

Goals & Outcomes of Tribal Financial Management



**GETTING STARTED
GUIDE FROM FSA-AG**

GOALS OF TRIBAL GOVERNMENT FINANCIAL MANAGEMENT

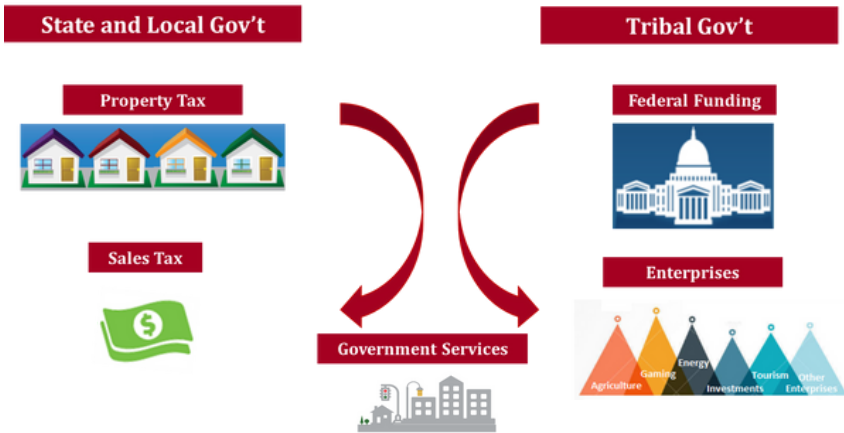
Simply put, the primary goal of Tribal Government Financial Management is to grow the tribal economy to ensure essential government functions are carried out in perpetuity.

Additional Goals Include:

- Providing relevant information to citizens that will result in greater accountability by the Tribe.
- Enhancing the understandability and usefulness to users of financial statements.
- Enabling users of financial statements to make more informed economic, social, and political decisions.
 - Tribal Leadership
 - Tribal Executives
 - Federal Agencies and Other Grantors
 - Lenders, Investors, and Creditors
 - Tribal Members/Citizens

FUNDING THE TRIBAL GOVERNMENT

The funding of the tribal government looks different than state and local governments. State and local governments rely primarily on property tax and sales tax. While tribal governments can tax their tribal members, this is not a significant revenue source. Tribal governments tend to focus on federal funding and enterprises that are owned by the tribal government that transfer dollars back to the tribal government for operation.



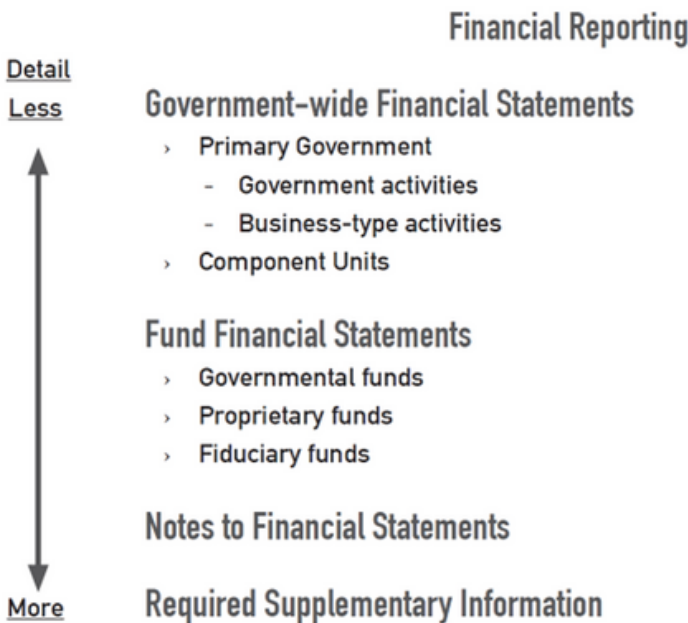
HOW DOES THE TRIBE OPERATE?

AS WE THINK ABOUT THE OVERALL OPERATIONS, TRIBAL GOVERNMENTS HAVE A MORE COMPLICATED VIEW TO THINK ABOUT WHEN IT COMES TO TRIBAL FINANCIAL MANAGEMENT.

- Governmental activities are generally funded through the tribe's enterprises, grants, contracts, and enterprises.
- Business-type activities are funded by fees charged to external parties for goods and services at the tribe's enterprises.
- Fiduciary activities are those resources at a tribe that are not available to fund government programs such as minor's trusts or pensions, which are typically funded by business-type activities.

