

EXECUTING THE BUDGET

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Welcome!

Instructor – D. Lynn Dalton-Nuvamsa

Experience: Business Partner/Entrepreneur,
Community Manager, Banking, Training,
Tribal Accounting, School Accounting, BIA
Accounting, Contract/Grant
Administrator, Cellular Technology,
Realtor®, Tribal Realty, Registrar, mother,
grandmother, wife.



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**This session is intensive,
please limit distractions.**

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Overall Course Objectives

Tribes and tribal organizations often experience difficulty in completing required annual audits; and often face sanctions from Federal funding agencies. Some tribes face a significant amount of unallowable costs.

This session is designed to provide the basics and essentials of how important budgets are for tribes. Designed for Tribal finance, accounting, and program staff to arm them with the knowledge to perform their work more efficiently and effectively.

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Know Your “Fund”

Tribes operate two basic types of Federal awards:

- (1) Discretionary Grants; and
- (2) Entitlement Programs.

Grant and contract rules are different, yet they are the same for each type of Federal award. But what remains unchanged are accounting rules and practices.

Then there is your

- (3) General Revenue, sometimes referred to as “unrestricted” funds

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How Budgets are Executed

Federal rules governing grants and contracts changed in 2013 when the Office of Management & Budget (OMB) issued new regulations. 2 CFR Part 200, also referred to as the Super Circular, made certain changes that affect tribes and their Federal awards.

“Unrestricted” funds may have constraints and are specified in your Accounting & Finance Policies.

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Why Should I Care?

- To arm tribal accounting & finance staff with the knowledge in the principles and fundamentals of accounting and preparing their systems for audits.
- To help tribes complete their annual audits timely
- To alleviate or eliminate the instances of unallowable costs

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Financial Systems

There are multiple financial reporting systems, each has different:

- Purpose
- Requirements
- Users
- Measures
- Components

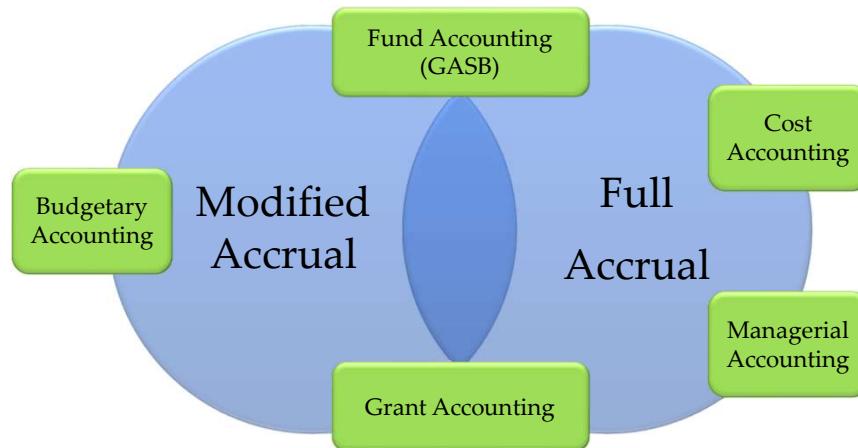
We will focus on Budgetary Accounting

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Financial System Overview



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Financial System Overview

Financial Accounting

Financial Accounting is the only financial system covered by GAAP

Used for preparing financial statements and external reporting

Includes Fund / Governmental Accounting

Uses both full accrual and modified accrual basis

Goal is to capture all financial transactions and closing entries in financial system

Includes government-wide and all component units of the government

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Financial System Overview

Cost Accounting

Used both as an internal system or to provide detailed information for the financial accounting system.

