

YAKUTAT TLINGIT TRIBE	Financial Management System	
Subject: BUDGETING	No. 2.1 through 2.3	Effective date: September 9, 2011

2.1 BUDGET PROCESS

A budget is a plan for the coordination of resources (as of money or manpower) and expenditures; especially such a plan covering a definite period of time. The operating budget is the overall plan that identifies the expected resources and expenditures for a given future period, usually one year, and that reflects the nature and source of these resources and expenditures.

The major functions of management include establishing a plan, executing it, monitoring and controlling activity based on the plan, and evaluating the results. The operating budget is a detailed financial plan that reflects the objectives stated in YTT's operating plan. It is a management tool for analyzing results, and controlling resources and expenditures.

Management must be able to assess the current and future operating environment as that environment will affect YTT's long-range goals and objectives. Because the budget reflects the short-term activity that is required to meet long-range goals, it is frequently used for both internal and external communications. For example, statements to regulators and others concerning future actions should be based on a decision to include that action in a budget. What is communicated and how it is communicated are important reflections of the Tribe's management. Therefore, a budget is not only a basic tool for management control but also a basic document for internal and external communication.

The planning process has three distinct parts: strategic, or long-term planning, operational planning, and budgeting. Strategic planning is long term in the sense that it defines YTT's direction, that is, where the Tribe should be many years hence, and its priorities. YTT's mission statement outlines this strategy in the broadest sense. The strategic plan describes how the Tribe will attain the broad goal described in its mission statement.

Operational planning is the development of specific, measurable goals that reflect the step-by-step implementation of the broad goals during a short-term period, for example, the forthcoming budget year. The operational plan is the responsibility of line management, with direct involvement of department directors and other responsibility center managers. This activity and the budget process are interrelated. The budget may be currently viewed as the operational plan expressed in terms of dollars.

The evolution of the planning-budget process promotes a more systematic method of management reporting and accountability at all levels. It also produces a unified and more clearly understood frame of reference for future planning and budgeting. Ultimately, the process should strengthen management's ability to anticipate and respond in an increasingly complex and regulatory environment and to further public understanding and acceptance of the Tribe's role in the community it serves.

COMPONENTS

The basic objectives of the operating budget process are to develop a document that:

- Defines in monetary terms the policies and plans of the Tribe.
- Provides a basis for evaluating the financial performance of the plans.
- Provides a useful tool for the control of costs.
- Presents a tool for communicating short-range plans and financial requirements within the organization and externally to YTT's members.

## BUDGET PROCESS

### Step 1. Long-Range Planning

The long-range goals and objectives are reviewed and a new updated operating plan is developed.

### Step 2. Budget Format and Guidelines

The General Manager, working in conjunction with the CFO, determines the revenue budget for the year. Preliminary assumptions are discussed and the budget schedule is decided upon.

### Step 3. Detailed Personnel and Operating Budgets

Direct Labor positions are projected by fund, department, job class, grade, and shift. Projections will encompass the previous year's labor budgets, approved additional positions and/or deletions since that time. Direct labor budgets will be compared to the current payroll files. Requests for additional positions must be calculated on a separate labor budget form.

### Step 4. Calculation of Fringe and Taxes

All budget worksheets are submitted to the General Manager. Direct Labor budgets are calculated for fringe and taxes. These calculations are based on average percentages taken from historical data. Budgets are then summarized and returned to departments.

### Step 5. Operating Budgets

The General Manager meets with department heads to determine the approved operating budgets. The approved budgets are submitted for data entry.

The operating budgets for several major funds, including the BIA and IHS compacts and the Clinic's 3<sup>rd</sup> party billing fund require the review and approval of the Council.

### Step 6. Budget Modifications

Budget Modifications are submitted to the CFO for data entry and processing. All Departments requesting budget modifications for additional funds must have the signature of the General Manager.