Below: NAFOA Orange Book, Page 14

Figure 2-1: Governmental Financial Reporting Model

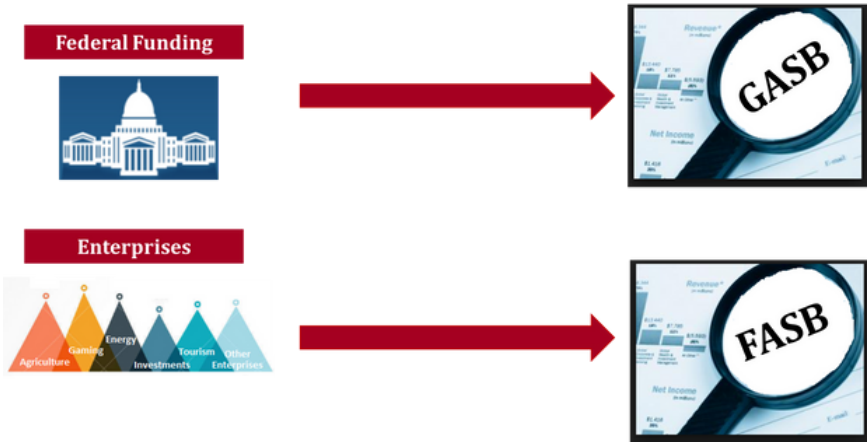


FUNDING THE TRIBAL GOVERNMENT: IMPACT ON REPORTING

When we look at the funding for the tribal government and the impact that it has on financial reporting, we have to consider different rules and government and accounting standards.

FEDERAL FUNDING: GASB RULES Governmental Accounting Standards Board

ENTERPRISES: FSAB RULES Financial Accounting Standards Board



GASB V FSAB FINANCIAL STATEMENTS



GASB (Governmental)

GOVERNMENTAL ACCOUNTING STANDARDS

- Statement of Net Position
- Statement of Activities
- Net Position

FASB (Non-Governmental)

FINANCIAL ACCOUNTING STANDARDS

- Balance Sheet
- Income Statement
- Statement of Cashflows
- Equity Ownership

GASB example

	Program Expenses		Capital		Program Operations		Competition
	Change for	Opening	Contribution	Contribution	Analysis	Analysis	
Revenue/Program							
Governmental activities							
Community services	\$ 4,764,130	\$ 702,000	\$ 5,944,000	\$ -	\$ (2,624,130)	\$ -	\$ (2,624,130)
Public works	5,764,000	192,000	2,400,000	179,000	1,509,000	2,329,000	2,329,000
General government	1,764,718	-	600,000	-	2,478,718	2,478,718	2,478,718
Education	5,075,000	-	2,225,000	-	2,540,000	-	2,540,000
Public safety	1,364,148	-	3,000,000	-	2,700,000	-	2,700,000
Health services	1,224,000	-	-	-	1,224,000	-	1,224,000
Economic development	1,324,000	-	375,000	-	1,700,000	-	1,700,000
Cultural and recreation	900,000	-	300,000	-	600,000	-	600,000
Interest on long-term debt	150,000	-	300,000	-	150,000	-	150,000
Capital assets (See Note 2)	142,707	-	-	-	142,707	-	142,707
Contributions in kind (See Note 3)	-	-	-	-	-	-	-
Capital assets	224,400	-	-	-	224,400	-	224,400
Financial assets	200,000	-	-	-	200,000	-	200,000
Contributions in kind (See Note 3)	-	-	-	-	-	-	-
Total governmental activities	\$ 24,471,000	\$ 894,000	\$ 14,339,000	\$ 179,000	\$ 18,273,000	\$ 2,329,000	\$ 2,329,000
Business-type activities							
Camping	28,112,000	1,620,000	-	-	29,492,000	23,488,000	23,488,000
Other	1,417,000	178,000	-	-	1,595,000	160,000	160,000
Total business-type activities	\$ 29,529,000	\$ 1,798,000	\$ -	\$ -	\$ 31,017,000	\$ 23,648,000	\$ 23,648,000
Total primary government	\$ 54,000,000	\$ 3,092,000	\$ 14,339,000	\$ 179,000	\$ 49,290,000	\$ 25,977,000	\$ 25,977,000
Component units							
Housing Authority	\$ 1,214,000	\$ 784,000	\$ 363,000	\$ 1,341,000	\$ -	\$ -	\$ 1,341,000
Total component units	\$ 1,214,000	\$ 784,000	\$ 363,000	\$ 1,341,000	\$ -	\$ -	\$ 1,341,000
Special districts							
Water	-	-	5,115,000	-	5,115,000	-	5,115,000
Sanitation services	-	-	4,700,000	-	4,700,000	40,700	40,700
Other	-	-	397,000	-	397,000	-	397,000
Rating in carrying of component unit	-	-	1,500,000	-	1,500,000	-	1,500,000
Classification from primary government	-	-	-	-	-	-	-
Capital assets							
Financial assets	-	-	20,300,000	-	20,300,000	-	20,300,000
Other	-	-	1,341,000	-	1,341,000	-	1,341,000
Total special districts and component units	\$ 1,214,000	\$ 784,000	\$ 26,953,000	\$ -	\$ 28,504,000	\$ 40,700	\$ 40,700
Change in net position	\$ 3,737,000	\$ 1,416,000	\$ 12,725,000	\$ 179,000	\$ 17,057,000	\$ 23,648,000	\$ 23,648,000
Net position - beginning	\$ 20,734,000	\$ 1,676,000	\$ 1,614,000	\$ 179,000	\$ 18,539,000	\$ 2,329,000	\$ 2,329,000
Net position - ending	\$ 24,471,000	\$ 3,092,000	\$ 14,339,000	\$ 179,000	\$ 49,290,000	\$ 25,977,000	\$ 25,977,000