Provides detailed information on project costing

- Ideal for use in construction and renovation projects

Useful for separate tracking of multiple projects

Uses full accrual basis

Project tracking must be set up in GL if intended to be part of financial accounting system



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Financial System Overview

Management Accounting

An internal reporting system that is not required to conform with GAAP

Provides management information for the day-to-day operations

Focus is on internal users:

- Department Managers
- Tribal Council
- CFO

Based on financial accounting system information

- Full accrual basis



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Financial System Overview

Management Accounting

Users include:

- Program / Department managers
- Grant managers
- Team leads
- Tribal Council
- Anyone who needs specific information contained within the accounting system

Examples of reports?

- Aged receivables
- Aged payables
- Budget variance reports
- Cash on hand
- Interim financial statements
- Departmental financial statements



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Financial System Overview

Grant Accounting

A system within the financial accounting system which allows for the separate identification and tracking of restricted funding sources.

Provides for reporting on specific sources and uses of funds

Emphasis is on accountability for use of funds to granting agency



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Financial System Overview

Grant Accounting

Best practices call for:

- Incorporating the grant structure into the CoA
- Integrating the grant structure with the budget process
- Grants structure to provide for level of detail required by grantor

Users include:

- Grant managers
- Granting agencies
- Governments
- Non-profit agencies



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Financial System Overview

Budgetary Accounting

In the private sector, budgetary accounting is a strictly internal function.

In the government sector, budgets are statutory limits on spending, and drive appropriations

Budgets are both internal and external documents.

Need to address statutory requirements as well organizational needs

Must provide detail necessary for tracking and reporting, while still being manageable and provide usable performance measures



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Financial System Overview

Finance vs Accounting

Finance and Accounting are closely related, but different

Finance focuses on management and planning

- Responsible for management of assets and liabilities
- Goal is to grow assets and control liabilities
- Focus is on the future

Accounting focuses on day-to-day activities

- Responsible for accurate reporting of past transactions
- Goal is to maintain compliance with regulations and standards
- Focus is on events that have already happened