## REPORTING

Monthly Budget reports are prepared and distributed by the Chief Financial Officer. These reports compare budgeted revenues and expenditures to actual. A summary report will be sent along with the break-down to the Council.

## GRANTS

All grant application budgets must be reviewed by the General Manager. Copies of the grant application and subsequent grant awards shall be forwarded to the Accounting department.

### 2.2 INDIRECT COST ALLOCATION

Establishment of an effective indirect cost plan and allocation process requires a clear understanding of the nature of indirect costs.

All costs within an organization, institution, etc. can be classified as either direct or indirect costs of a particular cost objective. Cost objectives vary according to the type of activity (i.e. project, service, or other major activity). For YTT, the particular cost objective to be used is a grant/fund type, since this is the major type of activity YTT has. Almost every grant YTT receives has both direct and indirect costs assignable to it. These two cost components making up the total cost of the grant or award.

A direct cost of a grant or award is one which can be identified specifically with the grant. It is a cost which is incurred solely for the purpose of conducting the activity for which the grant is intended.

An indirect cost is one which cannot be readily identified or attributed specifically to the grant. It is a cost which is incurred for the benefit of two or more grants. For example, within YTT, computer expense can be classified as an indirect cost of any of the grants the Tribe receives. Therefore, it is proper that all grants have some responsibility of paying for the computer and related expenses. Likewise, all grants benefit from the presence of the YTT General Manager, therefore, that salary can be considered an indirect cost.

By considering and listing all costs directly attributable to each grant, and likewise all remaining costs of YTT which benefit more than one grant, a segregation of direct and indirect costs is easily made.

An indirect cost proposal shall be prepared annually and approved by the federal cognizant agency.

### 2.3 BUDGET MODIFICATIONS

Budget revisions are permitted to re-budget within the approved direct cost budget to meet unanticipated requirements and program directors may make limited program changes with approval of the General Manager.

## PROCEDURES

During the course of the budget period, adjustments may be necessary to allow for over and under financial items. Revisions to line items within the individual budgets is allowed with the approval of the General Manager. Increases are only allowed as revenues dictate (such as modifications to a contract

specifically earmarked for a program) and must be approved by the General Manager. Revisions which transfer money between funds must also have the approval of the General Manager.

A Budget and Expense Revision request must be filled out and signed by the program director and submitted to the General Manager.

All budget revisions for federal funds must comply with OMB circular A-110. All re-budgeting requests requiring prior approval from the awarding agency must be signed by the General Manager. A signed copy of the re-budgeting request must be forwarded by the program director to the Accounting Department.

Under State of Alaska, DHSS, Section 7 AAC 78.260 stipulates the following:

(f) Subject to 7 AAC 78.180(a) (4) and 7 AAC 78.280(b) , the grantee may reallocate grant money between budget categories within the total budget of a grant project to meet unanticipated expenditures necessary to the successful continuation or completion of the grant project. To reallocate grant money under this subsection, the grantee must

(1) receive department approval before reallocating an amount that exceeds 20 percent of a budget category that is increased by the reallocation, or \$50,000, whichever is less;

(2) notify the department within 30 days after the end of any quarter during which the grantee reallocated an amount that is not subject to (1) of this subsection.

(g) Except as provided in (h) of this section, the grantee must submit to the department a request under this section for approval to reallocate money between budget categories within the total budget no later than 30 days after the end of the grant period.

(h) A grantee may submit a request for a retroactive line-item budget revision if an audit conducted under 7 AAC 78.230 discloses line-item expenditures that exceed the limit allowed under (f)(1)(A) of this section. The department may approve a revision under this subsection if

(1) the grantee justifies the overexpenditures as necessary to meet program goals and the desired outcomes of the grant project;

(2) the expenditures are allowable costs under 7 AAC 78.160; and

(3) the grantee has no other source of income to pay the overexpenditures.

(i) A grantee may reallocate grant money between a direct cost budget category and an indirect cost budget category only to the extent allowed by any federally-approved indirect cost rate agreement.