FASB example

Income Statement		
For the year ended 30 June 2011		
REVENUE	\$	\$
Sales		250,000
Cost of Goods Sold		
Opening inventories (as at 1 July 2010)	40,000	
Add purchases	100,000	
Add freight-in and customs duty	10,000	
Less closing inventory (as at 30 June 2011)	60,000	
Less Cost of Goods Sold		90,000
Gross Profit		160,000
Add other operating revenue		
Rent received	3,000	
Commission received	2,000	
Total Revenue		165,000
LESS OTHER OPERATING EXPENSES		
Selling & Distribution expense		
Advertising	5,000	
Public Relations	2,000	
Website marketing	7,500	
General and Administrative expenses		
Depreciation	10,000	
Electricity	1,500	
Insurance	1,000	
Rent expense	30,000	
Wages & salaries	46,500	
Financial expenses		
Bad debts	1,500	
Total expenses		105,000
NET PROFIT (EBIT)		60,000

WHEN IS AN AUDIT REQUIRED FOR A TRIBE?

As we are thinking about all of these elements and considerations for tribal financial management, an important aspect of all of this and the need for such stringent control of tribal financial management is to ensure that a tribe can be audited in a clean manner. So, let's take a look at when an audit is required for a tribe.

- The Tribe's constitution or other organizing documents require an audit.
- The Tribe receives more than \$750,000 in federal awards.
- The NIGC requires it for licensed gaming properties.
- The Tribe's lending agreements or SEC financing requires it.
- The Tribe's compact with its state (State Gaming Agency) requires it.
- The Tribe has a telecom entity and the FCC requires it.
- Other special audits for specific procedures, such as a Revenue Allocation Plan, Pension Plan, etc.



AUDIT OPINIONS

TYPE OF REPORT	INTERPRETATION
Unmodified Opinion	Financial statements taken as a whole present fairly the financial position, results of operations, and cash flows in conformity with GAAP.
Qualified Opinion	Except for the effects of a particular matter, the financial statements present fairly the financial position, results of operations, and cash flows in conformity with GAAP.
Adverse Opinion	Financial statements do not present fairly the financial position, results of operations, and cash flows in conformity with GAAP.
Disclaimer of Opinion	Auditor does not express an opinion.
Dual Audit Opinion *Unique to Tribes that issue GASB and FASB.	Auditors issue 1) an adverse opinion on generally accepted accounting principles (GASB) financials and 2) a clean opinion on compliance with FASB standards.

PLEASE NOTE:

This resource is provided as an educational supplement only.

THE FSA-AG TEAM ENCOURAGES ADDITIONAL INDEPENDENT REVIEW OF YOUR TRIBE'S FINANCIAL POLICIES, PROCEDURES, CONSTITUTION, GOVERNING DOCUMENTS, AS WELL AS LOCAL/STATE ORDINANCES, FEDERAL GUIDANCE, ETC. TO ADDRESS SPECIFIC QUESTIONS AND SITUATIONS PERTAINING TO YOUR TRIBE'S FINANCIAL MANAGEMENT NEEDS & PRACTICES.

MEET THE TEAM

THIS RESOURCE IS BROUGHT TO YOU BY THE FSA-AG
TRIBAL ADMINISTRATIVE SERVICES TEAM



JUSTIN LEPCIER

Director, Tribal Administrative Services
Menominee Indian Tribe of Wisconsin



JENNA WILLIAMS

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