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Basic Accounting Concepts

Basic Terms

Debit

Credit

Asset

Liability

Equity

Fund Balance

Balance Sheet

Statement of Net Position

Net Worth

Fund

Expenditure vs Expense

2 CFR 200 (Super Circular
P.L. 93-638 (638))



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Basic Accounting Concepts

Common
Abbreviations

AR
AP
CY
FY

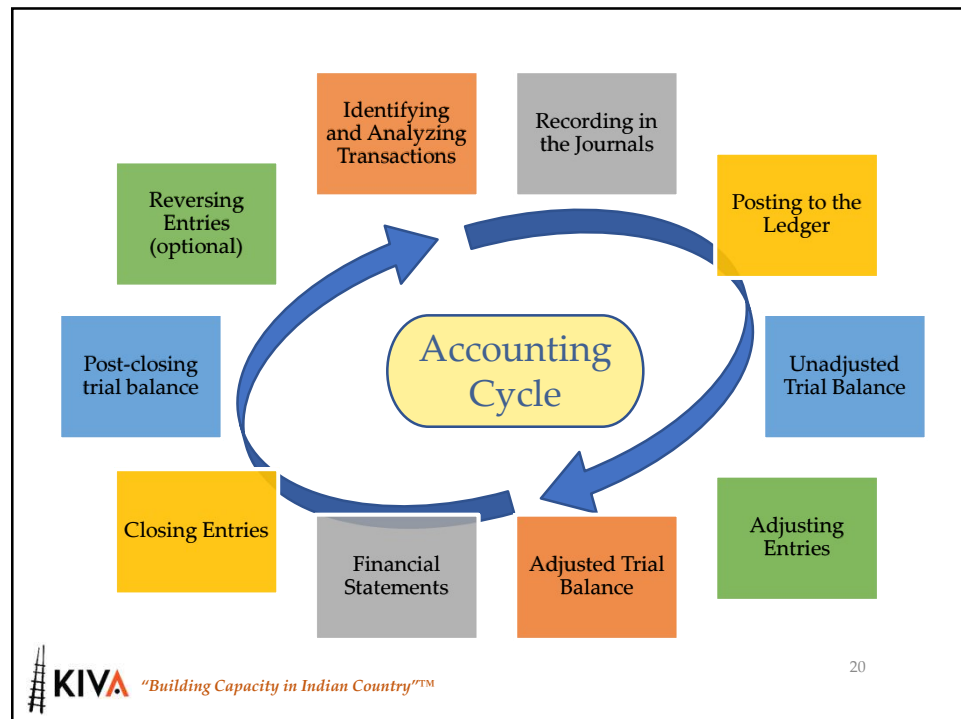
GAAP
GASB
OMB



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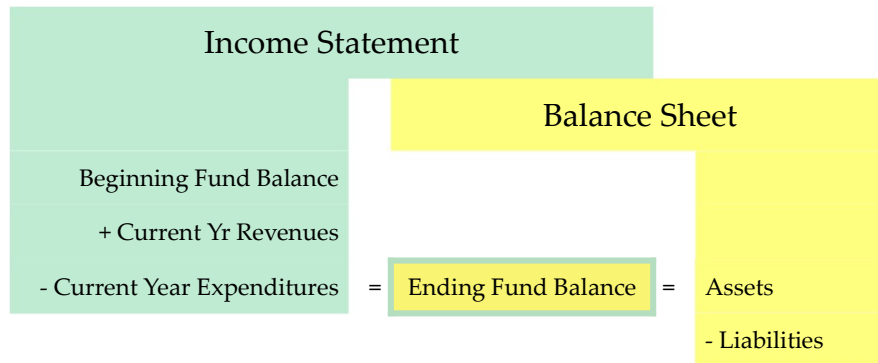


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Basic Accounting Concepts



$$\$45,000 + 185,000 - 190,000 = \$40,000 = 160,000 - 120,000$$

Operating Statement

Balance Sheet

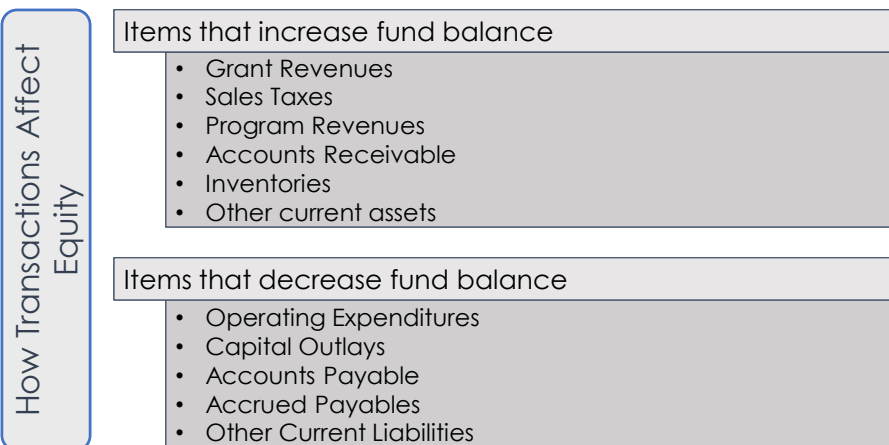
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Basic Accounting Concepts

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Activity – Classifying Accounts

| Account | Account Type | Account | Account Type |
|---------------------|--------------|-------------------------|--------------|
| Insurance | Expense | Vehicles at cost | Asset |
| Bank Charges | Expense | Postage | Expense |
| Bank Loan | Liability | Land | Asset |
| Telephones | Expense | Printing | Expense |
| Creditors | Liability | A/D - Vehicles | Asset |
| Donations Received | ???? | Rent Received | Income |
| Debtors | Asset | Maintenance & Repairs | Expense |
| Depreciation | Expense | Salaries & Wages | Expense |
| Electricity and Gas | Expense | Sales | Income |
| Fundraising Income | Income | Printing | Expense |
| Bad Debts | Expense | Federal Grants Received | ???? |
| Interest Earned | Income | Bank Account | Asset |
| Interest Paid | Expense | Travel advance | ???? |



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Introduction to Government Accounting

- What is Government Accounting
- Does it apply to tribes?
- Why a separate accounting system?
- Standard setting bodies
- Activities of Government



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Introduction to Government Accounting

What is Government Accounting?

