services for 2016   |
| <input type="checkbox"/> Schedule 7    | Property, Plant and Equipment   |
| <input type="checkbox"/> Schedule 8A   | Non-Fair Funds Reconciliations for Capitalized Projects                               |
| <input type="checkbox"/> Exhibit I     | Budget Variance Explanation (with signatures)   |

### ***Fair organizations with Satellite Wagering:***

- |                               |                                  |
|-------------------------------|----------------------------------|
| <input type="checkbox"/> SW-1 | Summary of Satellite Wagering    |
| <input type="checkbox"/> SW-2 | Satellite Wagering Labor Details |

### ***Fair organizations with Motorized Racing (Fair promoted only):***

- |                              |                                |
|------------------------------|--------------------------------|
| <input type="checkbox"/> MR  | Summary of Motorized Racing    |
| <input type="checkbox"/> MRL | Motorized Racing Labor Details |

### ***Additional Required Reports:***

- Balance Sheet
- Income Statement
- Summary Trial Balance

## **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.

# **BUDGET SCHEDULES, EXHIBIT I**

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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 are to use the exact civil service class 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.

## **Schedule 6A, 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 6A in the following manner:

- List all permanent and seasonal positions.
- Under the columns “Estimated 2015” indicate the estimated 12/31/15 leave balances and hourly pay rate for each position.
- Under the columns “Projected 2016” indicate the projected 12/31/16 leave balances and hourly pay rate for each position.
- The projected 2016 year-end adjustment will be the difference between the end-of-year 2015 liability and the end-of-year 2016 liability. This total will be reported and carried on to account 50300, Compensated Absences Expense on page 6.

## **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.
- Provide all details 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 6C, Contractual Professional Services**

- Include all contracted professional services and budgeted amounts for any account where professional services are allocated.
- Provide all details requested on form.
- 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, 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 2015 using account 90000, Depreciation Expense.

The line item "Less Accumulated Depreciation Disposition of Fixed Assets," was inserted after Accumulated Depreciation, January 1. The purpose of the modification was to reflect the reduction in accumulated depreciation as a result of any capitalized asset disposition.

Schedule 7 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 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 2014 STOP accepted by F&E. Enter this amount in the estimated 2015 column.
- Under Acquisitions of Fixed Assets, list any purchases or projects completed or planned for completion in 2015. Obtain California Fairs Financing Authority (CFFA) Project Close-out Report when necessary.
- Under Disposition of Fixed Assets, list any assets disposed of in 2015. 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, 2015 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 2011STOP accepted by F&E.

- Under Annual Depreciation Expense, enter the estimated 2015 depreciation amount.
- The Accumulated Depreciation, December 31, year-ending amount will automatically carry to the January 1, 2016 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 2016 column. Note that Beginning PP&E and Accumulated Depreciation will be automatically carried from the Estimated 2015 column.

***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 in 2015 to "Capital Project Reimbursements," account 31900, on this schedule. Separate them out into the appropriate categories 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., CFFA), enter this information under "Resources Applied (Paid directly by CFFA)." 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 are a requirement for budget submittals. This includes a comparison of (a) 2015 budget to 2015 estimated results of operations and (b) 2015 estimated results of operations to 2016 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**

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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**

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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**

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Worksheets designed to aid you in the preparation of your budget are available via download on the Departments website [www.cdfa.ca.gov/fe](http://www.cdfa.ca.gov/fe). These forms are not a *required* part of the budget, but for the fair’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**

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### **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 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 \$2.45 per employee, per month (CalHR fee) and applies to Schedule 6B employees who work less than 1,000 hours in a fiscal year (July through June). If this is processed through California Fairs Services Authority (CFSA), a \$2.00 per employee, per month administration fee is assessed in addition to the CalHR fee of \$2.45.
- Health insurance premiums should be projected at a 3% to 10% increase from estimated 2015. For more specific details, 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 CFSA, a \$2.00/employee/month/benefit administration fee is assessed in addition to the premiums. CalHR fees are \$.50 per employee per month for life and supplemental life insurance, \$.80 per employee per month for long-term disability and \$.85 per employee per month for legal services.

### **Insurance Costs**

- General Liability.....Contact CFSA for current rates
- Workers Compensation (applies to all employees and volunteers) ..... Contact CFSA for current rates
- Unemployment Claim Reimbursement (UI)..... Contact CFSA for current rates

### **Minimum Wage**

Effective January 1, 2016, CA minimum wage will be \$10.00 an hour.

## **ADDITIONAL NOTES**

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### **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:

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