A system of financial accounting used by Federal, State, Local governments

Emphasis is on accountability rather than profitability

Also known as fund accounting

Funds are required to segregate funds that need to be kept separate for specific purposes

- In accordance with GAAP, statutes, or grant regulations



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Introduction to Government Accounting

Does It Apply to Tribes?

In order to receive Federal funding, tribes must comply with requirements of 2 C.F.R. 200 & other specific conditions of Federal awards, i.e. P.L. 93-638 and 25 CFR Part 900 or Part 1000

- 2 C.F.R. 200 requires compliance with GAAP
- Also requires an annual audit

Banks require audited financial statements for financing activities

- Audits require compliance with GAAP



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Introduction to Government Accounting

Why a Separate Accounting System?

Governments need to be able to account for all expenditures for each fund as well as a consolidated statement

- This requirement calls for different accounting and financial reporting standards than business entities

Due to budgetary as well as regulatory requirements, the focus is on compliance

- Show that use of funds meets requirements of funding agencies

Varies from for-profit accounting and reporting where the focus is on revenues and profit



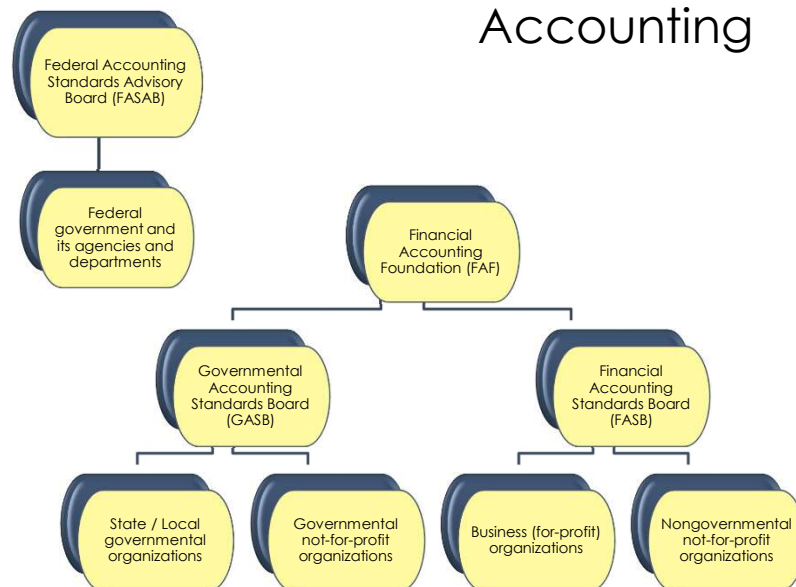
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Introduction to Government Accounting

Standards Setting Bodies



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Introduction to Government Accounting

Activities of Government

Government activities are broken into three categories by GASB:

Governmental Activities

- Types and levels of service vary from government to government
- Administrative Support
 - Tribal Council
 - Executive Director / CEO / Administration
 - Personnel / HR
 - Finance
- Core Government Services
 - Police / Fire
 - Cultural
 - Recreation
 - Public Works



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Introduction to Government Accounting

Activities of Government

Government activities are broken into three categories by GASB:

Business Type Activities

- Intended to be self-sufficient or primarily supported by user fees
- includes any Tribally operated business, as opposed to those operated by a separate business or economic development council:
 - Tribally operated utilities
 - Tribal housing
 - if not under a Housing Authority
 - transportation systems
 - recreation facilities



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Introduction to Government Accounting

Activities of Government

Government activities are broken into three categories by GASB:

Fiduciary Activities

- Agent or Trustee relationship
- Only those that benefit individuals, private organizations, or other governments are reported as fiduciary activities:
 - Per-cap payments held until minor turns 18
 - self insurance funds
 - employee retirement, other benefit funds
 - passthrough grant funds



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Chart of Accounts



What is a Chart of Accounts

Developing a Chart of Accounts

Activity – Developing a CoA

Coding Transactions



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Introduction to Government Accounting

What is a Chart of Accounts?



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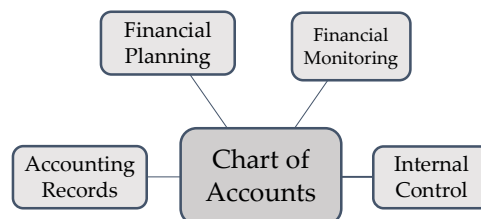
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Introduction to Government Accounting

what is a chart of accounts

A logical framework for recording and reporting financial information

- Provides a connection between the financial system and the budget
- Creates consistent readable financial reporting
- Facilitates the audit process
- Identifies the fund type: governmental, enterprise, or fiduciary



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Introduction to Government Accounting

developing a CoA

The CoA structure will vary by government

The number of accounts will be determined by:

- Amount of financial detail required
- Types of services offered

Key is to set up the MINIMUM number that will

- Provide management information
- Meet external reporting needs

Needs to be flexible for future needs

- Leave room in the numbering scheme for adding additional codes

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Introduction to Government Accounting

Developing a CoA

Account structure will be determined by:

- Accounting system
- Reporting requirements
- Management information needs

Account structures have common elements

- Segments – dimensions of accounts that provide different information
- Format – within the CoA, all account codes will be the same length and have same format
- Order – accounts are arranged in a consistent order according to financial statement presentation: assets, liabilities, equity, revenue, expenditures

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Introduction to Government Accounting

Developing a CoA

Common Segments:

Fund – Dept – Prog – Obj – Sub-Obj – Other – Line

Not every segment will be used by every government

Segments can/should be customized to fit organizational needs



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Introduction to Government Accounting

Coding Transactions

Balance sheet accounts generally require fewer segments than income statement accounts, making them easier to code.

- Required segments will generally be fund, department, program and object
- Additional segments will not generally be used for balance sheet accounts

Operating statement accounts generally require more segments than balance sheet accounts, making them more complex to code.

- Most of the segments will be required
- Optional segments will be limited and may depend on the department or program

Training of staff responsible for coding of transactions is important to maintain consistency and accuracy

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Introduction to Government Accounting

Coding Transactions

Balance Sheet Coding:

| | |
|----------------|-----------------------|
| Fund | General |
| Dept | Administration |
| Prog | Finance |
| Obj | Inventory |
| Sub-Obj | (not used) |
| Grant | (not used) |

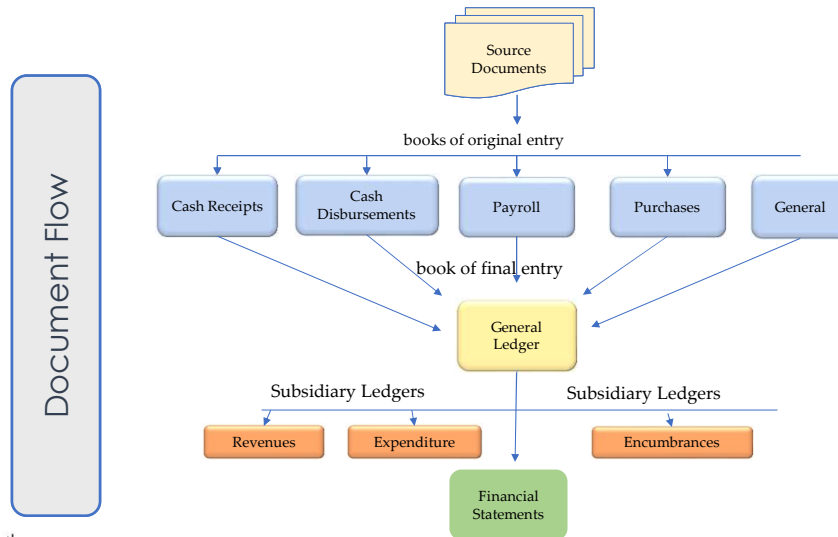
Introduction to Government Accounting

Coding Transactions

Operating Statement

| | |
|----------------|------------------------|
| Fund | Restricted |
| Dept | HSS |
| Prog | Social Services |
| Obj | Supply Expense |
| Sub-Obj | Office Supplies |
| Grant | State Grants |

Accounting Records

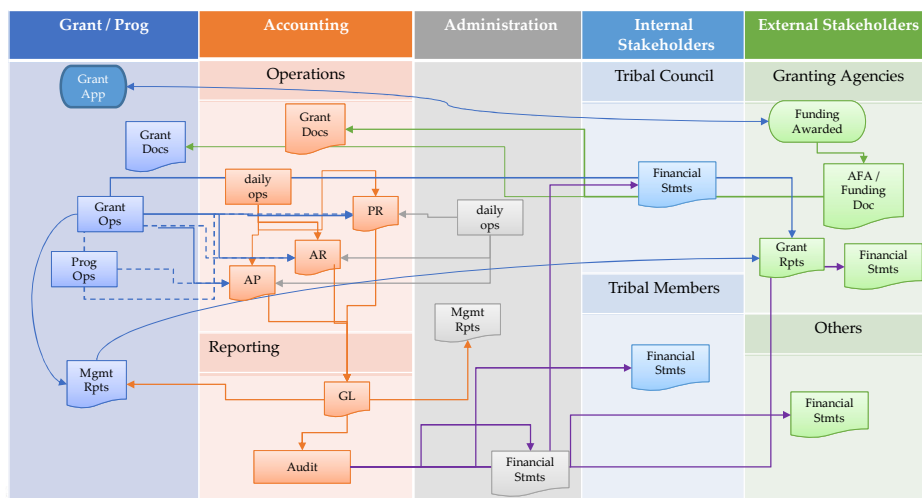


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Work Flow



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Accounting Records

Source Documents

Source documents are the supporting documents for financial transactions:

- Invoices
- Deposit slips
- Time sheets
- Loan documents
- Purchase orders
- Journal entry forms
- Travel forms
- Other forms required by the government



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Accounting Transactions

Cash Receipts

Cash Disbursements

Cash Inflows

Cash Outflows

Generally associated with payment of accounts receivable

Payment of bills and operating expenses

Can also refer to any cash received including revenues

Payment of accounts payable as well as other cash payments



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Accounting Transactions

Receivables

Receivables are amounts owed to an organization

Classified as current or long-term

Current:

- Accounts receivable
- Deposits
- Employee advances
- Current portion of notes/loans

Long-term:

- Notes / Loans receivable



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Accounting Transactions

Payroll

Payroll is both an expense and a liability

Amounts owed to employees for their time and effort

Multiple expenses associated with payroll:

- Payroll expense
- Employment taxes
- Employee benefits

Multiple liabilities associated with payroll:

- Payroll payable
- Withholding taxes payable
- Employment taxes payable
- Other withholdings from employee paychecks



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Accounting Transactions

| Transaction Type | Balance Sheet | | Fund Balance | Income Statement | |
|--------------------|---------------|-------------|--------------|------------------|----------|
| | Assets | Liabilities | | Revenues | Expenses |
| Cash Receipts | Offset | | n/a | | |
| Cash disbursements | Decrease | Decrease | n/a | | |
| Receivables | Increase | | Increase | Increase | |
| Liabilities | | Increase | Decrease | | Increase |
| Payroll | | Increase | Decrease | | Increase |
| Adjustments | various | | | | |

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END
Thank You
Any Questions?

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